



CANADA

House of Commons Debates

VOLUME 135 • NUMBER 176 • 1st SESSION • 36th PARLIAMENT

OFFICIAL REPORT
(HANSARD)

Monday, February 8, 1999

Speaker: The Honourable Gilbert Parent

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HOUSE OF COMMONS

Monday, February 8, 1999

The House met at 11 a.m.

Prayers

• (1100)

POINTS OF ORDER

ORDER PAPER QUESTIONS—SPEAKER'S RULING

The Speaker: I am ready to make a ruling on the point of order raised on December 8, 1998 by the hon. member for Delta—South Richmond concerning Questions on the Order Paper.

First of all I want to thank the member for raising the matter. I also want to acknowledge the contributions made by the hon. House leader of the opposition, the hon. member for Winnipeg—Transcona, as well as the Parliamentary Secretary to the Leader of the Government in the House.

If I may, I wish to express my appreciation to the Deputy Chairman of Committees of the Whole who acted on my behalf to deal with the point of order raised at the time.

In his submission the hon. member for Delta—South Richmond presented arguments concerning three separate issues relating to Questions on the Order Paper. These are: first, the length of the questions; second, the number of questions allowed and the length of time taken by the government to answer the questions; and third, as the member stated, “failure to receive factual answers”.

The hon. member brought up this matter as a point of order. For the benefit of all members and the listening public, a point of order is a question raised with respect to any departure from the standing orders or customary procedures either in debate or in the conduct of the House or committee business. In this case the member alleges that Standing Order 39 has not been properly complied with.

[*Translation*]

Standing Order 39 has several components. Members may place up to four questions on the *Order Paper* and may request that the government provide a response within 45 days. In addition, this Standing Order gives the Clerk, acting for the Speaker, the

authority to ensure that questions are concise and coherent and to order that certain questions be posed separately.

[*English*]

I will now address each of the three distinct issues submitted by the hon. member.

As the first point of his presentation, the hon. member alleged that his written question submitted on October 28 was refused because it was too lengthy. He argued that the standing orders do not provide the Clerk with any guidance on the division of questions and therefore there was no authority to divide his question. The member also reflected on the manner in which the question was handled by those responsible for the order paper.

• (1105)

[*Translation*]

Before I give consideration to the procedural dimension of this particular aspect of the point of order, I must take issue with the way in which the member expressed his frustration with the handling of his question. As so eloquently stated by my colleague the Deputy Chairman of the Committees of the Whole:

[*English*]

The people working for parliament work for parliament. They do not work for one party or another. They have a specific job that is mandated to them to make sure that the questions are in a form which may be responded to.

[*Translation*]

I want to assure all members that the staff of the House of Commons aim for the highest level of competence and professionalism in the services they provide to members in support of their parliamentary activities. Most importantly, I must attest to the impartiality of the Clerk's staff. As I am sure all hon. members do, I have complete confidence in these employees and the way in which they discharge the important duties they have been assigned.

[*English*]

That being said, I will now turn to the procedural issue at hand, the dividing of a written question. Standing Order 39(4) limits to four the number of questions a member may have on the order paper at any one time. As pointed out by the hon. member for Winnipeg—Transcona, this rule has its origins in the 1985 report of

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the Special Committee on Reform of the House of Commons, which is commonly known as the McGrath committee.

In return, there was a provision that the government would, upon request, reply within 45 days. The committee expressed concern that members might try to circumvent the limit of four by submitting questions containing numerous subquestions. The McGrath committee proposed that the Clerk should have the authority to reject outright or to split into separate and distinct questions those that contain unrelated subquestions.

I concur with my predecessor, Speaker Fraser, when he ruled on June 14, 1989, that although not explicitly outlined in the standing orders the Clerk must apply more rigorously the provisions of Standing Order 39(2) and have the authority to order certain questions to be posed separately, as was recommended in the McGrath report.

I have reviewed the question as originally submitted on October 28 by the hon. member for Delta—South Richmond and have found that proper procedures were followed and that the recommendations to divide his question were made according to Standing Order 39(2) and based on the precedents of this place.

The member contended that the length of his question prompted its suggested division. In my opinion this recommendation to divide the question was not an arbitrary one. The issue was not the length of the question but rather the fact that it contained unrelated subquestions. The subquestions may be linked from the member's point of view but are in reality separate and distinct questions.

As with any interpretation of rules there is unavoidably an element of judgment involved. In this case judgment was properly exercised and, if anything, a certain latitude was given to the member.

Guided by the many years of practice in the application of this standing order dealing with the conciseness and coherence of order paper questions, House officials are always willing to assist members with the editing of their questions and to discuss with them or their staff any issue that may arise.

I will now proceed to the second issue raised by the hon. member's point of order: the number of questions allowed and the length of time taken by the government to answer the questions.

[*Translation*]

The member stated that, by not answering his questions within the 45 days allotted by the Standing Orders, the government prevented him from asking questions due to the limit of four, and that his ability to ask a further question was thereby undermined.

The member raises a valid concern, one that has been raised many times in the past. However, the Standing Orders do not require the government to provide a response within 45 days.

While the Chair sympathizes with the member, previous Speakers have ruled that there is no particular sanction that the Chair can use to force the government to meet this deadline. I refer members to the *Debates* of May 18, 1989, at page 1891, where Speaker Fraser indicated that:

—I cannot order the government to produce those documents or answers within 45 days—

● (1110)

[*English*]

Having said that, let me remind all members that there must be a balance between the requirements of the members asking the questions and the government which provides the answers. As I had remarked in my ruling on February 9, 1995, found in the *Debates* at page 9426:

It is incumbent upon all those involved on both sides of the process . . . to ensure that every care is taken so that these exchanges remain as fruitful and as useful as possible.

I would expect that the government would make every effort to respond within 45 days if so requested and that members would craft their questions in a manner to make this as likely as possible.

This having been said, the onus rests with the House to examine this rule and to make changes if it so chooses.

[*Translation*]

Moving now to the third item raised by the hon. member for Delta—South Richmond: the "failure to receive factual answers". In particular, the member expressed dissatisfaction with the response provided by the government to his Question No. 91. This matter is essentially identical to the substance of the question of privilege he raised on May 27, 1998.

At that time, I had quoted from my previously mentioned ruling of February 9, 1995, in which I stated that:

There are no provisions in the *Standing Orders* for the Speaker to review government responses to questions posed.

[*English*]

I then also quoted from my predecessor, Speaker Sauvé, who stated on February 28, 1983, at page 23278 of the *Debates*:

It is not the role of the Chair to determine whether or not the contents of documents tabled in the House are accurate.

To summarize the Chair's position on the three issues raised by the member, I find first that proper procedure was followed in the request made to the member to divide his question of October 28. Second, I also find that while the 45 day limit causes problems for both sides of the House, the Chair has no authority to intervene in this area and, third, the Chair cannot comment on the quality or the factual content of the answers provided by the government to order paper questions.

Speaker's Ruling

I would like to conclude by saying that this is not the first time the member for Delta—South Richmond has raised this issue, not only during this session but also in the last parliament. It is obviously a matter he feels strongly about as evidenced by his well researched submission on December 8.

Members will recall that he alluded to the parliamentary practices of the United Kingdom and Australia with respect to written questions. Although I do not think it is relevant to the case he brought before the Chair, it would certainly be an area that may be of interest to the Standing Committee on Procedure and House Affairs. As I mentioned previously, the Chair can only enforce the standing orders as they have been adopted by the House. However, pursuant to Standing Order 108 it is within the mandate of the procedure committee to review and report on the standing orders, procedure and practice in the House and its committees.

The member has the option of voicing his concern either through his party's leader in the House, who is a member of the procedure committee, or to write directly to the chair of the committee.

[*Translation*]

Finally, I would like to take this opportunity to remind the government that it is responsible for the quality and accuracy of the answers it provides to Order Paper questions. I would also like to point out that the government is free to inform members if the 45-day deadline will not be complied with—and I am inclined to encourage this approach considering it may reduce interventions that sometimes take up valuable time away from the business of the House. It would also give members the option to pursue other avenues to obtain the information they seek.

[*English*]

I thank the hon. member for bringing this matter to the attention of the House.

• (1115)

Mr. Chuck Strahl (Fraser Valley, Ref.): Mr. Speaker, I appreciate your ruling on this issue. I have a comment and perhaps a question to put to the House. The Standing Committee on Procedure and House Affairs has been advised that our party would like this issue raised and dealt with in a review of the standing orders. That is as it should be. We will deal with it there and hopefully we can come to you with some proposals to solve this question.

Mr. Speaker, with respect to the other issue, you have ruled that the government needs some leeway in the 45 day period that the government has to respond to written questions. It has been a traditional ruling of the Chair that the government needs some leeway since 45 days sometimes is not long enough. If that is the case, if there is some leeway on that side, what is the member who finds himself blocked from asking another question to do? If the

member is allowed four questions on the order paper and they stretch off into the distance at an unknown date, then he is blocked from asking future questions.

There is leeway on the government side with the 45 days. Mr. Speaker, as you have said and as other Speakers have ruled, there needs to be some leeway, but there is no leeway on the member's side. The member has four questions and four it shall remain. His conundrum is that he needs answers to those questions in order to do his work as a parliamentarian. He needs the fodder to answer questions, to critique the government and to put forward his own policy initiatives, but he is stopped at four questions because that is an absolute number.

Would there be some consideration when the 45 days is extended for the government side that the member would be allowed to submit another question? If it is good for the goose is it also good for the gander?

The Speaker: I appreciate the comment made by the hon. member. From my perspective that is an avenue which should be pursued in this fashion. He does not of course question my ruling, but he is asking for some guidance.

I would suggest to him, with all due respect, that the way he and the hon. member have chosen to rectify the matter, with respect to the first part of his comments, might be one that he would also consider using for the question he poses to the Chair. The Chair is not in a position to make rules standing on his feet, but the Chair would always take direction from the committee on procedure and House affairs. I encourage the hon. whip of the Reform Party and the hon. member for Delta—South Richmond to pursue this as an avenue for this House.

Mr. John Cummins (Delta—South Richmond, Ref.): Mr. Speaker, I rise on a point of order. As in the discussion I had with you this morning, my intention was not to question the impartiality of the staff of the House of Commons. My intention was merely to point out the difficulty they face in dealing with a question such as the one I submitted when the rules are so vague.

I appreciate your comments this morning, but I point out that the vagueness is still a problem. However, you have suggested a big picture solution and we will certainly take that under advisement. I thank you for your ruling.

The Speaker: I thank the hon. member for his comments with regard to the quality and the impartiality of the work of our clerks, which is never in question and should never be in question in the House. I thank him for that clarification.

It being 11.19 a.m., the House will now proceed to the consideration of Private Members' Business as listed on today's order paper.

*Private Members' Business***PRIVATE MEMBERS' BUSINESS***[English]***TRANSIT PASSES**

The House resumed from November 4, 1998, consideration of the motion.

Mr. John Solomon (Regina—Lumsden—Lake Centre, NDP): Mr. Speaker, I am pleased to rise in the House of Commons this morning to support Motion No. 360 which calls for employer provided transit passes to be an income tax exempt benefit.

• (1120)

I would like to congratulate my colleague, the member of parliament for Kamloops, Thompson and Highland Valleys, who has moved this motion and who has done an enormous amount of work, not only with members of parliament from other parties, but also with a number of municipalities, trade unions, environmentalists and businesses across this country to make sure that we have in the Income Tax Act a fair opportunity for working people to provide and receive an income tax benefit for using mass transit.

Before getting into who supports this idea and some of the real and significant benefits, I want to go over the reasons for which I support Motion No. 360.

First, it affects pollution in this country. It affects the health of Canadians. It deals with the congestion problem in the cities of Canada. It is a social equity issue, an environmental issue and an economic issue. I want to say a few words about each of those headings if I might.

We all pay tax on our income. Some of the benefits we receive from our employer must also be declared as income and are therefore taxable. Employer provided parking and employer provided transit passes are both considered taxable under the current federal Income Tax Act.

However, Revenue Canada's interpretation of this act provides tax preferences allowing most employees to receive their free parking income tax free. This is an incentive for commuters to drive and represents a significant loss of income tax revenue, but this is a bias in my view for those who drive automobiles and against those who use mass transit.

One way to address this unfair bias is to provide a tax exemption to public transit users. This provides equity for non-drivers as well as motivation for drivers to switch to a mode of transportation with lower environmental costs and lower costs to the taxpayer in terms of the maintaining of roads, health care and so on. I believe it is a rare opportunity for the federal government to effect public policy at the local level.

In the United States, the opportunity for employers to provide their employees with an income tax free transit subsidy became available under the Deficit Reduction Act of 1984 and the Tax Reform Act of 1986.

On average, transit expenditures among recipients increased by 23%. With a 31% increase in transit use by participating San Francisco employees, an estimated 17 million vehicle miles were removed from their roads, 61 million tons of pollutants were avoided and \$1.6 million of new transit revenue was generated. This is an example of the benefit of providing transit passes to employees as an income tax exempt benefit.

With respect to Canada's commitment to greenhouse gas reductions under the Kyoto protocol, Canada has committed to reduce its greenhouse gas emissions to 6% below 1990 levels by 2012. Transportation is the largest single sector source of Canada's carbon emissions, at 32%, accounting for 30% of energy used and 65% of petroleum consumed. Half of these emissions are produced by cars and light trucks in cities where public transit is available. Transportation emissions are expected to rise 52%, if this major issue is not addressed, between 1991 and the year 2020.

We also have an interesting issue with respect to transportation and greenhouse gases. One of the greatest economic and environmental challenges facing the world is the control of CO₂ and other greenhouse gases because they threaten to destabilize the climate and they lead to global warming. We are seeing many examples of that around the world.

In Canada we have seen the rising sea level. We have seen temperature change in certain regions of our country. We have seen unprecedented drought cycles and extreme weather events, such as floods, fires, ice storms and so on which, cause human displacement. They cause food shortages and losses exceeding the financial capabilities of the insurance industry.

• (1125)

This information was provided by the National Round Table on the Environment and the Economy in its strategy for sustainable transportation in Ontario, which it prepared in 1995.

With respect to health, whenever we travel to cities like Vancouver, Toronto, Victoria, Halifax and Winnipeg we see more and more smog, which is ground level ozone. It has increased by about 20% over the last decade. Medical research shows that smog is contributing to increased incidents of respiratory illness, higher physician emergency room visits and increased mortality.

This is a very significant development in light of the fact that our health care has been cut back by the Liberal government by \$6 billion a year. When people are being subjected to broader ill environments and broader risks to their health, they will be ill in greater numbers, requiring health care, and our health care has been

taken away by the federal government to the tune of \$6 billion a year.

Support for this motion might encourage the Liberal government to provide some consideration which would be helpful to working people.

We can talk about traffic congestion and how it increases travel time, parking demand, vehicle costs and wear and tear on the roads. Two forty-foot buses carrying 130 people occupy about 80 feet of a single lane, but to carry the same number of people by car requires an extra 1,500 feet of lane.

If we have 130 people in cars, versus 130 people in two buses, we will see the wear and tear on our roads, an increase in smog and pollution and we will see all sorts of negative impacts upon Canadians in this country. We believe this is another reason to support the motion.

We can talk about social inequity. Generational poverty increases when people have limited access to education and work due to mobility barriers. Adequate mobility is essential for people to participate in society as community members, producers and consumers. Public transit provides safe, affordable, basic mobility for those persons without an alternative, including transit-dependent students, lower income workers, seniors and other persons who either cannot afford or choose not to own an automobile.

Converting to public transit reduces the costs associated with the impacts of pollution, traffic congestion and the other things I have mentioned. Public transit also provides substantial regional economic development benefits by channelling transportation dollars back into the community.

We see many reasons to support such a motion. There are also many individuals and organizations supporting this particular motion. The Federation of Urban Municipalities, which is our national organization representing municipal organizations across this country, supports the motion. In my province of Saskatchewan, the city of Saskatoon, the town of Langdon, the town of Martensville and the city of Regina support this particular motion for all of the reasons I mentioned.

We also have quite a lengthy list of organizations from across the country which support such an initiative. They include: The Canadian Lung Association, the Climate Change Task Force group of the National Air Issues Co-ordination Committee, the David Suzuki Foundation, the Ontario Lung Association, Physicians for Global Survival, Pollution Probe, the Saskatchewan Lung Association, the Saskatoon Environmental Society, the Sierra Club of Canada and various trade unions and other governments.

I would like to ask members to consider supporting this motion. It is votable. It will mean better access to transit by working

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people. Working people, as members know, who make \$40,000 a year or less do not have a lot of options for tax deductions. We do not have a lot of support in our tax system to help them get to their places of work. I think in a country like Canada, which has such an expansive geography, mass transit is the only way to go.

The last example I give before I conclude my remarks is the example of grain movement in western Canada. We have seen passenger trains being pulled off the rails. Now they are thinking of closing a lot of the rail lines in western Canada that move grain. They are using trucks instead of boxcars. That is having an additional effect on our environment because more trucks on the road affect not just the environment but our roads.

• (1130)

I ask all members to support this motion which my colleague in the NDP has so thoroughly researched and presented to the House of Commons.

[*Translation*]

Mrs. Maud Debien (Laval East, BQ): Mr. Speaker, I too wish to speak to Motion M-360, introduced by our colleague from Kamloops, Thompson and Highland Valleys.

The motion reads as follows:

That, in the opinion of this House, the government should consider making employer-provided transit passes an income tax-exempt benefit.

The Bloc Quebecois will be supporting this motion. I believe it is our duty as legislators to adopt policies which make it possible to attain objectives of public interest which are of vital importance.

If the government accepted tax exemption for employer-provided transit passes, it would be exhibiting fairness, encouraging public transit, and effectively combatting pollution.

At the moment, we have a situation of flagrant inequity: employees who take public transit and receive bus passes from their employers are deemed to have received a taxable benefit. To put it clearly, this benefit is considered to be income, and therefore taxable. On the other hand, according to a Revenue Canada interpretation, those whose employer provides parking can benefit from a tax exemption. There seems to me, therefore, to be a problem of equity here.

Responsible public policy dictates that we must stop encouraging automobile use over public transit. Public transit is safer, more economical, less polluting and, most importantly, accessible to more people. They are thus perhaps more humane, certainly more cost-effective, healthier and more democratic.

When he introduced the motion, the hon. member for Kamloops, Thompson and Highland Valleys gave a detailed explanation of how the Americans implemented this system. There is no lack of

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precedent, therefore, on which we can build. The benefits to public transit in the U.S.A. are undeniable. Everywhere that employees were able to take advantage of this measure there was an increase in the use of public transit, and major improvements to infrastructures and services to the population.

It has become obvious in the greater Montreal area and other areas in Quebec and Canada that, when services are cut, there are fewer users. And when the demand drops, bus routes are removed. This creates a vicious circle of the worst kind. On the other hand, whenever the demand for public transit is encouraged, a virtuous circle is created, which promotes the expansion of public services.

It was no accident that the three major urban transit companies in Quebec, namely the Société de transport de la Communauté urbaine de Montréal, Société de transport de Laval and Société de transport de la rive sud de Montréal, as well as most if not all their unions and employees are asking that we support a progressive and innovative policy. In addition, it seems obvious that promoting public transit is also a matter of social fairness.

As our colleagues so aptly pointed out, and I quote:

It is unfair that low-income families have been left with less access to educational and job opportunities simply because they do not own a vehicle.

That is to say nothing of the environmental aspect. According to a Transport Canada 3000 report, it is estimated that transit passes could help reduce automobile travel by as much as 300 million kilometres over 10 years.

• (1135)

This would result in lower noise levels, fewer traffic jams and accidents, less congestion in parking areas as well as tremendous savings in terms of fuel and other non-renewable resources.

Finally, if approved, this proposal would assist in fulfilling Canada's Kyoto commitments. For the record, I will go over them briefly.

The Kyoto protocol calls for an average 5.2% reduction of greenhouse emissions in all industrialized countries between 2008 and 2012. This means that Canada will have to reduce its 1990 levels of emissions by 6 per cent. However, the federal government has been dragging its feet regarding this issue. It has long put off any concrete measure to help fight climate change, which is a result of the greenhouse effect.

Following the signing of the Kyoto protocol, the federal government proposed the setting up of task forces, where some 450 experts would try to devise a strategy. While the 1998 budget provided for \$150 million over a three-year period, it was only on October 19 that the first initiatives were announced, and that a

Canadian strategy finally seemed to be taking shape, following the Kyoto protocol.

The government will spend millions to correct this environmental mess. Therefore, some may think it will surely refuse to make transit passes an income tax-exempt benefit, since this measure would deprive the government of valuable tax revenues. This is not the case. Indeed, how do these revenues compare with the savings in the health sector and in the budgets for the construction and renovation of our infrastructures, not to mention the incentives related to employment and distributive justice?

Why does the government not cut the billions of dollars that it has been giving for years to the oil and nuclear industries? Oil consumption is the primary cause of greenhouse gases, that scourge that those in Kyoto said they wanted to fight.

As for nuclear technology, it creates more problems than it solves. For example, CANDU reactors are neither efficient nor profitable and they pose a major threat to human safety and international security, since it is possible to divert that technology and use it for military purposes. Just remember, barely a few months ago, when the Indo-Pakistani crisis brought the threat of a nuclear conflict to the whole world.

Some might accuse me of exaggerating in establishing a link between bus passes and nuclear threat. Not so, considering that cumulative short sighted policies have often led our world on the brink of disaster during the 20th century.

We are moving step by step on the road to a better world. With the 21st century just months away, let us take a measure that will promote fairness, a healthier environment, sustainable development and a more just society.

The motion of the member for Kamloops—Thompson and Highland Valleys seeks to do that, and we support it.

[English]

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, I congratulate the member for Kamloops, Thompson and Highland Valleys for putting forward this motion. The motion certainly gives us an opportunity to put on the table various views concerning the subject. It allows us to talk in general terms about the commitment we all have to the environment to ensure that it continues to be one which we cherish and one which we will continually take steps to improve.

The government recognizes that encouraging the use of public transportation is important. Other members have raised some concerns with respect to the measure, the fairness and the efficiency.

Private Members' Business

• (1140)

We have to ensure before we commit the government's scarce resources that any measures taken represent an efficient use of public funds. When we look at this particular motion, the bulk of tax assistance would accrue to individuals already using mass transportation. Although we have heard various numbers quoted today in the debate, the incremental increase in the number of transit users is expected to be small compared to the existing users. One could argue that the proposed measure would not be the most cost effective way to reduce greenhouse gas emissions.

We should also note that the tax system is not always the most efficient and effective mechanism for accomplishing various policy objectives. We all know that all levels of government have a variety of policy tools at their disposal and they must be careful to use each one properly.

We must be clear that the government recognizes the importance of sustainable development in all its aspects including its impact on climate change. The government is committed to pursuing the principle of long term sustainability across a wide spectrum of government activities. To provide leadership in this important area the federal government has required all of its departments to prepare sustainable development strategies for tabling in parliament. Federal departments are expected to update these strategies every three years and to provide annual progress reports on implementing them.

The Department of Finance which is responsible for tax policy had its sustainable development strategy tabled in parliament on December 10, 1997. The department recognizes that closer integration of economic and environmental goals is an important objective and has taken concrete steps toward furthering this objective in every budget since 1994.

Last year's budget provided an additional \$50 million annually for three years. The funds will help lay a strong foundation including developing a national implementation strategy, carrying out public education, encouraging early action by Canadians, identifying best practices and mechanisms such as emissions trading, all with the objective of reducing the impact of climate change.

To co-ordinate efforts in this regard the Government of Canada announced the establishment of a climate change secretariat that will support the efforts of the ministers and will work with the provinces and stakeholders to develop the national implementation strategy to honour our Kyoto commitments to reduce greenhouse gas emissions. As part of this process a transportation issue table has been created to determine the most appropriate measures to reduce greenhouse gas emissions in the transportation sector. The

table will examine the merit of the proposed tax treatment of transit passes along with other available options and will make recommendations to governments.

I want to thank the hon. member for bringing this important issue to our attention. I believe that the measure will be reviewed as part of the national process. It would therefore be premature to take any action in this regard immediately. I am sure I am like all members of the House who would like to make gains against greenhouse gas emissions, but I would also like to take a comprehensive approach, an approach that is all inclusive.

Governments in the past have sometimes taken a piecemeal approach to challenges that we face. We know the results. We have made progress in a number of areas. But we know that when we approach an issue from a comprehensive and all inclusive perspective, the results and the outcomes are ones that we are proud of and that we can live with.

The issue of greenhouse gas emissions is global. We have a global commitment to deal with it. We will deal with this issue in a collective fashion. It has been stated by other speakers that this initiative alone may not provide the results we are looking for.

It is questionable whether we will see an increase in ridership. This particular motion solely addresses the aspect of making the employer provided transit passes an income tax exempt benefit.

• (1145)

I believe the member for Regina—Lumsden—Lake Centre made reference to making this tax deductible. There is a difference. In this motion we are only focusing on those individuals who are employed. There are individuals who are most in need like seniors who have benefits that local municipalities provide by offering them reduced rates for public transportation.

The issue should be approached from a much wider spectrum. Also it is being suggested at a time when there is a more comprehensive approach being taken by the government, by the stakeholders and by all the partners.

I know members who have engaged in this debate have talked about the support that is out there among the municipalities and environmental groups. The government is supportive of initiatives that will deal with greenhouse gas emissions. However, we must be cautious in ensuring that whatever we do we do it in a manner that will be efficient and will make best use of taxpayers dollars.

By moving on the motion as it is presently worded we would not be achieving our objectives in Kyoto and our objectives with respect to the tax assistance that we may be able to provide. With that being said, I would urge hon. members not to support the motion.

Private Members' Business

Mr. Scott Brison (Kings—Hants, PC): Mr. Speaker, I too commend the hon. member from Kamloops for bringing the issue forward in this motion.

The fact is that we have made commitments in Kyoto. Global warming is real. It is a very important issue, one that all Canadians and certainly members of the House from all parties should be extremely concerned about.

The parliamentary secretary spoke about the need for a plan and that the federal government would work toward developing a plan. He was also very clear in terms of his opposition to the motion. Where he was not so clear was what in fact was the government's plan to deal with this extraordinarily important issue.

The government is very good at pinpointing a particular initiative such as the one suggested by the member from Kamloops as being inappropriate or wrong headed, but the government has not been as good in actually providing some level of leadership or strong consultation with the provinces and the municipalities to develop a strategy that addresses this very real issue.

Initially when I saw the motion I had some concerns. I typically have concerns about a Pavlovian type tax policy that encourages some types of behaviours and discourages others. We already have a tax code in Canada that is far too complicated. The logical corollary of the motion, for instance, is if people were walking to work we might remove taxes on shoes. I am not being facetious, but we get into a very murky area when we talk about complicating a tax code that is already far too complex.

That being the case, while I should have perhaps been happy to hear the parliamentary secretary speak about simplifying the tax code—and again his government has done nothing but complicate the tax code—our party continues to stand for and believe in broadly based tax relief, increasing the basic personal exemption, reindexing the tax brackets, and eliminating and phasing out the surtaxes that are currently driving some of our best and brightest elsewhere, the types of tax policies that will benefit all Canadians not just now but as we enter the 21st century.

Our party is supporting the motion. One of the reasons we will be supporting it, despite our concerns about an increasingly complicated tax code, is that the environment is a very unique issue. The environment and economics are inextricably linked. For far too long we have in a lot of jurisdictions in the country dealt with the environment separately from economics. In fact those people typically interested in economics discount environmental arguments and vice versa. In fact we cannot do that. It is not appropriate to do that and it is not logical.

• (1150)

It is very important at the time of the production of an environmental externality, that is emissions, that the cost of that external-

ity be internalized into the cost of the consumer who is utilizing the service or the product which is causing that environmental externality. It is very important that there be a direct cost for environmentally unsound behaviour and a benefit for environmentally positive behaviour.

It is very difficult for us in our day to day lives to see the benefit of sound environmental actions on a micro level because we cannot tie it directly to our quality of life in the short term. Global warming for many of us is something that still seems fairly esoteric and arcane. It is important that somehow we can link in a very direct way people's behaviours: negative behaviours to a negative policy in this case or positive behaviours, that is taking public transit, to a positive treatment under the tax code.

I lived in New York for several years. During that period the degree to which New Yorkers relied on public transit was amazing to me. In north New Jersey and New York City there are about 10 million people living in a very small land mass. When we consider how efficiently that city operates in terms of its public transit system, probably from an environmental perspective the low impact the citizenry of New York has in terms of global warming compared to other centres that are more spread out, it is almost a miracle. We could look at cities like Los Angeles, Atlanta, Toronto and such cities that were built around the suburbs and urban sprawl. Cities like New York rely on public transit and were designed very well from the beginning to accommodate public transit and ultimately have become in my opinion examples of environmentally sound urban planning.

Perhaps that is one area in which the federal government should be working more closely and playing a leadership role. Part of our Kyoto commitment could be working with provinces and municipalities in terms of urban planning and the types of initiatives that have been successful globally. Linking environmental policy to day to day action is very important. We need to explore this issue further.

I know the Reform Party has spoken against the motion but we are supporting it. We also recognize that there are other examples where tax policies have been suggested by Reform members. For instance, the mortgage interest deductibility was supported by and large by the Reform caucus. There are examples where the Reform Party will recognize the importance of some types of behaviours but not necessarily other types of policies.

I would argue that certainly home ownership is as extraordinarily important as a clean environment, an environment that is sustainable and is there for future generations of Canadians. One thing Canada has that we must covet and protect is our relatively clean environment. We are recognized around the world for our relatively pristine surroundings and environment. It is something we cannot take for granted.

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If we look at the demographics and the fact that people are moving into the cities, that urban centres are growing, this is the type of policy we have to explore very carefully. It should not be summarily discounted by the government as a bad idea until it has a set of policies to address these very important issues.

It is also important to recognize and commend the New Democrats for doing something that I had not expected them to do and that is to suggest a tax cut. Perhaps we should recognize that important evolution. If we support this private member's motion on providing a tax benefit for taking public transit, in the future perhaps we could engage the New Democrats in a discussion about their supporting our belief of tax cuts for everybody in Canada. Clearly that is something we all need. It would be sound not just for the environment but for all aspects of our quality of life.

• (1155)

The Speaker: I understand the hon. member for Leeds—Grenville will be splitting his time with the hon. member for Davenport. Is that correct?

Mr. Joe Jordan (Leeds—Grenville, Lib.): Yes, Mr. Speaker. I appreciate the chance to discuss the motion before us concerning the tax status of employer provided transit passes.

On the surface this initiative would seem destined to digress into what is an all too familiar confrontation, to which the previous speaker alluded, between the environment and the economy. Framed in those narrow terms I know how that story will end, but I honestly feel that this issue has the potential to encourage needed debate on a number of important issues. We have heard that already this morning in previous speeches.

The first issue debate around this point raises is the notion of costs. I have seen a number of reports both in Canada and the United States that outline the financial impacts of a whole variety of transit benefit programs. I was struck by what was not included in the cost benefit analysis. Things such as the health costs associated with increasingly poor air quality are not included in the calculation of whether this is a good or bad idea.

There are remedial costs associated with cleaning up the air. We will have to do it sooner or later and somebody will have to pay for it. There is lost productivity associated with traffic gridlock. One of the previous speakers used a calculation that 100 cars equal two buses. If we can put more people on buses then people will spend less time in traffic jams and more time engaged in the productive activities they are hired and paid to do. There are the costs associated with the construction and maintenance of the infrastructure needed to support the number of cars on the highways and bridges.

I am not saying for a minute that including these costs would cause the equation to lean in one direction or another, but I am

saying they are rather conspicuous by their absence. The fact that some of these costs are difficult to quantify should not be rationale for ignoring them completely.

These types of costs transcend not only ministries in the federal government. They also transcend levels of government. It is important to remember there is only one taxpayer in the country. We are fooling ourselves if we think that over time the costs we are not calculating will simply go away. The Sydney Tar Ponds are a \$2 billion shrine to that kind of nonsensical thinking. Sooner or later these costs have to be captured and have to be paid.

To make matters worse, we are not only passing these costs on to taxpayers that had no share in any benefits these initiatives might have realized, but we are in some cases passing these costs on to our children, our grandchildren and our great-grandchildren. Those kinds of debts and leaving that kind of legacy of debt are extremely hard to justify on any level.

The challenge we face is to meet our own needs without compromising the capacity of future generations to meet their needs. To that end I think government has a definite role in the identification, the calculation and the verification of the full costs and benefits of activities and in the development of policies that allocate these costs appropriately.

The impact on the natural and human resources of the nation need to be taken into account for any decisions we make. This motion also brings into question the fundamental concept of what is the role of the tax system. To put it bluntly this initiative goes against the grain. Not only would a tax exemption reduce tax revenues to the government, but increased mass transit ridership would also reduce gasoline sales, a commodity that is also a source of tax revenue. It does illustrate the role the tax system can play in encouraging certain behaviours.

Governments seem to spend a great deal of time and effort developing regulatory regimes and trying to reinforce corporate behaviours that run directly counter to what the tax system encourages them to do. Not only are command and control approaches expensive. They are all too often totally ineffective.

We need to look at fiscal policies that encourage sustainable behaviours. Spending in environmental areas should look and act like investments, not costs.

• (1200)

Ideally we need a tax system that places taxes on the things we want less of and exemptions for activities that result in the things we want more of. This motion is certainly attempting to do just that.

I congratulate the hon. member for bringing this motion to the House. I draw the attention of all members to the wording of the

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motion; that we consider this action is hardly radical. I would be the first to admit that this action is not without repercussions. The discussion which would result in a detailed examination of those factors would not only be a valuable exercise in and of itself, but it would also serve to send a very clear and positive message to Canadians that we not only understand but are prepared to address the challenges we face as we shift to support the core and non-partisan value of sustainability.

Hon. Charles Caccia (Davenport, Lib.): Madam Speaker, the recommendation of the member for Kamloops, Thompson and Highland Valleys is praiseworthy. It has been proposed by the Federation of Canadian Municipalities each year since 1990, imagine. It has also been made in two reports of the Standing Committee on the Environment and Sustainable Development.

It was first proposed in the 1995 report "Keeping a Promise: Towards a Sustainable Budget". We heard a number of witnesses on the question of transit passes which was one topic of discussion before the committee. Witnesses noted that levelling the playing field in the transportation sector by making transit passes a tax free benefit would encourage employees to use public transit. The result would be reduced energy consumption, decreased atmospheric pollution and reduced traffic congestion.

In 1997 the same committee produced the report "Kyoto and Beyond: Meeting the Climate Change Challenge". One recommendation of the committee was to let Finance Canada conduct a comprehensive study of the fiscal and regulatory tools available to the federal government to encourage a shift to public transit, including the provision that employer provided transit passes be considered a tax free benefit. So far this recommendation seems to have been ignored.

In 1998 a request to the finance department to provide an accounting of the total value of benefits currently provided through employer provided parking was referred to the Department of National Revenue. However, Revenue Canada was unable to provide the data. In other words we are in the unfortunate position of not knowing how many people take advantage of tax free parking benefits.

Nevertheless both the Department of Finance and Revenue Canada argue that by offering the benefit to other commuters there is a negative impact on the tax base, as we heard earlier from the distinguished parliamentary secretary.

We do know that social, environmental and equity benefits would arise from implementing the transit pass tax exemption. We also know there is widespread support for the measure, as indicated already by other members. The Amalgamated Transit Union has organized a campaign. Support comes from sources so diverse as the city of Saskatoon, the Ontario Coalition of Senior Citizens,

Pollution Probe, the Lung Association of Canada, the Canadian Labour Congress, the National Round Table on the Environment and the Economy, the city of Toronto, and the Regional Municipality of Ottawa-Carleton.

This motion is well timed and deserves the support of this House and the Government of Canada, considering the commitment made in Kyoto by the Government of Canada. The parliamentary secretary's arguments are worth examining but the basic thrust of this motion reflects widespread support across the country. Therefore we must conclude it is time for Ottawa to act.

Mr. Rahim Jaffer (Edmonton—Strathcona, Ref.): Madam Speaker, the motion before us calling on the House to consider making employer provided transit passes an income tax exempt benefit was recently brought to my attention by one of my constituents. While I was aware that this issue was being debated in the House, I will admit that before the meeting with my constituent, I had not invested much time in understanding the issue completely.

• (1205)

Mary Jane Dawson came into my office with her children over the Christmas break to talk to me about why she felt this was an important initiative and one which deserved my support and the support of the Reform caucus. Her young children, Riley and Kelsy, also had very strong views about this motion. They were concerned about the state of the environment and about the impact of emissions on global warming, air quality and health.

As a member of the Reform caucus, I believe strongly that I should work to best represent my constituents within the framework of Reform Party principles that were established in a democratic grassroots process. However, as any member of my caucus can attest to, it is not always possible to determine the views of our constituents on each and every issue. At best we attempt to gauge public opinion by the number of letters that cross our desks or the number of people who phone or visit our offices. It is not very scientific, but I believe this is a useful guide.

The visit I had with Ms. Dawson and her children forced me to examine the issue more closely and determine whether I could support the motion and still stay committed to the policies that have been painstakingly developed by thousands of average Canadians across the country.

There is no question that this motion would add to the complexity of the tax code. What this country needs is tax cuts and not more tax exemptions.

The Reform Party would work to create a flatter, simpler and fairer tax system. We would also remove 1.2 million Canadians earning less than \$30,000 a year from the tax rolls completely. This means that seniors, students and other low income Canadians

will have more money in their pockets. This would enable them to purchase transit passes or pay for other transportation needs with their own money.

But we do not live in a perfect world and we do not have a Reform government in power until the next election. What we have is a Liberal government that is taxing hard working Canadians into poverty. Let us look at the Liberal record.

Income taxes under the Liberal government are 56% higher than the average of our G-7 partners. The average Canadian family paid about \$21,000 in total taxes in 1996. For 1998 the government will collect \$19 billion more in income taxes alone than it collected in 1993, a 37% increase. Bracket creep, the deindexing of the personal income tax system, has sucked an extra \$13.4 billion from taxpayers. In 1997 alone, Canadian taxpayers paid \$4.3 billion more than they would have had the system been indexed in 1993.

According to Statistics Canada, between 1989 and 1995 real after tax family incomes fell by \$3,461 from \$41,000 to approximately \$37,000.

In the first two quarters of 1997, governments took two of every three dollars of additional personal income earned by Canadians in direct taxes alone.

Low income Canadians who earn more than \$6,456 are taxed at 17% of their income.

Finally, Canadians pay indirectly for the cost of Canada's burdensome regulatory environment, which cost Canadians the equivalent to 12% of GDP.

This is a shameful Liberal record. This is why the advocates for the working poor are looking for ways to give low income working Canadians a break with tax exempt transit passes.

If we let the poor keep what little they earn, we give them the means and motive by which to improve their lot in life. If we tax them into poverty to feed an insatiable bureaucracy, we breed dependency and destroy hope. How can the poor be expected to pick themselves up by the bootstraps when this Liberal government has stolen their boots?

This is the dilemma I face. I can work hard to push for tax cuts and to ensure that a Reform government with its sound economic plan forms the next government. But what do I tell the overtaxed working Canadians in my riding who find it difficult to meet their transportation needs today?

To work out this problem, I thought about the infamous Peter and Paul. When the government spends money, it takes that money from Peter and gives it to Paul. Since Peter has worked hard to earn

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his money, it can be argued that taking the money from him is not a very nice thing to do. Furthermore, Peter might not even like Paul or the things that Paul does with the money he is given. This compounds the offensiveness of the original taking.

• (1210)

For this very simple reason, the members of the Reform caucus look at government spending with a healthy dose of suspicion. Unless tax dollars are being spent on programs with very broad base support, such as health care, it becomes very difficult to justify the expenditure. However, since Peter has the right to keep the rewards of his labour, allowing him a tax exempt benefit does not place an unfair burden on Paul. It does however place a burden on the government which is forced to either look for revenue elsewhere or reduce expenditures.

Given that Canadians endure the highest tax rates in the G-7, finding additional revenue in the form of increased tax levels would probably not find much support with the general public. This leaves us only with one other option: decreasing expenditures.

In a letter to the Canadian Urban Transit Association the finance minister estimated that the cost of implementing the tax exempt transit passes would be \$140 million for the federal and provincial governments. I want to make it clear that this is \$140 million of forsaken revenue, not \$140 million of spending. The difference here is very important. When the government spends \$140 million it takes the money from Peter and gives it to Paul. When it forsakes \$140 million, it simply leaves that money in Peter's pocket.

The question of course is how does the government compensate for the \$140 million shortfall? It should do this by cutting the fat.

I do not believe that any member of the House can claim there does not exist at least \$140 million in waste in the federal government. Our party has identified \$15 billion in federal government waste that we would like to eliminate when we form government. If we can find \$15 billion in waste, surely the Liberals across the way can find a measly \$140 million.

My hon. colleague from Calgary Southeast, our chief critic for revenue, has made it clear that he will not be supporting this motion. I respect his position. He believes, as I do, that the tax system should be transparent, fair and simple. However, I believe we must make a clear distinction between those looking for relief from taxes and those looking for government grants and subsidies.

Canadians should be allowed to enjoy the benefits of their labour without undue tax penalties. If employers wish to provide transit passes as part of their remuneration packages, why should low income Canadians be taxed on this?

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What I am proposing is that in this environment of tax oppression we should look at an interim policy option that gives working Canadians a break until Reform can form the government and give Canadians serious tax relief.

On a different matter, Canadians who choose to use public transportation because they wish to make as benign an impact on the environment as they can should have the freedom to make that choice. Canadians must be allowed to make choices. Tax relief will help them make choices and act on values they hold, whether those values involve environmental preservation or the independence that comes from owning a car. It is that choice that I will defend. It is that choice that is in peril if the Liberal government continues to tax Canadians to death.

On the advice of my constituents and based on the belief that low income Canadians need tax relief, I will be supporting this motion. I would ask the members of my caucus to review the arguments presented by myself and the chief critic for revenue to determine for themselves how they will vote.

The Reform Party does not believe in making Private Members' Business partisan politics. We believe in free votes. Especially when it comes to Private Members' Business we do not believe in making it partisan business. I note the member from the Conservative Party spoke earlier on behalf of his whole party. I encourage all members in the House to give this motion consideration as I have, speaking against one of my own colleagues. I think the motion has merit and deserves support.

Ms. Bev Desjarlais (Churchill, NDP): Madam Speaker, what I am going to mention will reinforce much of what we have heard this morning.

It is quite apparent there is widespread support for the motion of my hon. colleague from Kamloops, Thompson and Highland Valleys, and rightfully so.

• (1215)

It has been a pleasure to hear those comments. I do not think there is any doubt in anyone's mind that by encouraging people to use the public transit system we are going to benefit the environment and the health of many Canadians. There is no question that that feeling is out there.

It is a bit disconcerting that the only real argument against this is that we are not going to bring in enough revenue dollars. I find it hard to comprehend one against the other. Those are the types of issues that should not be an if/or. We know what the effects will be and we should respond to that.

It would be nice to see government departments working together for the overall benefit of Canadians. There is no question that there would be health savings. If anybody could come up with an argument that there would not be savings I would like to hear it. We have information to indicate that there could be savings of between \$320 million and \$427 million in health care costs in Ontario alone. If that is not reason enough to encourage people to stay on the public transit system, or to get on to it, I do not know what is.

Environmental benefits, especially in the area of greenhouse gas emissions, are further reason to give full support to this motion. It is an opportunity once and for all for this government to take a holistic approach to improving the environment, society and health. It is an opportunity for a government that has shown no vision of looking beyond and seeing all the benefits of a motion such as this. I thank my hon. colleague for presenting the motion.

I will take a moment to comment on the impression that was given by my hon. colleague from the Progressive Conservative Party. He said that he was surprised to see New Democrats suggesting a tax break and he thinks it would be great if we did this. I want to emphasize that New Democrats have always believed in investing in Canada and in Canadians. That has been the way since the beginning of the party. That is what we will continue to do. That is what we are doing with this motion.

Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Madam Speaker, it is clear that there is a lot of interest in this topic among all parties. As well, good evidence has been presented that there is a lot of interest among Canadians. Therefore I am pleased that we have had this debate this morning.

On occasion I am surprised at how much one can learn in the House of Commons. In that respect I want to thank the member for Kamloops, Thompson and Highland Valleys for introducing this topic.

As to what will happen next, I understand from the parliamentary secretary that there will be further debate on this topic. Like my colleagues on this side of the House I look forward to further debate. I look forward to hearing what the member from Kamloops and my other colleagues will have to say on that occasion.

[Translation]

The Acting Speaker (Ms. Thibeault): 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.

GOVERNMENT ORDERS

[English]

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT

Hon. Alfonso Gagliano (for the Minister of Finance) moved that Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act, be read the second time and referred to a committee.

• (1220)

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Madam Speaker, I am pleased to open debate at second reading of Bill C-65, which proposes to amend the Federal-Provincial Fiscal Arrangements act.

This legislation involves the renewal of two federal programs—the provincial personal income tax revenue guarantee program and the equalization program—each for an additional five years.

Under the revenue guarantee program the federal government protects those provinces participating in tax collection agreements from large revenue reductions resulting from changes in federal tax policy. The major portion of this bill, however, deals with equalization, a program that in many ways defines the generous spirit of Canada.

Hon. members will be aware that the commitment to equalization payments is enshrined in section 36(2) of the Constitution. These payments exist so as to enable provincial governments of varying levels of affluence to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

Equalization has a long tradition. It was established as a program in 1957 and has been continuously renewed and improved ever since. This government's commitment to equalization was clearly evident from the fact that this program was exempt from the restraint measures of the past five years when Canadians were facing a \$42 billion deficit.

The most recent official estimates made last October indicated that receiving provinces would get almost \$9 billion in 1998-99 from the federal government under equalization. These estimates will be updated later this month.

If we use the existing October estimates, it is clear that these transfers are very significant indeed. They can make up between 15% and 40% of total provincial revenues and the payments are unconditional. It means that receiving provinces can use them as they wish and experience has shown that they play a significant role in improving the quality of a wide array of public services.

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Currently seven provinces benefit directly from equalization payments: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Manitoba and Saskatchewan.

There are also indirect benefits for all Canadians. We all benefit from knowing that we live in a country where the objective is to provide health care, education and basic public services at essentially the same level in all provinces.

In renewing the equalization program this bill proposes a package of improvements, improvements that aim to ensure that the program continues to accurately measure the revenue raising ability of each province.

The proposed modifications will be gradually phased in over the next five years so that the impacts on the provinces will be smoothed. In addition, this will give federal and provincial governments time to plan for changes in the amounts of the transfers.

The proposed modifications are expected, according to current estimates, to result in transfer increases of almost \$50 million in 1999-2000, rising to about \$200 million by the year 2003-04.

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

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

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

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

• (1225)

The third change is that improvements will be made in the measurement of the provinces' ability to raise revenues on their own. The equalization formula measures provincial revenue raising capacity by looking at over 30 different provincial taxes and comparing the results to a standard. It is on the basis of this

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exercise that the size of equalization transfers is calculated for each province.

However, the taxation environment is not static. It changes. The changes proposed in this bill are needed to ensure that the equalization program reflects existing provincial tax opportunities and practices.

These changes in measurement, which will be implemented through regulation, relate to five tax bases that require significant improvements and other tax bases that require technical changes because of revised or new data.

For example, changes are proposed for the measurement of the provinces' ability to raise sales taxes. The new base will now reflect the taxing practices of those provinces that have moved to the value added tax as well as those that have maintained the existing retail sales tax systems.

Similarly, because of increased activity related to games of chance, the treatment of revenues that flow from them needs to be updated.

The proposed changes will take into consideration the ability of provinces to raise revenues from casinos and video lottery terminals.

However, let us get the facts straight. We have not changed the revenues which equalization takes into account at all. Before the proposed changes we looked at all the revenues from all types of gambling and after the changes we continue to do so. What we have changed is our measure of which provinces have a high ability to raise these types of revenues and which provinces have a low capacity. Our measure of disparities has changed, not our measure of revenues.

For disparities, we used to look just at lottery ticket sales per capita. Now we look at lottery ticket sales per capita and the capacity that different provinces have to raise revenues from casinos and VLTs as measured by differences in their incomes.

The new way of measuring disparities is fairer to all provinces, but, let me emphasize once again, in no way encourages gambling.

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

At this point I would like to repeat what I said earlier about these modifications happening gradually. The proposed tax base changes will come into effect in stages over a five year period. This renewal follows more than two years of consultation with the provinces. Considerable tactical work was undertaken by both federal and

provincial officials and was then reviewed by ministers of finance at both the federal and provincial levels.

I believe that hon. members will recognize that it has been important to fully analyse the equalization program in order to assess accurately what change is needed. I submit to this House that this has been done.

It is important to build on this groundwork and finish the renewal. Our deadline is March 31, 1999, when the current five year equalization legislation expires. It is important to have new legislation in place before that happens.

I want to make it clear that the passage of this bill will provide important continuing benefits to Canadians by assisting provincial governments in providing services on which Canadians can rely. It will provide for the next five years a stable funding horizon for equalization. It will provide substantial support for the less affluent provinces, underscoring the priority the government has placed on equalization, and ensuring that equalization receiving provinces have resources to provide the services their people need and want.

The legislation intends to maintain the fairness with which the equalization program is delivered. It is important legislation and I believe hon. members will support the speedy passage of it.

• (1230)

Mr. Preston Manning (Leader of the Opposition, Ref.):
Madam Speaker, I rise to speak to Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act. As the parliamentary secretary said, the primary object of the legislation is to renew the federal equalization program for another five years.

I would like to begin by simply stressing the importance that the Official Opposition, and I am sure all members of the House, attach to equalization. Under our Constitution, as the parliamentary secretary said, parliament and the Government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenue to provide reasonably comparable public services at reasonably comparable levels of taxation. I do not think it can be stressed enough that equalization is an important principle which makes our federation work.

The Official Opposition, the Reform Party, is committed to equalization and has been from the outset. Also I believe that the rank and file people in provinces like British Columbia, Alberta and Ontario who receive no equalization payments and in fact are net contributors to federal-provincial transfers also support the principle of equalization. They have objections as to how the federal government administers it, how the federal government handles transfers, but do not object to the principle itself.

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Equalization is linked to taxation. It is linked to the finances of the provinces. It is linked to the financing of social programs. It is linked to the social union. It is literally linked to the financing of federalism itself.

Besides commenting on the particular bill, I also want to take the opportunity to comment on the broader subject of federal-provincial financing arrangements of which equalization is only one part. In particular I want to make the case that the reform of federalism which the government consistently avoids requires the reform of the financing of federalism that should include the reform of equalization and not merely the tinkering reflected in the bill.

The average person reading the bill and the act it amends—and I venture to say most of us as MPs—would find it utterly incomprehensible because equalization payments are now supposedly based on a complicated formula that has over 30 elements to it as well as ceiling and floor provisions which complicate it even further.

Finance ministers and officials of the Department of Finance often imply that every element of this program is based on principles and rationality beyond the ken of ordinary mortals. In other words there is a mystique associated with equalization and federal-provincial fiscal arrangements which often tends to discourage members of parliament and ordinary citizens from investigating the subject or questioning the status quo. I encourage all members to disregard that mystique in considering the bill and to penetrate it with some common sense, analysis and suggestions for improvement.

My own first encounter with the mystique connected to federal-provincial financial relationships occurred at the University of Alberta when I was a student there in the early sixties. I sat through a lecture by a learned economist in which he carefully and cautiously explained the principles and the rationale that lay behind the old tax rental agreements which were the predecessor to the current equalization formula. It was a beautiful theory. It was beautifully laid out. Everything was connected to principle and analysis.

I then went across the river from the University of Alberta and had lunch with my father, who was Premier of Alberta at the time, and attended the dominion-provincial reconstruction conferences initiated by Mackenzie King after the war from which came the tax rental agreements that then later gave birth to equalization.

I rehearsed for him this grand rationale and theory that lay behind the tax rental agreements which I had just learned at the University of Alberta. I got halfway through and he started to laugh. The reason was that when he attended those conferences Mr. Ilesley was the finance minister at that time. Mr. Ilesley presented the tax rental agreements and of course, as usually happens at these

conferences, they could not agree. The premiers could not agree. The federal government could not agree. No one could agree on anything.

• (1235)

As also usually happens, they went to the prime minister's house for dinner that night and they did arrive at an agreement. They then hauled in the officials and told them they had an arrangement where Boss Johnson of B.C. was supposed to get so many million, Manning in Alberta was supposed to get so many million, Garson in Manitoba was supposed to get so many million and Douglas was supposed to get so many. They wanted to come up with a formula that delivered those dollars to those provinces, and so on it went right across the country.

I am not saying there is no rationale or there are no principles behind both equalization and federal-provincial fiscal relations, but a lot of it has been added after the fact. Beneath and behind a lot of this complicated formula lay some very basic financial needs and, I would also add, some very basic political considerations.

If members want to be reminded of the political factors that go into equalization, we need look no further than at the events that just preceded the calling of the Newfoundland election which is to be held tomorrow. Just days before the Newfoundland provincial election was called the government of Premier Turbot, as he is affectionately referred to on this side of the House, was projecting a \$30 million deficit. Lo and behold on January 15, just two days before the election was called, the federal finance officials recalculated the equalization formula and the payment even though the figures were not supposed to be released until February 15. It was a miracle. Lo and behold, coincidence of coincidences, the projected increase in Newfoundland's equalization entitlement was just enough to cover the deficit and to enable Premier Tobin to announce that the budget would be balanced.

There may be rationality and principles behind equalization but there are also some very tangible political considerations and MPs should not allow the mystique of equalization to deter us from discussing those here.

I will read into the record a brief description of the federal equalization program. It is only 10 paragraphs. As members will know, because of the Official Opposition's interest in federal-provincial relations and reform of federalism, we read a lot of what the provincial governments produce on this subject and we read what the federal government produces and often we compare the two. Sometimes it cannot be recognized that these descriptions are describing the same thing.

For example, the federal description of the Calgary declaration and the descriptions produced by the provincial governments are so

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different that it is hardly recognizable they are talking about the same thing.

On equalization I am happy to report that the information sheets in most of the provincial information packages and the federal package are almost identical. This is a miracle in itself. It deserves a little recognition.

Here, therefore, is the official description of equalization:

Equalization is an unconditional transfer. Provinces receiving equalization may spend it in accordance with their own priorities. Equalization is funded by the federal government and is authorized by federal legislation covering five-year periods.

The current equalization legislation expires on March 31, 1999. Seven provinces currently qualify for equalization—Newfoundland, Prince Edward Island, New Brunswick, Nova Scotia, Quebec, Saskatchewan and Manitoba. Three provinces do not receive equalization program payments—British Columbia, Alberta and Ontario.

Equalization transfers are determined on the basis of legislated formulae. First, the amount of revenue which each province could raise if it applied national average tax rates is calculated for each kind of revenue that provinces and their local governments typically levy. Second, each province's overall ability to raise revenue from these sources is compared to that of the five provinces making up a representative standard—Quebec, Ontario, Manitoba, Saskatchewan and British Columbia.

This incidentally is one national standard to which Quebec does not object. If a provincial government's total revenue raising ability falls short of this standard its per capita revenues are raised to the standard level through federal equalization payments. If a provincial government's total revenue raising ability exceeds the standard, as in the case of B.C., Alberta and Ontario, it does not receive equalization. As a result of this formula, when the fiscal capacity of a receiving province decreases in relation to the standard its equalization increases. When the fiscal capacity of the receiving province increases relative to the standard its equalization falls.

• (1240)

Equalization is subject to ceiling and floor provisions. The purpose of the ceiling based on the growth of the national economy is to protect the federal government from open ended growth in payments while the floor provisions protect the individual provinces against any large annual declines.

The ceiling and floor provisions are referred by economist Tom Courchesne as part of the bells and whistles connection to equaliza-

tion which often ensured that the actual payments are not exactly what the formula itself delivers. It is just part of the mystique.

Equalization is the most important federal program for reducing disparities among provincial governments and their relative abilities to raise revenues and based—and this is the bottom line—on current estimates equalizations for 1998-99 will ensure that all provinces with average tax rates have revenues of \$5,431 per resident to fund public services.

Now that is the program as it is described. The bill in front of us essentially renews that program with a bit of tinkering.

The broader financial and political considerations affecting equalization are as follows. I was disappointed that the parliamentary secretary did not connect equalization to the other things it is connected to, namely the whole approach to tax policy, to social policy and to the operation of federalism itself.

First, health, education and other social services have now become the largest component by far of the budgets of the provincial governments. Whether or not the federal government recognizes it, Canadians now rely more and more on private resources and the provincial governments for health, education and social assistance expenditures than they do on the federal government.

For example, in the all important area of health care, out of a total of \$82 billion in health care expenditures, 30% now represents private spending, 61% represents provincial expenditures and only 9% represents federal expenditures. This incidentally is in a field where a previous Liberal administration once promised, once swore up and down on a stack of Bibles it would never change. The federal government would always assume 50% of the approved cost of health care.

No wonder that more and more Canadians' summary impression of the government is boiling down to two phrases: they raised our taxes and they cut our health care; they make us pay more and they give us less.

Second, it is increasingly clear that all the provinces, including British Columbia, Alberta and Ontario which receive no equalization, are experiencing increasing difficulty in financing health, education and social services. These difficulties are compounded by the insatiable appetite of the federal government for tax revenues, federal tax revenues having increased 38% since this group got into office, and the reduction of federal transfers to the provinces by over \$6 billion per year which adds up to a cumulative decrease, if we add up the annual decreases over the period since they have been implemented, of about \$16 billion.

In light of these circumstances, what is required? What is required with respect to equalization? I would say something more than tinkering, something more than what is contained in the bill for which the government has had five years to prepare. It is

dealing with one of the pillars of social financing and we always hear how passionately committed the government is to social programs. It brings a bill to the House that is mere tinkering with one of the pillars of social service financing.

If we are concerned about hospital closures and the shortage of doctors and health care personnel; if we are concerned about the 200,000 people on the waiting lines; if we are concerned about spiralling tuition fees and Canadian students rapidly increasing their debt load; if we are concerned about the ever increasing number of Canadians, particularly children, living in poverty; if we are truly concerned about all these things, what is needed is a substantive reform of federal-provincial financial relations. That includes a substantive reform of the three pillars that undergird the financing of social services, namely tax policies, federal-provincial transfers such as the CHST, and equalization, the subject of the bill before us.

• (1245)

I also suggest that any significant improvement in federal-provincial financing of social programs requires a substantive rethinking of tax policy, CHST and equalization. These have to be considered together because they are all tangled up together. They are all interrelated. We cannot change one without affecting the other.

What is the record of the Liberal administration with respect to implementing the real reforms needed to revitalize the financing of social programs? There is no record other than defending the status quo.

It is mere tinkering with regard to tax policy. Prebudget discussions have disclosed that the budget will only include token tax relief in comparison to the over \$30 billion of increased revenue which the government has collected per year since it took office.

With regard to transfers for social purposes, it is mere tinkering. The recent social union and health agreement proposals disclose that the federal government appears prepared to put only \$2 billion to \$3 billion back compared to the \$16 billion it took. It plans no real reform in the relations between the federal and provincial governments that would allow the provinces to do more with less. What reforms Ottawa has agreed to have been initiated by the provinces and not by Ottawa.

With regard to equalization, as I said it is mere tinkering again. Despite having five years to plan for this bill, it contains no rationale connecting it to the other aspects of federal-provincial program financing. It contains no substantive reform of equalization at all.

In these three things, the federal budget, the social union proposals and the equalization bill, we have only the latest example of fossilized federalism. The status quo is maintained with just a little tinkering to try to create the impression that substantive

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improvements are being achieved. Meanwhile, Canadians continue to pay more for less in terms of social services. Canadians must look elsewhere for substantive reform of the financial underpinnings of federalism.

I do not want to be entirely negative. In contrast to the fossilized federalism of the federal government, we have the flexible federalism recommended by the official opposition in its new Canada act. I also have to say it is advocated by an increasing number of the premiers. In contrast to the frozen federalism of the federal government, we have the springtime federalism recommended by the official opposition and also advocated by a number of premiers.

What does flexible federalism advocate to reform federal-provincial finances for the 21st century and to rebuild the financial foundations of our social programs, including equalization? Does the federal government not collect any of the thinking that is being done by the provinces on how to reform federal-provincial finances? Does it pay no attention to the work that has been done by the think tanks? Why is it that the federal government shows no leadership in these areas at all? It just clings to the status quo and adds a little tinkering. That is its only contribution.

I am proposing three things that substantive reform of federal-provincial financing would entail.

First, simplify and rationalize federal transfers for social purposes by providing simple equal per capita grants to all provinces for social purposes. Stop trying to equalize through every social program envelope, from health to social assistance to unemployment insurance. This position has been well articulated by both the Alberta and Ontario governments. I anticipate objections to this from some of the lower income provinces but I ask them to wait until I am finished.

Second, reform if necessary and refocus the equalization program we are discussing today even more heavily on the low income provinces. Listen to what I am saying. Equal per capita grants for social program funding across the country, then reform equalization and tip it even more steeply toward the lower income provinces to bring their capacity to finance social programs up to a national standard established by interprovincial agreements.

• (1250)

Third, complement these preceding measures with broad based substantive tax relief to increase the disposable incomes of individuals and families in every province so that private resources are also available for social spending and are enhanced.

For example, a \$15 billion broad based tax relief program such as was in the Reform Party platform during the last election delivers financial transfers to the people of each province of the following orders of magnitude. Listen to the orders of magnitude. People do not seem to understand how much broad based tax relief

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could deliver into the pockets of people, particularly lower income people and businesses in the various provinces.

Newfoundland, \$216 million. Nova Scotia, \$396 million. New Brunswick, \$329 million. P.E.I., \$56 million. In Atlantic Canada \$998 million in total can be delivered into the pockets of individuals and businesses through tax relief, more than what the federal government currently pumps in through regional development grants. For Quebec, \$3.256 billion. For Ontario, \$5.45 billion more. Manitoba, \$498 million more. Saskatchewan, \$438 million. Alberta, \$1.4 billion. British Columbia, \$1.8 billion. This is the order of magnitude of what can be pumped into provincial economies through broad based tax relief.

If this country had federal leadership committed to reformed federalism rather than fossilized federalism, if this country had a finance minister committed to the positive reform of federal-provincial financial relations instead of mere tinkering, what should have happened over the last year in discussions between Ottawa and the finance ministers of the provinces should have been this.

The finance minister should be meeting with every provincial finance minister to discuss and agree on substantive measures to stabilize and improve the financing of social services in this country. When the finance minister meets with his provincial counterparts, their discussion should occur with a simple table that has four columns.

Column one would show what the province would receive through simple, equal, per capita grants in support of social programs. Column two would show what the province would receive in terms of enhanced and better focused equalization. Column three would show what the people and employers of the province would receive through broad based tax relief which the province is free to either let it do its stimulative work or to tax back in part if it so desires. Column four would give the total and would show that each province would be better off financially, better equipped to finance health, education and social assistance than it would be under the status quo and Liberal tinkering.

In conclusion, the official opposition urges parliament to reject this equalization amendment bill as mere tinkering. The government ought to be embarrassed to bring something like this before the House. It is inadequate just as we consider the financial components of the social union agreement juvenile and inadequate and the tinkering tax changes in the next budget as inadequate.

As more and more Canadians and more and more of the provinces begin to see the inadequacies of this Liberal government's fossilized federalism, I express the hope that at some premiers conference in the not too distant future, instead of meekly accepting these tinkering proposals of the fossilized federalists, the premiers will take off their premiers' hats for just a day and put on their political leaders' hats.

In their capacity as political leaders, I would like to see some of those provincial political leaders, whose views on flexible federalism are more advanced than that of the federal government and more in tune with the need of the 21st century, discuss just for once their vision of flexible federalism and the political alliances and initiatives required to get a new government in Ottawa which is prepared to make the substantive reforms of federalism and federal-provincial financing required for the 21st century.

• (1255)

If and when that day comes, I assure those provincial leaders who favour reform of the federation over fossilized federalism that they will find an ally in federal Reformers united to create a better alternative to this bankrupt administration.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Madam Speaker, I am pleased to speak to an important bill concerning equalization payments in Canada.

First off, I wish to comment on what the Leader of the Reform Party said earlier about the equalization program. The Leader of the Opposition said that it was complex, incomprehensible and riddled with political interventions. With all due respect, I would differ.

If there is one program right now that is clear, technical and technically comprehensible when one takes the trouble to look more closely, that is fair to all Canadian provinces, that is based on verifiable, scientific facts and not on political decisions, that is the very foundation of what has been described as the compassion of this regime from its very inception, it is the equalization payment program.

For the benefit of all those listening, I would like to give a brief explanation of the origins of equalization payments, what they are, how they are calculated, and how they benefit the public.

Equalization payments are not a recent phenomenon. They first began in 1957. Why do we have them? They are the result of the post-World War II Rowell-Sirois report, a huge royal commission of inquiry into the workings of the Canadian federation which, after months of discussions, briefs and analyses, recommended certain directions that the federation should take to ensure a fairer future for all Canadians.

One of the recommendations was equalization payments, a program to ensure that provinces across the country, even those with differing tax capacities, could all provide reasonably comparable levels of public service.

For a self-respecting federalist, and even for a sovereignist looking at the system from the outside, equalization payments are

the foundation of fiscal federalism. They make it possible to reduce—but not eliminate—the disparities from coast to coast, as the members opposite would say.

How are payments arrived at? Using a very specific formula, an analysis is made of the tax revenues that each province and each local government is capable of raising from their populations in order to provide public services that are comparable from one province to another without levying additional taxes that would bleed taxpayers dry.

First, the sources of revenue for each of the provinces and local governments are identified. When the program was first introduced in 1957, three sources of revenue were identified for each province. Now there are 30. These include property taxes, income taxes, sales taxes, and so forth, for a total of 30 categories. There is nothing political about it. It is simply a list of 30 ways in which each of the provinces generates provincial and local fiscal revenue. A list is compiled for each province.

• (1300)

Then, one takes five provinces considered representative and puts them through the same process. For each of the five representative provinces, such as Ontario and Quebec in particular, a standard is developed against which every other province will be assessed in terms of its capacity to levy taxes on its territory.

These 30 fiscal parameters for each province, the standard developed for the five representative provinces, will serve as the basis for calculating the equalization payments each one is entitled to, unless they are not eligible because they exceed the standard set for the five Canadian provinces regarding the capacity to levy taxes.

After all this has been done, the federal government agrees with the provinces that, for the next five years, equalization payments will be calculated per capita—and this is a very important detail—so that each province can provide public services in a fair manner, at approximately the same level, taking into account its particular fiscal capacity and economic strength.

There is nothing political about this, nothing off the wall, as the Leader of the Opposition suggested. If there is a program that is still appreciated, regardless of how much is paid to each province, it is this one. We may come back to this later. There are individuals who are getting a lot of political mileage out of this. But regardless of the amounts paid, equalization per se is a very good principle. It is also a principle that would deserve further and more serious consideration, and more social understanding as well, especially on the part of a staunch federalist.

There is nothing complicated in equalization. Finance Canada has put out a booklet, about 30 pages long, that outlines the

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situation very well. For those with more inquisitive minds, who put more energy into understanding what is going on in this country, there is, of course, 450 pages of annexes. Hard work can be done on every aspect of the fiscal parameters.

As I said, this is a matter of personal taste and preference. My preference would be the fiscal system. It is a system that has captivated me for many years.

Even though we have concerns about the estimates done for certain of the parameters used to calculate equalization payments per province, we will wait until the bill goes to committee to ask more precise questions, in order to have an even better idea of the results of the last negotiation and of the new equalization system that will apply as of April 1.

In the meantime, allow me to set the record straight and to denounce certain members across the way who are trying to score political points in talking about equalization and Quebec—

An hon. member: Oh, oh.

Mr. Yvan Loubier: If I were the Minister of Human Resources Development, instead of staying here, I would go back to the drawing board and overhaul the employment insurance system, which presently covers less than 40 per cent of the population. It would be better for everybody if the minister did that instead of commenting on what I have to say about equalization.

Concerning equalization in Quebec, there is a myth that has been circulating for many years, ever since equalization payments started, to the effect that Quebec is the great beneficiary of equalization. I pointed out earlier that when we take into account the 30 fiscal parameters of equalization—

Hon. Pierre S. Pettigrew: Four billion dollars a year.

Mr. Yvan Loubier: Madam Speaker, would you be so kind as to tell my colleagues across the way that they should listen carefully in order to avoid perpetuating a myth that is complete nonsense?

The Acting Speaker (Mr. Thibeault): I would ask the hon. members to listen with me to what the hon. member for Saint-Hyacinthe—Bagot has to say.

Some hon. members: Oh, oh.

Mr. Yvan Loubier: Do you know why they are talking and laughing across the way? Because they do not want us to dispel a myth arising from remarks that are sometimes so tendentious as to be deceitful. That is why they are raising their voices. They do not wish to hear the truth.

As I was saying, equalization payments are established per capita for each of the provinces, which is understandable.

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• (1305)

Initially, in 1957, they said that each Canadian, from coast to coast, should enjoy consistent public services without crippling cost to the provincial governments. So equalization payments were used for this purpose and calculated on a per capita basis.

Seven provinces currently receive equalization payments, and Quebec is not the one receiving the most. Payment on a per capita basis is the basis of the program. This year, Quebec received \$536 per capita.

Newfoundland received \$1,743 per capita, or three times what Quebec received. Let us also look at New Brunswick. And in terms of figures, the Minister of Human Resources Development is not so qualified, because he cannot differentiate between 38% coverage and 62% coverage. He mixes up the figures. His figures are also a little tendentious.

So, New Brunswick received \$1,322 per capita, again nearly three times what Quebec receives.

An hon. member: And Ontario?

Mr. Yvan Loubier: Ontario does not get any.

The Minister of Human Resources Development is doing the right thing by leaving to go to work. I would advise him not to write a book, but rather to work for the unemployed he has left on their own for the past two years. It will be more advantageous for everyone.

I submit that, taking a province such as Quebec with the second largest population in Canada and multiplying the number of people by \$536 gives an impressive total. The principle of equalization payments, however, is to calculate per person. I have done a few quick calculations, and if Newfoundland had Quebec's population, with its level of equalization payment per capita, it would not get the \$3.9 billion Quebec does, but rather \$12.736 billion. In other words, a total of four times as much in equalization payments as Quebec, if Newfoundland had the same population as Quebec.

It can be seen that it makes no sense to say that Quebec gets \$3.9 billion, or 47% of the equalization payments. No, no. Equalization is calculated on a per capita basis, not a lump sum. If Newfoundland had as large a population as Quebec, it would get three times as much in total equalization payments.

Now a little trip to the west, the land of Reform. Let us look at Manitoba.

An hon. member: Two out of four.

An hon. member: And what about British Columbia?

Mr. Yvan Loubier: British Columbia does not get any.

An hon. member: And what about Alberta?

Mr. Yvan Loubier: Madam Speaker, it is none too bright of those on the other side to start making such remarks when a very serious matter is being discussed. They are being totally demolished by the Reform and do not want to hear any arguments in favour of the equalization payment system. This seems illogical. Sometimes the Liberals exhibit no logic whatsoever, particularly the Liberals from Quebec.

As I was saying about Manitoba, if Manitoba had a population of 7.3 million instead of the 1,141,000 it does have, it would get seven times as much in total equalization payments as Quebec. One can fiddle about with figures like that, but the main point is that there must be a fundamental respect of an act or of a program.

This equalization program has been established on a per capita basis, for the people the members across the way are supposed to be serving. But instead of serving them, they are laughing and saying any old thing. I would be ashamed if I were in their shoes. It would not be a pretty picture if residents from the riding of Beauce saw their member of Parliament act like a clown in this House. They would go back to their riding and condemn such behaviour.

With respect to the reputation of members of the political profession, when we look at polls and see politicians ranking dead last in terms of credibility, it is because of attitudes like this.

Mr. Claude Drouin: Madam Speaker, I rise on a point of order. The member for Saint-Hyacinthe calls me a clown while he stands there and quotes wrong figures. I would like to know which of us is the real clown, and I wish remarks like these were not allowed to be made in this House.

• (1310)

The Acting Speaker (Ms. Thibeault): I would ask the member for Beauce to choose his words carefully in referring to fellow members.

Mr. Yvan Loubier: Madam Speaker, through you, I ask the member for Beauce not to call me a liar, as he did in stating that the figures I gave were not the right ones. Let him check, let him do his job. The Liberals from Quebec should do their job and take it a little more seriously. They will see that the figures I gave were the real ones, the right ones. These figures came from their own colleague, the Minister of Finance and member for LaSalle—Émard.

As I was saying, we must be very careful with figures. We must review the principles behind equalization. Since equalization payments are calculated on a per capita basis, any comparison should also be made on a per capita basis. On that basis, Quebec does not benefit from equalization payments any more than the other provinces do.

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If one insists on making statements such as the ones we heard from the other side, to the effect that Quebec is spoiled when it comes to federal transfers, then one should provide the whole picture. If one claims that Quebec receives more in equalization and social transfers payments than the other provinces, one should also say something about federal investments in Quebec over the past 30 years and about the procurement of goods and services in Quebec. If those Liberal members did their homework, they would defend Quebec rather than begin by saying we are whiners. One has only to look at the data—and the data come from Statistics Canada, the Department of Finance, and the Department of Public Works and Government Services—to see that, since 1961, Quebec has never had its fair share.

For example, in terms of federal fixed capital investments, in the past 30 years, only 18% of total federal investments were made in Quebec. Yet, Quebecers still account for one quarter of the Canadian population. Given our demographic weight and our contribution to the federal government's revenues, we should be entitled to at least 25%.

The figures on the procurement of goods and services are not jokes of false data. They can be checked. In fact, all the figures that I am presenting can be checked. It is simply a matter of not being so lazy and really going to check them. In terms of the procurement of goods and services, we have had only 18% since 1961, more than 35 years ago, while Quebec accounted for more than one quarter of the population then and accounts for one quarter of it now.

If we look at the whole investment picture and procurement of goods and services, Quebec has a shortfall of \$2.4 billion a year. This is productive and job creating spending. This \$2.4 billion in spending on goods and services from businesses could help create 45,000 jobs in Quebec if it were properly and fairly distributed to Quebec. If the federal government had acted fairly, an extra 45,000 jobs could have been created in Quebec. That is a lot. The unemployment rate in Quebec with these 45,000 jobs would be 1.1% lower. That is significant.

These figures can and should be verified. It is true that, if we look at only part of the problem, we could indeed say that Quebec receives \$1 billion more a year in equalization payments and employment insurance than its demographic weight would justify. We are not ashamed of that, especially since if the federal government had made these fixed capital investments, and if we had had our share of federal government procurement of goods and services in Quebec, we would have made up this billion dollars. We would not need the extra equalization payment, employment insurance benefits or social assistance. We would even have had an extra \$1.4 billion to play with.

The federal government could keep the additional billion dollars it pays us over and above our demographic weight, if it returned to

us the \$2.4 billion it owes in job creation investments and in procurement of goods and services from Quebec businesses. In politics, two things in particular are important.

• (1315)

There are a number, in fact, but there are two in particular: honesty and moral integrity. Moral integrity, as in providing accurate figures, and intellectual honesty demand that you look at the picture as a whole, and not just say that Quebec receives equalization payments. Yes, Quebec receives equalization payments, as do Newfoundland, Prince Edward Island, Manitoba, Saskatchewan—

Mr. Claude Drouin: Ontario.

Mr. Yvan Loubier: The members opposite are laughable. But I am not going to take the bait because it is not worth it on these small points.

The overall picture has to be presented. Yes, it is true that Quebec receives more social band-aids, because its levels of poverty and unemployment are perhaps worse than they would have been if the federal government had treated Quebec fairly for the last 105 years.

As I said earlier, we are mentioning this not to complain but to set the record straight and to put the debate in proper perspective. Furthermore, the Leader of the Official Opposition just made a thinly veiled suggestion that this is one national standard Quebec finds to its liking.

I did not want to get into the federalist argument that, as the spoiled child of the Canadian federation, Quebec receives more than its share of equalization payments. Given what we have been hearing for weeks from the other side, and what I heard just minutes ago from the leader of the opposition, I have no choice but to direct my presentation on Bill C-65 to that aspect of the matter.

Getting back to the bill, in the days to come we intend to go into further detail on certain aspects of the review of the equalization payment system, on certain parameters such as the demands brought to the table over the past 10 years, not just by Quebec but by a number of provinces, particularly those relating to the way property tax is handled. We are going to address these further in committee.

We already have a meeting scheduled this week with people from Finance, in order to go still further into the technical aspects that are different. There are, for instance, differences from the formula used in the past five years. We are going to continue our efforts and will be making recommendations to our party based on the final outcome of this.

In the meantime, I would ask my Liberal and Reform colleagues to take a look at equalization payments. It is not all that complicated, a matter of taking an hour or two to read some very well

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prepared documents. Some are summaries, while others are a bit more complex. One can have a good grasp of the principles of equalization payments even without the latter, however.

There is nothing magical about equalization payments, nothing arbitrarily determined. The process is one of negotiation, based on parameters that are highly technical but can be verified in all the provinces of Canada. It is being rather lazy intellectually to say "The system must be torn up, got rid of, dumped. We must start all over again, reform the whole business".

In my view, the federal taxation system is not all bad. It contains some things that are understandable, and the equalization payment system may be one of them.

I thank my hon. colleagues for their attention.

[English]

Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP): Madam Speaker, I will be splitting my time with the hon. member for Regina—Lumsden—Lake Centre.

I listened with interest to the previous speakers and, on principle, we in the New Democratic Party support the principle of Bill C-65 on equalization. It is the ultimate form of an attempt by governments to level the playing field on crucial issues of social spending.

We all like the idea of level playing fields. We do not like different playing fields or uneven playing fields. We now have a level playing field for social programs, and equalization is a step in that direction, where the three have provinces, British Columbia, Alberta and Ontario, are not included but everybody else is.

• (1320)

Newfoundland will receive \$1,648 per capita; P.E.I., \$1,340; New Brunswick, \$1,154; Manitoba, \$898; Quebec, \$521; and Saskatchewan, \$232.

Looking at the history of this issue and the long lists of the per capita entitlement of provinces over time since equalization was first brought in, we notice something about the province of Saskatchewan. This province moves in and out from being a have province some years to being a have-not province in other years. Every other province is consistent. British Columbia is a have province, Ontario is a have province and Alberta is a have province. All of the other provinces are have-not provinces, but Saskatchewan is different. It comes and it goes. We wonder what is behind these statistics until we factor in which party forms the provincial government. By and large, it works like this. The people of Saskatchewan elect a Conservative or a Liberal government. It gets into financial and economic crises and then the province of Saskatchewan needs equalization payments. It qualifies.

Then the people elect a CCF-NDP government and everything is back in order again and Saskatchewan loses its status. Then the

people elect a Conservative or a Liberal government which screws up the economy again. Basically it is a history lesson. Liberals and Conservatives screw up the economy and the CCF-NDP governments get it all back in order again. It is a reflection of the province qualifying or not qualifying for equalization payments. There is an interesting history lesson in these statistics.

I want to reflect on a view that was previously stated. We are talking about one sector of this whole issue of equalization, which is an umbrella for attempting to be fair. Yet sometimes when it comes to health care the government has been very unfair by unilaterally slashing beyond anything reasonable the health care system to cause irreparable damage to that sector.

We would be hard-pressed to find a single Canadian who does not say that our health care system is in disastrous shape because of the Liberal government. There are some people who will distinctly say that some provincial governments are involved, which is true. Ontario is involved. But by and large the slashing and hacking and the damaging records have been caused by the Liberal government in Ottawa.

I was shocked when we added up all of the costs of health care to find how much the federal government actually pays. I remember the old days when it was 50:50. We all remember the good old days when the federal government said it was an equal partner in this marriage. It said that it was an equal player and for every dollar spent it would pay 50 cents, that it would pony up, and it did. That was the way it was supposed to work. It was a family of the federal and provincial governments and the federal government paid 50%. It was a nice balance. That was the way it was supposed to work.

However, over the years that old playing field just about tipped upside down. When we add up all of the costs of health care, 30% is paid privately. There is nothing about dental work, eye glasses and so on, which is all part of health care. Sixty-one per cent is picked up by the provincial governments and the federal government picks up 9%. That is a real embarrassment. The Liberals should be hanging their heads in shame. They should be apologizing. They should feel sorry for what they have done and they should rectify it.

Let us understand that when we talk about equalization, which my party has supported from day one, we cannot look at it in isolation. It is important that we acknowledge that while the government has devastated health care, it has now come forward with a revised Bill C-65 which, on principle, my party supports.

Casino revenues are now taken into account with respect to the provinces' abilities to raise revenues, which makes sense because of the way the country is going. I do not want to comment on casino taxes or anything of that nature because I got into trouble doing that the other day.

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• (1325)

The bill also reflects the value of harvested timber as opposed to the volume of harvested timber. It is fair to say that the province of British Columbia has some of the highest quality wood in the world. I do not know if it is the highest quality wood in the world, but possibly it is. This measure is fair. Some of the other provinces harvest a lot of timber as well, but it is of a slightly different quality.

Also we acknowledge that the cost of obtaining new oil is much more expensive than old oil. I know that old oil and new oil is a favourite topic of yours, Madam Speaker, but it is something we have to deal with.

At this point we, as well as some of our friends to the right, consider this as being a bit of serious tinkering. We have to take this more seriously. We have to see it in terms of the context in which we consider all of the fairness of this. My friends in the Reform Party reminded us about that little adjustment just before the Newfoundland election, which we all noticed and thought was interesting. Our friend Brian, from a previous life here, will have a chance to balance his books. Nevertheless, we have to get much more serious about how we develop this kind of policy.

Let us consider how the social union was struck. There were 11 middle aged, white men stuck away in the Prime Minister's residence playing poker with social policy: "I get this. You get this. I get a bigger share than you. No, your share is bigger than mine" and so on and so forth. They cut a deal. Mark my words, what we do not know is what part of that deal was left unstated. The Prime Minister said to premier X that if he bought into the deal they could make arrangements about X, Y and Z a little later.

We all agree that policy making in a crucial area such as health care or social policy ought not to be done by a few guys sitting in a secret meeting, cutting a deal over dinner. That is not the way we should develop public policy. Unfortunately that is the way it is done. That is the way the state of affairs has progressed.

My friend from Regina is going to be making a number of comments more specifically regarding his province. At this stage we in the New Democratic Party support in principle the issue of equalization. We have some obvious concerns which will come up during the committee's work on this legislation.

Mr. John Solomon (Regina—Lumsden—Lake Centre, NDP): Madam Speaker, I am pleased to share my colleague's time speaking to Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act.

Equalization is a principle which provides certain revenues to provinces that are deemed to be at a disadvantage from provinces that are in an advantageous situation economically and financially. This is a concept that I heard the Liberals, the Tories and the

Reformers talk about with respect to different issues. For example, when it is the large international oil companies that want tax breaks, the Reformers and the Liberals talk about a level playing field for the international oil companies.

An equalization bill is a good example of a level playing field. It provides revenues to those provinces that are unable to provide basic government services to their people because of various economic disparities. The concept of equalization to ensure that consistent benefits are paid to various provinces that require them was enshrined in the Constitution when it was patriated in 1982.

There are some interesting issues in this bill which I want to address.

The first one that comes to mind is that each province which is a have-not province, seven out of ten, have a different per capita formula. For example, Quebec receives \$521 per capita in equalization payments from the have provinces and from the national treasury. Nova Scotia gets \$1,209. For Manitoba it is \$898. New Brunswick gets \$1,154. Newfoundland gets \$1,648. P.E.I. gets \$1,340. But Saskatchewan, which has more miles of roads than any other province in Canada even though we only have one million people, only gets a per capita grant of \$232.

• (1330)

It is quite interesting that Quebec has 7,100,000 people and gets \$521 per person. Saskatchewan has just over one million people and gets \$232 per person. We in Saskatchewan have national transportation commitments that Quebec does not have even though we have less than one-seventh its population. Of course we get only one-third of its grants per capita. I raise this in the House and with the government opposite as to why that inequity would be.

I can see that perhaps with P.E.I. and some of the smaller Atlantic provinces that have had a long tradition of being reliant on federal government revenues. It was appropriate for the Liberal government in Ottawa and sometimes from time to time a Tory government to provide those moneys to elect provincial governments in Atlantic Canada.

I would like to monitor that and see what happens down the road, in spite of this particular initiative, when an NDP government gets elected. That may happen very soon in Nova Scotia. I want to make sure that the money the government is giving to Nova Scotia now is similar to what it will get when it becomes an NDP government.

On the other hand, we have heard my colleague from Kamloops, Thompson and Highland Valleys make reference to the fact that when there is an NDP provincial government, as in Saskatchewan for example, we are there to clean up the mess of the former Liberal-Tory-Reform coalitions which have made every effort possible to bankrupt our province. The people tossed them out and

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elected an NDP government and we end up cleaning up their mess. Not only are we a very modest recipient of fiscal arrangements but on occasion we have been a have province and we have shared revenues that have been derived from good management with other provinces that require that assistance.

We see some key changes in this equalization agreement. My colleague made reference to casino revenues. I will make reference for example to the resource revenues which will reflect the value rather than the volume of harvested timber. This again benefits Quebec. British Columbia, with a very high quality timber, is not affected at all because it is a have province. But it provides a little extra money for Quebec and perhaps it needs it. Perhaps the provincial government would be better suited to manage the economy and balance its budget rather than continue to have huge deficits.

There is an issue which is very important to Saskatchewan right now. My province of Saskatchewan is experiencing an agricultural crisis. Farmers are desperate to get their crops in this spring. They have no revenues to do that.

We have some very significant problems in agriculture, not because of a local management problem, but because of an international situation which has arisen. European and American governments nationally have funded and subsidized agriculture in their countries to a very large extent while Canadian governments are eliminating subsidies for agriculture altogether.

I am not saying subsidies are the answer, but when a federal government abandons its farmers, farmers in Canada end up suffering even though we are providing most of our products for export while the European farmers and American farmers are the recipients of huge subsidies from their governments.

The Liberal government has cut the Crow benefit which was a transportation subsidy. It has taken \$340 million a year outside of our agricultural economy. Now the government is saying it wants the Saskatchewan government to chip in 40% for an agricultural program to help those farmers who are in need.

Agriculture is not something we benefit from locally in Canada. We export a vast majority of Saskatchewan's production to other parts of the world that require food. This is a national agricultural situation. Actually it is international in nature when it comes to subsidies, yet the Liberal government says it is not going to provide any assistance to these farmers unless the province comes up with 40% of the funding.

The government is offering only \$450 million for all of Canada. Saskatchewan might get 40% of that in a particular year. That may amount to \$5,000 or \$6,000 per farmer which will not make any difference in terms of substantially improving their position to put a crop in this spring. The government has to consider that.

• (1335)

Over and above equalization, or maybe including the equalization, there should be some consideration that foreign governments are subsidizing their agricultural base. We should provide some reciprocity for Canadian farmers to make sure they are not put out of business.

The Liberal Minister of Natural Resources, the member for Wascana, is from Saskatchewan. He has said that Saskatchewan's equalization benefits are being increased because of the problems of lower income in agriculture and a substantial decline in resource prices and that the Liberal government is going to give us \$3 million this year as an increase in equalization.

The minister has said that Saskatchewan should be able to put that into its agricultural program. Yet he does not understand that we are not being asked to put in three million bucks. We are being asked to put in \$45 million to \$60 million this year alone. But he is going to help out by taking \$340 million out of our economy from the elimination of the Crow benefit, giving us \$3 million back and saying "good luck, this is a real good economic program for farmers and for western Canada". The farmers in western Canada have seen enough of this shell game being undertaken by the Liberals to trick farmers into believing the Liberals are actually doing something for the economy.

Manitoba is in an even more desperate situation with this equalization bill. Manitoba is slated to lose \$37 million over five years. This accounts for 18.5% of Manitoba's overall revenues, not the \$37 million, but the total equalization payment. I believe provincial officials are very upset about this. They are opposed and are asking for amendments in the next go around.

What is more disturbing than all the issues I have raised is that the Reform Party goes on record as saying that it does not support equalization. It does not support a level playing field for the provinces and regionally based economies. Reformers do support a level playing field for Conrad Black. They do support a level playing field for the oil companies that are international in nature. They do support a level playing field for their large corporate friends, but they do not support equalization for provinces and regions that require equalization assistance from our national treasury.

I call upon the Saskatchewan and Manitoba members of parliament from the Reform Party to stand in this House and say they oppose the Reform Party's view that equalization is bad and it will not support equalization payments to provinces that require them.

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Madam Speaker, I have a couple of comments.

The hon. member made reference to the situation in Saskatchewan. I reiterate that I do not want the hon. member to give the

illusion to those individuals watching this program that there is a different formula for Saskatchewan. The equalization formula is calculated one and the same. We end up with different results because of the varying capacities and abilities of provincial governments to raise taxes. There is no inequity there.

The hon. member made reference to the fact that Quebec has a higher per capita rate than does Saskatchewan and that somehow that is unfair. If we go down that road and if I follow the logic of the hon. member, the have provinces that do not get any equalization are being treated unfairly. He said that Saskatchewan has a lot of roads so it should get more. Quebec does not have as many roads but it has a lot of ports. Saskatchewan does not have ports. Should we follow that line of thinking? Then we get on to the whole subsidization issue.

The member made reference to the amount of the increase in equalization. He did not think it was very much. Will the hon. member go back to Saskatchewan and tell the people that he does not support an increase in equalization payments for the province of Saskatchewan?

Mr. John Solomon: Madam Speaker, it is good that the hon. Liberal member has raised the issue of ports. This is another sore point for farmers in Saskatchewan. Farmers, through their revenues and income, have supported the ports of Canada. If we did not have ports, we would not be able to ship our grain outside the country.

• (1340)

Farmers are sick and tired of the Liberals continuing to download to them all of the costs that are on the shoulders of the Liberal government. For example, when there is a strike at the port in Prince Rupert, on the coast, or up in Churchill, who pays for the costs of demurrage or for the delay in getting the grain to market? It is not the Liberal government or Quebec. It is the farmers in Saskatchewan, the farmers in western Canada who pay for this.

I am quite appalled that the Liberal parliamentary secretary would say that farmers have nothing to do with the ports of this country. I ask the hon. member to go to Saskatchewan, Manitoba or Alberta and talk to the farmers. Ask them about the federal government which is responsible for the ports, which cannot deliver our grain to market because the workers are not paid adequately and have to use job action to get a fair rate of pay, ask the farmers who pays for all that. It is not the Liberal member of parliament from Ontario. It is the farmers from Manitoba, Alberta and Saskatchewan who pay for those ports. I am glad the member raised this issue.

My sense is that Saskatchewan, because of its involvement with the equalization formula and which supports the concept of equal-

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izing payments, would be remiss if it did not take advantage of an equalization formula which includes resource revenues, which are now down in price and therefore the revenues are down and equalization kicks in. This is something which is fairly important.

Part of the reason that our farmers have record low net incomes this year is not because we have equalization payments. Incomes are low because they are spending a lot of money in ports and other parts of the country to get their grain to market and the Liberals are downloading the costs to the farmers.

I ask the member opposite to go to his Minister of Finance before the budget and have the Liberal government change its policy as it applies to farmers. Rather than have farmers pay for all of the transportation costs, all the labour costs and all the port costs, perhaps the federal government should undertake responsibility in a financial way to help them out in that regard.

I thank the member for raising that issue.

Mr. Scott Brison (Kings—Hants, PC): Madam Speaker, it is with pleasure that I rise today to speak on the equalization renewal package.

The equalization renewal package on the surface is positive for most of the beneficiary provinces receiving equalization payments, with the exception of Manitoba which will receive less money as a result of these changes.

In general, the suggested changes include changes in the treatment of general and miscellaneous sales tax, lottery and gaming revenues, forestry revenues, mineral resources, miscellaneous provincial and local tax revenues and also gasoline and fuel tax, hospital and medical insurance premiums, oil revenues, natural gas revenues, payroll taxes, property taxes and sale of crown leases. These are some of the changes that are in the calculation of equalization which are taken into account in this new package. I am going to focus on a couple which I do have some concerns with.

One is on the lottery and gaming revenues. The government is moving to treat casino revenues similarly to lottery ticket revenues. Previously only the lottery revenues were considered. I have concerns with this for a couple of reasons.

One is that casino revenues often bear significant social costs to the provinces, with respect to the costs to health and social programs. In Nova Scotia I have seen the impact of the casinos in Halifax and Sydney. Frankly it is my own personal belief that unless casinos are successful in attracting people from outside a particular area, there is extremely high social costs in terms of gambling addiction. In some cases there has been loss of people's entire monthly incomes. There are costs to families in the increases in things like spousal abuse and marriage break-up.

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• (1345)

Health costs are provincially borne costs. These changes would effectively mean that the federal government would be considering more casino revenue than it had previously. Thus provinces would be penalized for their casino revenue. I would argue that in the future casino revenues, when considered and balanced against the negatives, the social costs and the health costs, are dubious at best in terms of their benefit and their sustainability in the long term.

I have some concerns about that particularly in light of the government's irresponsibly slashing health care and the CHST since 1993 to the tune of over \$6 billion. I would argue that it is short-sighted to consider these casino revenues. From a long term perspective the sustainability of that revenue stream is questionable and the benefits are at best dubious.

There are some concerns from our provincial counterparts relative to natural gas revenues, for instance offshore natural gas revenues and offshore oil revenues for some of the provinces affected. Be it Nova Scotia or Newfoundland, the opportunities for Nova Scotians, Newfoundlanders or Atlantic Canadians to bootstrap themselves into some level of prosperity in the 21st century is largely contingent on these revenues. We should be very careful not to create through changes in equalization a clawback that effectively eliminates and reduces significantly the benefits from the steps forward being made by these provinces.

We have to be very careful that in our haste to respond to the critics of equalization we do not eliminate the basic goals of equalization, that is to enable provinces and citizens in have not provinces not just to compete but to succeed in a global environment. I would argue that those natural resource revenues are pivotal and very important to those provinces.

We have to recognize the importance of equalization within Canada. It is a cornerstone of Canada's social policy. It is something we should be proud of as a country. It is difficult to take a country of some 30 million people spread out over a massive geographic land mass and try to create some semblance of equality of opportunity.

While there are people who will be critical of everything that has been done by previous governments, I would argue that one thing we have done in Canada that is quite unique and quite extraordinary is to create at least some semblance of equality of opportunity in almost every corner of the country. That is something we should be proud of.

I grew up in a rural part of Nova Scotia, in an area where there was not a significant level of opportunity but where there was a sound education system and a health care system that worked, albeit the health care system has been gutted in recent years due to

draconian cuts from our federal counterparts. The quality of the education and health care system helped to equalize the opportunity for me and for other Nova Scotians. We are not looking for and no Canadian should believe in some type of policy that promises equality of outcome.

In the past governments have made the mistake of trying to protect regions of the country from the risks of the future. In doing so with successive social program spending and reinvestment there have been times when governments, in trying to protect for instance Atlantic Canadians from the risks of the future, have unwittingly prevented Atlantic Canadians from participating fully in the opportunities of the future. That is something we have to be very careful of.

• (1350)

We should be equally careful that we do not capitulate to the critics of equalization who claim somehow this is a handout that is unjustified and unfair to any Canadian. Equality of opportunity is something that makes Canada unique. We should treasure it as Canadians and be prepared to defend it.

It is important to recognize as well that the federal government has a leadership role to play in creating equality of opportunity across the country, but equalization does not go far enough. I am talking about the federal government taking a leadership role in some of the issues that are within provincial jurisdiction but where the federal government could play a role in working with the provinces to ensure better quality services.

In the last federal election our party had as part of its platform a call for national testing in education. Recognizing that is in the provincial jurisdiction, the plan we called for was actually an optional plan that provinces could opt in or out of. It would at least raise the bar across the country where parents in any region of the country could demand and ask to know why their student or child did not test well relative to a student in another area, or why the education system was failing one area of the country and succeeding in another area.

Parents, students and everyone in Canada want to know where their education system stands up. It is not equalization or strictly a financial area but it is a leadership area that the federal government could play by implementing and working with the provinces to develop a system of national testing such that we could see an increase in the quality and excellence which could be provided by primary and secondary education systems across Canada.

We need to take a serious look at federal programs, for instance the millennium scholarship fund. Before the government even had a surplus, when there was just a vague whiff of a surplus, it chose to invest \$2.5 billion in the millennium scholarship fund.

These types of programs are in some ways difficult to argue with because it is money for higher education, but we should be looking very carefully at the design of these programs. First, we should not increase tensions on a federal-provincial relations perspective. Second, these programs should be designed in such a way as to reflect not just where Canada is now and where Canadians are now but where Canada is going and where we want Canadians to go in the future.

I will give an example of the wrong-headedness of some of these policies. The millennium scholarship fund is not available for students going to private career colleges. I participated recently in a conference on education. One of the things I learned at the conference was that the wave of the future in post-secondary education, and quite possibly in secondary and primary education, would be in implementing more private programming and more private delivery of what was previously a totally public service.

Private post-secondary education is outgrowing and outpacing public post-secondary education around the world. This is a global phenomenon. Yet in Canada a scholarship program that was recently developed does not reflect the realities of where we are now and where we are going in the future in a global context.

We must be very careful to recognize that federal policies and more money are not always the answer. We have to be rigorous in providing the types of programs and investments that Canadians want and need. That takes a little more vision than we are seeing from the government on a number of these issues.

We would also like to see a more concerted effort on the part of the federal government to work with the provinces in bringing down interprovincial trade barriers, one of the structural impediments to our global competitiveness and our productivity as a country. Interprovincial trade barriers are an area that can actually inhibit and prevent the growth and success of our provinces and Canadians in various regions. These trade barriers need to come down.

• (1355)

I am talking about equalization of opportunity, not strictly equalization payments. This is very important because we cannot simply depend on money to solve the problems. We must recognize that equalization payments are a way in the short term and in the mid-term to equalize opportunity, but we have to work nationally and provincially with our provincial counterparts to create policies, economic development strategies that are rooted in the free market. We have to recognize that the free market is only sustainable if all citizens have access to the levers of the free market. This means a sound education system, a sound health care system, and the ability for people to bootstrap themselves and become successful. This will take more than simply equalization payments.

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Our party is having a conference on February 23 in Halifax called "The New East". The name came from the phrase the new west. I found when travelling in Alberta a sense of buoyancy and optimism that is very encouraging. There is a sense of self-reliance and opportunity that is leading the way. We want to see equality of opportunity, that level of opportunity and access to economic growth available to all Canadians. "The New East" conference will provide us with ideas for sustainable strategies that will provide in the future the types of free market based policies which will give opportunities for Atlantic Canadians to participate in the same level of economic growth that other regions have had in the past and will have for the foreseeable future.

It is not simply a matter of Atlantic Canada moving forward because of increased revenues in offshore oil or gas. We now need to move forward and take those opportunities we have had in offshore petroleum or other resources and invest significantly in the type of knowledge based infrastructure we need in these regions to enable us to succeed in a global knowledge based society. That again is a strong education system. It is also recognizing some of the global trends in information technology, for instance, the death of distance as a determinant in the cost of telecommunications—

The Speaker: I do not want to turn off the microphones too late, so I thought I would intervene now. The hon. member still has five minutes left and will have the floor for that length of time. That will give him a little better chance to summarize at the end.

At this point I would like to proceed to Statements by Members.

STATEMENTS BY MEMBERS

[English]

MULTICULTURALISM

Ms. Sophia Leung (Vancouver Kingsway, Lib.): Mr. Speaker, I am very pleased to announce that there will be a celebration of multiculturalism week in British Columbia in my riding of Vancouver Kingsway on February 20. It is a community celebration organized by my office and the Vancouver Society for Immigrant and Visible Minority Women.

Vancouver Kingsway is a very culturally diverse riding. This event will bring together Canadians from all cultural communities to share and discuss their ideas and concerns with their member of parliament.

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AGRICULTURE

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Mr. Speaker, it is common knowledge that a farmer receives less than 8 cents for the wheat in a loaf of bread.

Last night I calculated that farmers receive about \$1.20 for all components of a first class roast beef dinner. Middlemen take the rest, but they are pikers compared to government.

After freight and handling deductions, a Saskatchewan farmer receives \$3.15 for a bushel of malting barley from which about 300 bottles of beer can be produced.

Federal and provincial taxes including GST on that beer would be about \$165 or 52 times what farmer receives. Yet the government does not realize that its great milch cow known as the farming industry has to be fed from time to time. Farmers need emergency assistance and they need it now.

* * *

• (1400)

GENIE AWARDS

Ms. Sarmite Bulte (Parkdale—High Park, Lib.): Mr. Speaker, on Thursday, February 4 members of Canada's film industry gathered to recognize and celebrate our country's cinematic achievements at the 19th annual Genie Awards.

Each year the Genies bring together more than 1,500 key film professionals and crafts people from across Canada to honour, celebrate and promote the talent and the accomplishments of the Canadian film industry.

On the eve of the approval of a feature film fund for Canadian producers, we witnessed the success of such films as *The Red Violin*, *Last Night*, as well as *A Place Called Chiapas*. These films demonstrate what can be achieved with a clear vision and the support needed to turn the dream into reality.

I congratulate both the nominees and the recipients. Their dedication to their craft has not gone unnoticed. Evenings such as these highlight the importance of the Canadian film industry and showcase its talent.

* * *

[Translation]

CITIZENSHIP AND HERITAGE WEEK

Ms. Raymonde Folco (Laval West, Lib.): Mr. Speaker, this week is Citizenship and Heritage Week, and the people of Laval West, Quebec and all of Canada are celebrating their common attachment to this country's ongoing history and to their Canadian citizenship.

After the native people, came the French, then the English and then people from the world over. People and cultures from all over have therefore helped build Canada. Our country is not only among the best countries to live in, it is an example of democracy, tolerance and brotherly co-existence for the whole world.

We Canadians of every origin are proud of our country and we will show it with all our hearts throughout this week, which concludes on February 15 with National Flag Day and Heritage Day.

* * *

[English]

SARAH WHEATON

Mrs. Nancy Karetak-Lindell (Nunavut, Lib.): Mr. Speaker, I congratulate Sarah Wheaton, age 11, from Nakasuk school in Iqaluit, the future capital of Nunavut. She is one of the winners of a contest that tested space related knowledge of Canadians.

Sarah Wheaton, along with other Canadian contest winners, will watch on March 13 Canadian Space Agency astronaut Julie Payette's launch on site at the Kennedy Space Centre in Florida. This mission marks Canada's first participation in an assembly flight of the international space station, an ambitious scientific engineering project to create the world's largest orbiting laboratory.

I congratulate Sarah and her fellow grade six classmates for participating. Bon voyage to the contest winners.

* * *

THE HEART AND STROKE FOUNDATION OF CANADA

Mr. Roy Bailey (Souris—Moose Mountain, Ref.): Mr. Speaker, this is Heart on the Hill Day with the celebration of the Heart and Stroke Foundation visiting Ottawa.

Cardiovascular disease is still Canada's number one killer. February is National Health Month. Therefore I am proud to rise today to pay tribute to a tremendous organization, the Heart and Stroke Foundation of Canada.

In particular I want to praise the work of the branch of this foundation in my home province of Saskatchewan. It would come as a surprise to most people to know that in Saskatchewan this organization has an army of some 20,000 volunteers. It is sad for me to say that many of our top researchers have left Saskatchewan simply because of a lack of funding.

I join with the heart foundation and my provincial colleagues to ask the federal government to significantly invest in heart research. In the province of Saskatchewan 80% of the \$1,070,000 spent on health research comes from volunteer collections.

I salute the work of the volunteers for the Heart and Stroke Foundation across this nation and indeed for the province of Saskatchewan.

* * *

[Translation]

NATIONAL YEAR 2000 PREPAREDNESS WEEK

Mrs. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Mr. Speaker, the government has designated this week National Year 2000 Preparedness Week. During this week, every household in Canada will receive a guide with information on their appliances, vehicles, insurance, personal finances and computers.

I encourage all Canadians to read this guide and to call retailers and manufacturers, if they have any questions.

[English]

This week affords all of us the opportunity to remind and monitor small businesses in Canada to ensure that they are taking the necessary action to survive and flourish after the millennium. Information on government programs to help small business is available on the Internet and through the government's toll free line at 1-800-270-8220.

• (1405)

I invite all members of the House to join with the government in spreading the Y2K preparedness message so that we can work together to turn—

The Speaker: The hon. member for Drummond.

* * *

[Translation]

CIRQUE DU SOLEIL

Mrs. Pauline Picard (Drummond, BQ): Mr. Speaker, since December 23, the Cirque du Soleil has been performing at Walt Disney World, in Florida.

Whether in Las Vegas with the aquatic show called "O", in Orlando with *La Nouba* or in Paris with *Notre-Dame de Paris*, performers from Quebec are recognized world-wide for their exceptional skills.

Most of all, this new equal partnership between a Quebec-based enterprise and the world's largest entertainment company, Disney, shows that Quebecers are capable of developing socio-economic partnerships anywhere in the world.

Quebeckers are competent and considered to be creative and very energetic partners; the Cirque du Soleil is living proof of that.

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[English]

CANADIAN ECONOMY

Mr. Lynn Myers (Waterloo—Wellington, Lib.): Mr. Speaker, last summer the leader of the Reform Party decided to use the unprecedented tactic of going overseas to deride the Canadian economy during a speech in Hong Kong to investors and business professionals.

He claimed that the Canadian dollar and the Canadian economy was facing a major economic crisis.

Fortunately the Reform leader's doomsday predictions have not come anywhere near to being realized. In fact our government's prudent approach in managing the economy has proven to be the right one.

Consider the evidence. The Canadian dollar has now regained its strength and unemployment is down to its lowest level in nearly nine years. Youth unemployment in 1998 saw a net increase of 143,000 jobs, the best result in 20 years. This is just a small part of the overall total of 1.5 million jobs created since our government took office in 1993.

I for one am glad the government did not listen to Reform's demands last summer to scrap the budget plan. I look forward to even more of the responsible fiscal management we have come to expect from our government in the upcoming budget.

* * *

THE LATE KING HUSSEIN

Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.): Mr. Speaker, today the world mourns the death of King Hussein of Jordan.

The King, ruler of his country for 46 years, was a beacon of hope in a land entrenched in conflict. The shifting sands of Middle East politics have claimed many leaders and it is a true measure of the man that he was able to lead his people for so long.

I had the privilege of meeting the King a few years ago. What was most striking about him was his humility, grace and kindness. Known to dress as one of his subjects, to take the pulse of his citizenry, he was a true people's king. However, it is in his last act that the King demonstrated his true colours.

It is said that the ultimate measure of a man is not where he stands in moments of comfort, but where he stands in times of challenge. So it is in his last gesture of flying while critically ill to ensure that the Wye Peace Accord was signed that the King may be judged.

Members of the Reform Party wish to extend our deepest sympathies to the royal family, the Jordanian people and we commit to support King Abdullah in his pursuit of peace and security.

S. O. 31

[Translation]

SOIRÉE DES MASQUES

Mr. Claude Drouin (Beauce, Lib.): Mr. Speaker, the fifth Soirée des Masques, a major theater event in Quebec, was held last weekend.

Congratulations to all the nominees and especially to the winners.

Quebec theater is alive and well indeed. Last week, the 50th anniversary of the Rideau Vert theater clearly indicated that our cultural identity as Quebecers and francophones is not an abstraction but an art that is widely shared and recognized.

This important cultural event was an opportunity to discover or rediscover our local talent, in productions like *15 secondes*, *La Décadente* and *Le Diable à quatre*.

Congratulations to all the winners, actors and creators alike, without whom there simply would not be a Quebec theater.

* * *

[English]

ABORIGINAL AFFAIRS

Ms. Bev Desjarlais (Churchill, NDP): Mr. Speaker, the Liberal government's neglect of aboriginal people is an outrage. Communities in my riding and across the country live in third world poverty. There are no jobs. They are not able to buy healthy food for their families. They have poor housing and overcrowded conditions. Some do not even have clean drinking water.

In the Shamattawa First Nation, four out of five young people are addicted to solvents. The Minister of Indian Affairs and Northern Development sent me a letter saying that Shamattawa is a high priority community. The chief and the council have been asking the government for a healing centre for addicts in the community.

• (1410)

All they have received from the Liberal government is token gestures like a few thousand dollars for a rec centre. If this is the Liberal government's idea of a high priority community, I would hate to see the low priority community.

The Liberal government always points to the gathering strength program and the aboriginal healing fund like they will solve everything. But I am hearing from my constituents about healing fund applications being denied.

The Liberal government's programs for aboriginal people are a sham. They do not go nearly far enough. It is time for the government—

The Speaker: The hon. member for Pontiac—Gatineau—Labelle.

* * *

[Translation]

SOCIAL UNION AGREEMENT

Mr. Robert Bertrand (Pontiac—Gatineau—Labelle, Lib.): Mr. Speaker, many people rightly feel that the social union agreement represents important progress in the evolution of Canadian federalism

For instance, in the new agreement, the federal government takes a large step in agreeing to no longer introduce new initiatives supported by transfers to the provinces, whether cost-shared or block-funded.

The federal government will limit its role to setting objectives and will have to obtain the agreement of a majority of provinces, which will then be allowed to tailor programs to their own requirements.

This is the kind of overture the government has made with a view to modernizing Canadian federalism. This is the kind of overture our government feels would strengthen the provinces' sense of being a part of Canada, while respecting their own priorities with respect to development and approach in a sector as vital as social services and health.

* * *

[English]

THE LATE KING HUSSEIN

Mr. Scott Brison (Kings—Hants, PC): Mr. Speaker, on behalf of the Progressive Conservative Party I would like to extend my condolences to the Jordanian royal family and to the people of Jordan on the loss of King Hussein.

As world leaders today mourn the loss of this great man, the question arises: Where is the Prime Minister of Canada? U.S. President Bill Clinton and three former U.S. presidents have managed to make the time to go to King Hussein's funeral. The leaders of all G-8 countries, except Canada, are in Jordan. Even the Russian Prime Minister with his failing health, Boris Yeltsin, is defying his doctors and has left the hospital to attend the funeral of King Hussein. But our Prime Minister is skiing in British Columbia. According to the PM's office he just would not be able to get to Jordan in time for the funeral despite 24 hours' notice and a government jet at his disposal.

This is a diplomatic snub. It is a slap in the face to Jordan, an international news story and an embarrassment to Canada. It is an affront to our historical leadership in the Middle East. While we should be mourning the loss of Jordan's King Hussein—

The Speaker: The hon. member for Beauharnois—Salaberry.

[Translation]

THE LATE KING HUSSEIN OF JORDAN

Mr. Daniel Turp (Beauharnois—Salaberry, BQ): Mr. Speaker, today, the Bloc Québécois joins with all those in the Middle East and elsewhere in the international community who mourn the passing of King Hussein of Jordan.

The Bloc Québécois pays tribute to this man, who understood that war was a scourge and who, until very recently, played an active role in the peace process to bring about a reconciliation between Palestinians and Israelis, between the Jewish and Arab worlds.

Bloc Québécois members wish King Hussein's successor, his son, the new King Abdullah, a calm and peaceful transition, in the critical days ahead. They urge him to play a leadership role in the search for a lasting peace in the Middle East, as King Hussein did for the 46 years of his reign, in order to restore Jordan to prosperity.

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[English]

CITIZENSHIP AND HERITAGE WEEK

Mr. Rey D. Pagtakhan (Winnipeg North—St. Paul, Lib.): Mr. Speaker, this year's Citizenship and Heritage Week, which begins today, gives us pause for reflection. It reminds us of the rich history of our people—from the first nations and the Inuit to the early settlers and newer immigrants—who collectively have defined our common identity and shared values.

As a people, we come to help our neighbours during emergencies, but do not wait for disasters to show we really care for our fellow citizens. Witness the social union accord signed last week by the federal and provincial governments. It enhances our sense of belonging to one Canada where the quality of life of citizens will continue to be held as the guiding beacon for governance.

Truly, the unit of Canadian citizenship is neither you nor I alone, but you and I working together to achieve our common dream, the attainment of human dignity for all. This is the essence of the week. We can all take pride.

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CANADIAN HERITAGE

Mr. Inky Mark (Dauphin—Swan River, Ref.): Mr. Speaker, at times the heritage minister does some strange things. The minister and her colleagues almost drove over \$700 million in film production out of B.C. and out of Canada. Now that is a feature film policy.

Oral Questions

The minister has launched a tape tax on churches recording their services for shut-ins. Now that is promotion of the recording industry.

The heritage minister is endangering thousands of Canadian jobs in lumber, wheat production, plastics, textiles and steel.

• (1415)

She is telling advertisers they cannot exercise free speech in advertising in foreign magazines. If they do, they will face the wrath of the Criminal Code of Canada.

That is a minister who will face the wrath of her own constituents if she does not stop this misguided magazine bill.

ORAL QUESTION PERIOD

[English]

FOREIGN AFFAIRS

Miss Deborah Grey (Edmonton North, Ref.): Mr. Speaker, King Hussein was a leader, a diplomat and a fighter. But perhaps his greatest legacy was that of a peacemaker, a man who helped bring warring nations together.

Every world leader was in Amman today to pay their respects. President Clinton and three former U.S. presidents were there. All of the leaders of the G-8 were there, including the ailing President Boris Yeltsin. Other than Saddam Hussein, the only world leader who was not there was Canada's Prime Minister.

Why did he not go?

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, all Canadians are saddened by the death of King Hussein and we certainly wish to associate ourselves with the expressions of condolences that have been expressed to the family and of course to the people of Jordan.

Unfortunately it was not physically possible, given the time when the death was made known to the Prime Minister, who was in western Canada, for him to travel to Amman for the funeral.

Miss Deborah Grey (Edmonton North, Ref.): Mr. Speaker, the world has known that King Hussein was going to die as early as Thursday. The Prime Minister had a lot of time to make plans. This is about showing solidarity with King Abdullah, the new Jordanian leader. It is about sending a message that Jordan is a valued friend. It is about demonstrating that Canada wants to be involved in achieving peace in the Middle East. It is about proving that Canada cares enough to send its highest dignitary, who should have known ahead of this impending tragedy.

Why did he not go?

Oral Questions

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, may I again repeat that the expectation was that there would be 24 hours notice of the funeral of King Hussein. Unfortunately there was inadequate time for the Prime Minister to leave western Canada for Amman, Jordan and to arrive in time for the funeral arrangements prepared by the Jordanian authorities. Therefore it was simply physically impossible for the Prime Minister to attend. It is with regret that he was unable to attend.

The member knows full well that when there was a disaster in northern Quebec recently the Prime Minister quickly changed his plans to make himself available to be there for that ceremony.

He indeed sent staff from his own office to Amman to make arrangements but—

The Speaker: The hon. member for Edmonton North.

Miss Deborah Grey (Edmonton North, Ref.): Mr. Speaker, now it is someone else's fault. What a tragedy. The President of the United States attended.

This one thoughtless act has the potential to undo a lot of hard won diplomatic work. The Prime Minister had a special obligation to Jordan today.

Canada is the chair of the United Nations Security Council. We are trying to influence the peace progress greatly.

I would like the minister to stand and say what message the Prime Minister is sending to the rest of the world by simply refusing to show up at the funeral today.

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, the statement of the hon. member is inaccurate and I am sure she regrets it.

The Prime Minister wished to be at the funeral. Several days ago he sent staff from his office to Amman to make arrangements. However it was not possible for him, on less than 24 hours notice, to travel from Vancouver to Amman.

I might add, despite the assertions of the hon. member, that government leaders of several countries had a similar problem. The leaders of Latin America, Australia and New Zealand had the same time constraints and were similarly unable to attend.

* * *

APEC INQUIRY

Mr. Jim Abbott (Kootenay—Columbia, Ref.): Mr. Speaker, the APEC inquiry has started again under a new commissioner, Ted Hughes. Once again he has requested funding for the students. He has said "the inquiry would not be a level playing field without that funding".

When is the solicitor general going to make the wrong right? When is he going to announce funding for the students?

Hon. Lawrence MacAulay (Solicitor General of Canada, Lib.): Mr. Speaker, I have received a letter from Mr. Hughes. I and my staff are evaluating the letter. We will respond to the letter in due course.

Mr. Jim Abbott (Kootenay—Columbia, Ref.): Mr. Speaker, I guess he has been taking lessons from the justice minister: in due course, in proper time, in a timely fashion.

• (1420)

What is there to inquire about? Is the minister committed to this being a fair process where they will be able to get to the alleged effect of the Prime Minister on the APEC issue?

Hon. Lawrence MacAulay (Solicitor General of Canada, Lib.): Mr. Speaker, as I indicated to my hon. colleague, I received a letter from Mr. Hughes. My staff and I are evaluating the letter and we will respond to the letter.

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[Translation]

AGREEMENT ON SOCIAL UNION

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, in 1995 this House passed a resolution stating that Quebec forms a distinct society and that all legislative and executive bodies and powers would be bound by that resolution.

The Bloc Quebecois has always held that this resolution was not worth the paper it was printed on, although the Prime Minister has always strenuously objected to this.

If, indeed, this is not an empty resolution, could the Prime Minister indicate to us what the importance of that resolution was during the negotiations on social union?

Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, it would be awkward for me to respond without revealing secret discussions between the governments during these negotiations.

The leader of the Bloc Quebecois could ask the Premier of Quebec about this. He would get some answers that would surprise him greatly.

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, this is the first time the minister has invoked secrecy when asked a question.

I would like him to explain to me how it is that, in the agreement on social union, there is recognition and protection of the rights of aboriginal people, while there is no recognition anywhere of the rights or the existence of the Quebec people? So what has become of the famous resolution on the distinct society?

Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, I would beg the leader of the Bloc Quebecois to ask

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that question of the premier, who I trust will openly disclose the discussions that went on around the clause concerning the unique character of Quebec society.

Mr. Pierre Brien (Témiscamingue, BQ): Mr. Speaker, on the subject of the resolution that was supposed to recognize Quebec as a distinct society, the Prime Minister said, and I quote "Once it is passed, this resolution will have an impact on how legislation is passed in the House of Commons. I remind Canadians that the legislative branch will be bound by this resolution, as will the executive branch".

I would ask the Minister of Intergovernmental Affairs when and where during the negotiations or the agreement, the government took account of its own resolution?

Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, let the hon. member and leader of the Bloc put the question to the Government of Quebec: Who did not want this clause in the agreement?

Mr. Pierre Brien (Témiscamingue, BQ): Mr. Speaker, there are two examples: the millennium scholarships and the social union framework where Quebec's position was dismissed.

Does this not prove that the resolution passed in this House on the distinct society and the Prime Minister's promises on the eve of the referendum in Verdun are devoid of meaning for Quebecers?

Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.): Mr. Speaker, with all due respect, I would recommend the member stop reading his second question without listening to the answer to the first, because this is becoming increasingly embarrassing for him.

I repeat: Let him put the question to the Quebec minister of intergovernmental affairs: Who did not want any clause recognizing Quebec in the agreement?

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[English]

FOREIGN AFFAIRS

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, Canadians are saddened by the death of King Hussein, but they are also saddened by the Prime Minister who failed to be in attendance at the funeral to pay appropriate tribute to this man of peace, a man who championed peace for 47 years.

Are Canadians to believe that the government and the Prime Minister were caught by surprise at the death of King Hussein?

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, the hon. member apparently did not hear the

responses to the earlier questions. We certainly extend our condolences to the people of Jordan and to his family.

• (1425)

The Prime Minister had wished to be present. He indeed sent staff in advance to Amman, Jordan. Unfortunately the notice given was inadequate for him to leave British Columbia and get to Amman in time for the funeral arrangements.

This was a disappointment to him and to the House but unfortunately that is the situation as it occurred.

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, politicians around the world face logistical problems about getting to the funeral and not all politicians have a private jet.

If the Prime Minister sent staff in advance to be in Jordan, surely it is clear the Prime Minister had sufficient warning that he himself could have got to Jordan in time to pay appropriate tribute to this man of peace.

Why was that not a reasonable expectation for Canadians to have of their Prime Minister?

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, the expectation we had was that there would be a 24 hour notice given for the Prime Minister to be present. Unfortunately that did not occur.

The situation has been that we are represented, and I am sure extremely ably, by the Minister of Foreign Affairs.

What I think is important for Canadians and members of the House to understand is that crass political gamesmanship about this very serious issue is very unfortunate and inappropriate.

* * *

AGRICULTURE

Mr. Rick Borotsik (Brandon—Souris, PC): Mr. Speaker, I am continually frustrated by not having any answers when farmers phone my office to ask me what is happening with the farm income assistance program.

The minister of agriculture had 18 months when he took office to know that there was a farm income crisis. We have not heard anything since the announcement on December 10 of an intention of a program.

Will the minister of agriculture stand in the House today to make a ministerial statement as to the status of the farm income program?

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, the hon. member's information amazes me because I know he has personally met with a number of people on the safety net advisory committee. They have filled him in on their concerns and on the advice that they have given us.

Oral Questions

Provincial and federal governments have been working together with the industry to finalize the criteria which we will announce to farmers in the very near future.

Mr. Rick Borotsik (Brandon—Souris, PC): Mr. Speaker, the reason I had those meetings with those people is that they were self-initiated by me and those organizations, not by the minister.

Farmers are asking where the programs are. Some provincial agriculture ministers right now are thinking that they may well have to go on their own for the programs.

Is the minister's strategy simply to do nothing and let the provinces fend for themselves?

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, if the hon. member wants to talk about ministers of agriculture he should go back home to his own province of Manitoba which to date has not agreed to take part in this assistance to farmers and the 60:40 split. As it has known all along, it will have to participate if it wants Manitoba farmers to have the same support as the farmers in the other provinces of Canada.

I will tell the House again that the federal government will treat every farmer in Canada that meets the criteria, no matter what province they are in, exactly the same. If the provinces do not want to assist they will have to explain that—

The Speaker: The hon. member for Medicine Hat.

* * *

TAXATION

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, Canadians had better brace themselves for another shell game from the finance minister in next week's budget.

The finance minister is proposing to give Canadians \$2 billion in tax relief, but on the other hand he is taking \$2.4 billion away from them because of bracket creep and CPP tax hikes. In other words average Canadians get \$143 but then he takes away \$171. They are \$28 worse off.

Why does the minister not just admit that his Liberal tax cuts are really a tax hike in disguise?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, as I have already said in the House, the difference between ourselves and the Reform Party is not in the desire to cut taxes. It is in fact the pain that the Reform Party would inflict on the Canadian social fabric to accomplish its aims.

Last week the Reform Party presented its plan to the House. In order to effect its plan in the third year there would be required

between \$7 billion and \$16 billion worth of cuts to Canadian social programs to pay for them.

Would the hon. member now rise in the House and tell us what programs he would cut?

• (1430)

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, that is almost laughable, coming from a finance minister whose budget projections have been off by \$50 billion in the last five years. He has a lot of nerve getting up in this place and talking to me about numbers.

The Reform plan would put \$4,660 back in the pockets of a family of four making \$30,000 a year. That would do a lot of good for Canadians. Why is the finance minister raising taxes and telling Canadians he is cutting taxes?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, in order to pay for the Reform Party's tax cut we would have to gut old age pensions, substantially cut health care and education, and virtually decimate equalization.

Why will the Reform Party critic not stand in the House and tell us where he will find the \$7 billion to \$16 billion to pay for those tax cuts?

* * *

[Translation]

HUMAN RESOURCES DEVELOPMENT CANADA

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, the Minister of Human Resources Development would have us believe that it is good management on the part of the federal government to set recovery quotas, because there is always a certain amount of fraud associated with this sort of program.

How can the minister say such a thing, when his department has set recovery quotas of \$600 million, even though his department and the auditor general do not expect fraud to exceed \$200 million? Why are recovery quotas three times higher than anticipated fraud?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, for the simple reason that the money being recovered represents much more than just fraud. Fraud accounts for one third, but there are also overpayments, there are sometimes errors on the part of the department or the taxpayer, and when there are errors, we put them right. That is good management, designed to treat all workers fairly.

But fraud was not all I mentioned. I referred to overpayments and other amounts that must also be recovered.

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, the department's web-

Oral Questions

site estimates that there will be \$198 million, a little under \$200 million, in penalties and overpayments. The minister should read the information his department is putting out.

How can the minister stand there and deny the existence of recovery quotas in the Department of Human Resources Development when the vice-president of the department's employee union for the Eastern Townships said last week, and I quote: "Managers of—"

The Speaker: The hon. Minister of Human Resources Development.

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, we will give the member for Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques an opportunity to refresh his memory, given his apparent confusion over the figures, which are admittedly somewhat confusing.

Here are last Friday's figures again. These were probably the ones he saw. In the month of January alone, 87,000 jobs were created in Canada, thanks to the efforts of the Department of Human Resources Development, among others. Because of employment insurance reform and the youth employment strategy, 44,000 young people found full-time jobs.

* * *

[English]

TAXATION

Mr. Dick Harris (Prince George—Bulkley Valley, Ref.): Mr. Speaker, in case the finance minister does not remember, it is he who has taken \$20 billion out of social programs in the last three years. The questions today are about his proposed budget. If he wants to know more about ours I suspect he might want to read it very carefully.

The fact is that he is to give Canadian workers a \$143 tax break a year while his friend from the tax department sneaks in the back door and takes \$171 out of their wallets. That is a net decrease of \$28, for his information.

What does it take for the minister to realize Canadian taxpayers are at the end of their rope and do not need a decrease—

The Speaker: The hon. Minister of Finance.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, one must discuss documents one has in front of the House, but the fact is that in last year's budget we cut taxes by \$7 billion over three years. Next week the government can present its budget and we can discuss that budget at that time. The other document we have in front of us is the Reform Party proposal.

The issue is: Why is the Reform Party afraid to tell Canadians what its real agenda is? Why will it not tell us where that \$7 billion to \$16 billion worth of cuts in social fabric will come from?

• (1435)

Mr. Dick Harris (Prince George—Bulkley Valley, Ref.): Mr. Speaker, I have heard straighter talk from a fly-by-night used car salesman.

Here is the record, here is the agenda of the finance minister. There have been \$38 billion in tax increases since 1993. The disposable income of Canadian families have shrunk by over \$4,000 since 1993. He is ripping \$7 billion off the EI fund and he is the author of the famous pay more get less Canada pension plan.

Are there ever enough taxes to satisfy his insatiable demands?

Hon. Paul Martin (Minister of Finance, Lib.): Again I go back, Mr. Speaker. In terms of intelligent debate in the country and in terms of political morality, why is the Reform Party afraid to put the facts behind its tax proposals? What is it afraid of?

It is afraid people will truly understand what in fact it stands for. As far as the Canada pension plan is concerned, we and the provinces saved the Canada pension plan and we are proud of it.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, thanks to the leaks cleverly orchestrated by the Minister of Finance, we now know that the next budget will include tax decreases for the well-off.

Is the Minister of Finance not a bit uncomfortable about preparing to lower taxes for the richest people by using the money that has been collected at the expense of the unemployed, thanks to quotas, harassment and performance bonuses for those administering the unemployment offices?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, once again the hon. member is trying to jump the gun on next week's budget, but we can look at last year's budget which exempted 400,000 Canadians from paying taxes.

At the same time, my hon. colleague introduced the national child benefit, which put \$1.8 billion into the hands of the least well-off families in our country.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, instead of lowering the taxes of the rich with the surplus in the employment insurance fund, and with recovery targets set three times higher than the actual amount of fraud, would it not be fairer and more humane for the Minister of Finance to improve the present employment insurance plan, which barely covers two out of five unemployed workers?

Oral Questions

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, I would like to correct an error if I may. There is an ongoing attempt to confuse Canadians.

The employment insurance program is in place for Canadians, and will be for a long time. The employment insurance program covers 78% of Canadians who lose or leave their jobs for cause.

For those not covered by our program, we have other programs to help them into the labour force, the ones for young people for instance, and the Canada jobs fund.

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[English]

NATIONAL DEFENCE

Mr. Art Hanger (Calgary Northeast, Ref.): Mr. Speaker, access to information documents reveal that the air force is no longer able to adequately patrol Canada's coastline. These documents state "There are currently insufficient resources to meet the total patrol requirement".

I have a question for the defence minister. Who is guarding Canada's coastline?

Hon. Arthur C. Eggleton (Minister of National Defence, Lib.): Mr. Speaker, we have an air force that does this. We also have a navy with its patrol vessels, frigates and MCDVs.

We have the longest coastline of any country in the world and a function of our Canadian forces is to make sure that we do surveillance.

Mr. Art Hanger (Calgary Northeast, Ref.): Mr. Speaker, it is obvious the defence minister has not even read his own military department documents.

These defence documents show that budget cuts are forcing the military to drastically cut back on the number of aircraft in its fleet. I will quote again from those documents. "Even the must-do roles and tasks" like coastal defence "would be degraded from current standards".

Who is guarding Canada's coastline?

Hon. Arthur C. Eggleton (Minister of National Defence, Lib.): Mr. Speaker, I am sorry, but I do not trust the hon. member's reading of any document. From what I have heard from him before, he does not get his research right.

We certainly have a navy. We have an air force. We have an army. They are all doing their utmost to protect Canada's sovereignty. That is one of their prime functions as is identified in our policy framework in the 1994 white paper, and they are doing a good job at doing it. Yes, we have fewer resources. Things have been very tight but they are doing a great job with the resources they have.

• (1440)

[Translation]

CANADA INFORMATION OFFICE

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, the Canada Information Office, or CIO, is definitely a rather special body.

In addition to flouting all the public service's hiring practices, the CIO is permitted to award contracts of up to \$150,000, six times the usual amount, without going to tender.

My question is for the Minister of Public Works, or the chief political organizer for Quebec, for they are one and the same. How does he explain the fact that 80% of CIO's contracts over a 16-month period were awarded without tender?

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, first off, I would like to assure the House that, right from the beginning of this period, the Canada Information Office has always respected Treasury Board guidelines.

Naturally, as is the case with any new body just starting out, it has had to use the services of various professionals in order to fulfil its mandate.

But I can assure my hon. colleague and the House that, since August 1, 67% of the contracts awarded by the Canada Information Office went to public tender.

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[English]

YOUTH EMPLOYMENT

Mr. John O'Reilly (Haliburton—Victoria—Brock, Lib.): Mr. Speaker, my question concerns the student summer job action program.

Can the Minister of Human Resources Development inform the House if this program will continue for 1999 and if so, can the minister tell our Canadian youth when they can apply for help in the summer job search?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, I am pleased to launch the 1999 summer student job action program, to help young Canadians get summer jobs.

This year we will invest \$120 million to help 60,000 young Canadians get summer jobs. This is building on our youth employment strategy which has contributed to the creation of 143,000 student jobs for the young in 1998, the best performance in 20 years, and 44,000 jobs in January 1999.

*Oral Questions***JUSTICE**

Mr. Myron Thompson (Wild Rose, Ref.): Mr. Speaker, I cannot wait for minister's statement period.

Last month Mark Poucette, a member of the Stoney nation, was convicted of taking the life of Larry Labelle. His punishment for this crime was a one year sentence. The Criminal Code allows a judge to take into consideration during sentencing whether the person is aboriginal or not. Why should a judge be required to take that into account? What does it matter?

Ms. Eleni Bakopanos (Parliamentary Secretary to Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, I do not know the particulars of this case. Nowhere is it stated that a judge has to take that into consideration. He has to read the law and he has to interpret the law. I think that is what the judge did in this particular case.

Mr. Myron Thompson (Wild Rose, Ref.): Mr. Speaker, in the Criminal Code, section 718.2(e) says that the judges must take into account whether the convict is an aboriginal or not.

On January 20 Deana Emard of Vancouver argued that she should not go to jail for killing her husband, in part because of her aboriginal background. She was subsequently sentenced to community service.

The families of the victims in both of these cases, who are aboriginal, are asking why they are being discriminated against. Why such pathetic sentences for these horrendous crimes?

Could the minister explain to the families of these victims why they are treated differently under Canadian law—

The Speaker: The hon. parliamentary secretary.

Ms. Eleni Bakopanos (Parliamentary Secretary to Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, since the cases are before the Supreme Court of Canada, we will not comment on them.

* * *

HEALTH CARE

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Mr. Speaker, Canadians are daily experiencing horrible situations in our hospitals and in our health care system. This government keeps saying to wait for the budget.

Just recently a Windsor resident was sent home from hospital still bleeding and vomiting after having his tonsils removed. There were no beds.

• (1445)

How has the Minister of Health allowed our health system to sink this low? Will the government now recognize that the situation is extremely urgent? Will it attempt to cut a cheque immediately for health care?

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, the Prime Minister has made clear that health is the priority of this government. He has made clear that in the budget to be tabled soon that priority will be reflected. It will be clear that we are going to ensure the future for our public health care system, that Canadians now and in the future will have access to high quality health care.

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Mr. Speaker, time is running out.

As another example, Ontario cancer patients are now regularly being sent to the United States for radiation treatment at roughly double the cost to Canadian taxpayers. Incredibly it is also looking at having U.S. specialists come to Canada to provide the service. Imagine. Private U.S. clinics are ecstatic.

What guarantee can the minister provide that this undermining of medicare will be stopped?

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, the hon. member will know that hospitals are run and services are delivered by the provincial governments. I urge her to take up her complaints with the appropriate provincial Minister of Health.

Speaking more broadly, let me observe that there are really two ways to ruin medicare in this country. One way is to follow the Reform path, repeal the Canada Health Act and bring in the American private insurers. That will do it. The other way is to follow the advice of the NDP and bankrupt the country so we cannot afford health services.

We prefer to take a balanced approach and to preserve medicare for now and into the future.

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[Translation]

MANPOWER TRAINING

Mr. André Harvey (Chicoutimi, PC): Mr. Speaker, my question is for the Minister of Human Resources Development.

I would like to ask him why he agreed to sign the manpower training agreement when it is obvious that all the regions in Quebec are concerned about the total lack of programming.

Given that he was aware in his book that most of the people in the regions of Quebec preferred dealing with the federal government, why did he sign an agreement that seems to put us at a disadvantage?

Oral Questions

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, there has been disagreement on the subject of manpower for a very long time and, contrary to what the members of the Bloc Québécois were saying earlier—that the Prime Minister had made promises and we had done nothing—the Prime Minister made a very important promise, which was to establish a manpower agreement with the Government of Quebec, an agreement that should help Quebecers in time.

We are concerned about modernizing Canadian federalism, and we concluded this agreement. We will evaluate it annually. We will measure the impact of the transfers we are making to the Government of Quebec annually so we can truly assess their success for Quebec workers.

Mr. André Harvey (Chicoutimi, PC): Mr. Speaker, there are jobs in the Montreal area that are subsidized to the tune of \$25,000 each.

I want to know whether this approach is part of the framework agreement and whether the funds can be applied to the same sectors or to different sectors to create jobs.

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, I would first like to reassure the hon. member from Chicoutimi that the money the Government of Quebec is investing, for example, in the jobs he mentions is its own money and does not come from the agreement we negotiated on manpower.

I can tell him that we also had the future of the regions in mind and that I regularly hear that people find their relations with the Government of Quebec too centralized, whereas they appreciated the much more decentralized relationship they had with the Government of Canada. But, it is up to the Government of Quebec to resolve its problems of being overcentralized.

* * *

FRANCOPHONES OUTSIDE QUEBEC

Mr. Benoît Serré (Timiskaming—Cochrane, Lib.): Mr. Speaker, the Bloc Québécois claims that we are neglecting francophones outside Quebec.

I would like to ask the Secretary of State responsible for Western Economic Diversification what the government is doing to meet the needs of western francophones trying to make a success of it economically.

Hon. Ronald J. Duhamel (Secretary of State (Science, Research and Development) (Western Economic Diversification), Lib.): Mr. Speaker, my department has made a modest but important number of investments, resulting in a number of projects, including the hiring of economic development officers who work in French with francophone communities and with the

majority. And there are a number of studies showing what we need to do to boost economic development in French.

• (1450)

Partnerships have been formed not only between communities, but with entrepreneurs, men and women with businesses throughout western Canada.

What is now going on is good for western francophones, good for the West and good for Canada.

* * *

[English]

PUBLISHING INDUSTRY

Mr. Charlie Penson (Peace River, Ref.): Mr. Speaker, Bill C-55 will prevent Canadian companies from advertising in American split-run magazines. But here at home *Maclean's* magazine actually relies on—

Some hon. members: Oh, oh.

The Speaker: Order. We have a question here. The hon. member for Peace River may begin again.

Mr. Charlie Penson: Mr. Speaker, I will try that again. Bill C-55 will prevent Canadian companies from advertising in American split-run magazines. But here at home *Maclean's* magazine actually relies on American and other foreign companies for over two-thirds of its advertising budget.

How long will our magazine industry survive if Americans enact mirror legislation? If Canadians cannot advertise in those American magazines, perhaps they will not allow their companies to advertise in ours.

Can the heritage minister please explain how that will help Canadian publishers?

Hon. Sheila Copps (Minister of Canadian Heritage, Lib.): Mr. Speaker, there is absolutely nothing in the law that prevents any Canadian from advertising in any current American magazine.

* * *

[Translation]

HUMAN RESOURCES DEVELOPMENT CANADA

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, according to the auditor general, the value of employment insurance fraud could reach \$140 million. At its Web site, the department talks of fraud, overpayments and fines of \$198 million. The two amounts do not match.

How does the minister explain to the unemployed, who are being harassed at employment centres, that the figure to be recovered is three times higher than the higher of these two figures?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, there is no harassment. The employees are covered by a collective agreement, and, in a

department with 20,000 employees, we will find work for them elsewhere.

Personally, I did not like the tone of the memo. I admit it, I did not like it at all. But there is no harassment, as they are claiming on the other side of the House.

We should also point out the excellent work done by Human Resources Development personnel in helping thousands and thousands of workers integrate into the labour market. An additional 87,000 workers joined the labour market last month, and this figure includes 44,000 young people. This is what the employment insurance reform is about as well. This is our political philosophy. This is how we move people out of poverty—through employment.

* * *

[English]

APEC INQUIRY

Ms. Louise Hardy (Yukon, NDP): Mr. Speaker, the new chair at the APEC hearings has recommended funding legal counsel for both sides at the hearings. He believes that this is a reasonable course to follow as there are two sides to every story. In this story, only one side is armed with a fleet of lawyers while the other, the students, have none.

Will the solicitor general accept the recommendations of Mr. Hughes to fund the students so that there will be a fair hearing?

Hon. Lawrence MacAulay (Solicitor General of Canada, Lib.): Mr. Speaker, as I indicated previously, I have received a letter from Mr. Hughes. I and my officials are evaluating the letter and I will respond to Mr. Hughes in due course.

* * *

[Translation]

KOSOVO

Mr. David Price (Compton—Stanstead, PC): Mr. Speaker, according to recent news reports, Canada is prepared to provide ground forces for Kosovo.

My question is for the Minister of National Defence. Has Canada been invited to provide troops, and if so, when and by whom?

[English]

Hon. Arthur C. Eggleton (Minister of National Defence, Lib.): Mr. Speaker, we have not yet formally been asked to supply troops but there is preliminary work being done at NATO. That is being done in connection with the peace talks that are presently going on in Rambouillet, France. In those discussions part of what they will be considering is whether a peacekeeping mission could be agreed upon by the parties. If it is, then it is quite likely Canada

Oral Questions

would be asked. In that case, I would expect the government to make a decision after some consultation with members of parliament.

• (1455)

Mr. John Richardson (Perth—Middlesex, Lib.): Mr. Speaker, my question is for the Minister of National Defence.

Kosovo has been in the media a great deal for the past few days. Can the minister give the House an update on the situation in Kosovo, particularly regarding how it affects Canadians?

Hon. Arthur C. Eggleton (Minister of National Defence, Lib.): Mr. Speaker, we are into a 21-day period that the contact group has outlined as being necessary to push the peace process forward. It took seven days to get to the table. They were at the table as of this weekend. They will have another seven days to reach an agreement and another seven days beyond that should that be necessary.

We have six CF-18s in Aviano, Italy in case the peace talks break down and if NATO decides to proceed with its air strikes. Also, if as part of the peace agreement, we do get a peacekeeping—

The Speaker: The hon. member for Wild Rose.

* * *

JUSTICE

Mr. Myron Thompson (Wild Rose, Ref.): Mr. Speaker, for the information of the parliamentary secretary, neither case that I mentioned earlier is going to the supreme court. They are a done deal. This law was brought in under Bill C-41. It is section 718.2(e) of the Criminal Code. The aboriginal people who are the victims in these cases want to hear the answer. Why are aboriginal killers being treated differently than any other Canadian in these laws?

Ms. Eleni Bakopanos (Parliamentary Secretary to Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, my answer to the question still stands. The case is before the Supreme Court of Canada and I will not comment on a case that is before the Supreme Court of Canada.

* * *

[Translation]

FISHING QUOTAS

Mr. Yvan Bernier (Bonaventure—Gaspé—Îles-de-la-Madeleine—Pabok, BQ): Mr. Speaker, during the summer of 1998, the attitude of the Minister of Fisheries and Oceans had the fishers of Gaspé on the brink of despair.

Can the minister indicate what steps he has taken since last August to deal with the backlash from fishers concerning his

Tributes

department's delay in releasing fishing plans, as well as the setting of quotas for the Gulf of St. Lawrence?

[English]

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, the problem to which the hon. member refers is one that is of serious concern. There is no question. There are areas where timing is of critical importance and where decisions are made by the department and have been made by the department in the past which do not give adequate warning to fishermen of the upcoming seasons, the length, the openings, et cetera.

We have instituted a new policy in attempting to speed up the entire range of fishing decisions. We have done this in discussion with the fishing groups. I will be happy to consider any particular area, any particular fishery with any particular member who may have concerns in that regard.

* * *

CANADA POST

Mr. Pat Martin (Winnipeg Centre, NDP): Mr. Speaker, the mandate of Canada Post is to provide the best possible service at the least possible cost. Now postal rates are going up. Service is going down. Yet last year Canada Post paid the federal government \$200 million plus \$12 million more in dividends.

I ask the minister responsible for Canada Post, where in the act does it say that Canada Post has to be some cash cow for the government? By what authority does Canada Post pay dividends at the expense of service to Canadians?

Hon. Alfonso Gagliano (Minister of Public Works and Government Services, Lib.): Mr. Speaker, Canada Post's financial structure has to respond to the competitive world. Canada Post is not alone any more. It has competitors. Therefore it is appropriate that its financial structure responds to what the competition is doing.

Canada Post continues to invest in its retail service and its delivery service. Every year 170,000 new addresses are added. Canada Post just invested \$100 million to address the millennium bug. Naturally it will continue to have universal service for Canadians.

* * *

KOSOVO

Mr. David Price (Compton—Stanstead, PC): Mr. Speaker, my question again is for the Minister of National Defence. Why is Canada's Prime Minister offering troops at a time when we are not capable of equipping, deploying or supporting in a situation like the one in Kosovo?

Hon. Arthur C. Eggleton (Minister of National Defence, Lib.): Mr. Speaker, our peacekeepers have served us quite proudly wherever they have served throughout the world.

In Kosovo we are facing a situation of enormous proportions in terms of human tragedy. If indeed there is a peacekeeping mission, if one is decided upon and agreed upon and deployed, then I would think Canadians would want us to be a part of it. We will go through a proper process to determine to do that. If it is a high enough priority, we will certainly find the resources to do so.

* * *

• (1500)

THE LATE KING HUSSEIN

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, and fellow members, Canadians, the entire international community and the people of Jordan are grieving over the loss of His Majesty King Hussein.

Seldom in the years since the second world war have we seen in one person, one statesman, the qualities of true greatness possessed by Jordan's long serving leader.

The people of Jordan whatever their background owed much to King Hussein. He brought his country into the modern world. He encouraged the emergence of democratic institutions and made human rights a priority. He ruled with a gentle hand, granting successive waves of Palestinian refugees a home in Jordan where they built new lives and were extended the privileges of Jordanian nationality.

Most of all, King Hussein will be mourned and his memory honoured for the steps that he personally took over many years to find a just and equitable peace in the Middle East. He believed and understood that Israel and its Arab neighbours needed to find a way to live side by side in peace. This was never an easy task when distrust and suspicions were everywhere, wounds were deeply felt and old hatreds difficult to overcome. But King Hussein persisted despite opposition from many of his neighbours.

At each crucial stage in the peace process of recent years he played a key role. He was on the White House lawn beside Yitzhak Rabin in July 1994. Three months later he formally brought hostilities between Jordan and Israel to an end. Most recently, although gravely ill, he left his hospital bed to help forge the Wye accord between Israel and the PLO.

[Translation]

His compassion for the suffering and misfortunes of others was legendary. Who can forget his moving tribute at the funeral of Prime Minister Rabin, or the day he knelt to beg forgiveness of the

Israeli mothers whose children had been killed by a Jordanian soldier in a fit of madness.

Canadians will recall King Hussein's various visits to Canada, the last of these in March 1995.

As a firm ally of his country, Canada was always prepared to provide moral and material support to his peace efforts.

[*English*]

Jordan's king will be sadly missed and not soon forgotten by his country, in the Middle East, in Canada and indeed throughout the international community.

On behalf of the Government of Canada, I wish to express our deepest sympathies to his wife, Queen Noor, his family and the Jordanian people as a whole.

To his successor, King Abdullah, I wish to pledge Canada's support as he takes up the difficult task of continuing to foster peace in this troubled region.

Mr. Preston Manning (Leader of the Opposition, Ref.): Mr. Speaker, I also rise today to join with other hon. members in paying tribute to Jordan's King Hussein, a remarkable man who led a remarkable country for 47 years.

Today we also pay our respects and send our condolences to Queen Noor, and to King Abdullah, King Hussein's son who now takes up the heavy mantle of leadership, and to all the people of Jordan who today mourn the loss of a friend.

What is the difference between a politician and a statesman? I think King Hussein helps define that answer, for during his long tenure he demonstrated time and time again the courage and the wisdom that made him a legend in his own time.

As the funeral proceeded this morning, it was evident that the King's greatest skill, that of bringing together people who differ and differ profoundly, will be his greatest legacy, that even in death King Hussein was able to make the lion lie down with the lamb.

• (1505)

Israeli Prime Minister Benjamin Netanyahu paid his respects along with two former Israeli prime ministers and the widow of Yitzhak Rabin. They attended, just as did Yasser Arafat and Syria's President Assad. Four U.S. presidents were there, as were the president and prime minister of Russia. That was the kind of man King Hussein was, a man who believed in peace and brought together others who saw the possibility of peace.

It is difficult to be a modern, moderate, peace loving man in the Middle East but King Hussein excelled at that difficult task. He was a bridge between the Arab world and Israel. He was a bridge between the west and the east. He was among the first to invest in peace in the region, to take his place among the peacemakers, not the war makers. He did so at great personal risk but that risk paid off. It is not an exaggeration to say that much of the progress, what

Tributes

progress has been made with respect to Middle East peace, would not have been possible without his moral leadership and example.

On behalf of the official opposition and all Canadians, I pay tribute to a great king. May God sustain and guide his successor along the same path.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, the death of King Hussein of Jordan was a great and unexpected sorrow to the world, and a crushing blow to his people. An unexpected sorrow to the world because, although he was known to be ill, this pilot-king had been at the controls of the plane when he recently returned to Jordan, so there was no indication that his death would come so soon.

During his reign, the friendly relationship between Canada and Jordan grew stronger and stronger. A number of Quebec businesses contributed to the development of trade links with Jordan. Many Quebecers have been involved, in a spirit of generosity and openness, in international development projects funded by Canada. We can only hope that these ties will be continued under his successor.

I will take advantage of this opportunity to express my best wishes, and those of my party, to his son, the new King Abdullah. May his reign allow Jordan to continue to progress along the road to modernization and peace.

The death of King Hussein was also a crushing blow to his people. One need only watch the scenes on television to realize that the relationship between the king and his people was more than one of ruler and ruled.

King Hussein was obviously a great monarch, with the affection and trust of his people. In every way, his long reign was a totally remarkable one. With leadership skills that were the envy of many, he guided his people for nearly half a century.

This king, a member of his country's Hashemite minority, did not have the benefit of the oil wealth of most Arab countries in advancing his country economically and socially. He was able to strike a wise balance between the internal demands of his country, which was not exempt from the tensions relating to the Arab-Israeli conflict, and the regional realities which dictated, after a number of conflicts, the normalization of relations with his neighbours, Israel in particular.

Despite the vicissitudes of international politics and of regional conflicts, King Hussein will be remembered as a peacemaker for his moderation in word and deed.

[*English*]

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, today we pay tribute to one of the most compelling figures to govern a middle eastern nation in this century.

Routine Proceedings

King Hussein ruled Jordan for 47 years. Throughout this period he was at the very centre of Middle East politics carefully advancing the interests of his own people while mobilizing around the cause of peace in the region.

His achievements are all the more impressive when one considers the pressures and forces levelled against him. He governed with a mixture of vision, gritty determination and solid political judgment. He demonstrated that the hand of friendship is a more effective route to peace than the clenched fist.

His reign was characterized at times by turbulence and great upheaval. By virtue of his single minded determination to improve the welfare of his people and to modernize his country, he earned the enduring affection of his own people and the admiration of people around the world. This was evident a few short weeks ago when thousands of people lined the streets of Amman to welcome their beloved king home from his most recent medical treatment abroad.

• (1510)

[Translation]

King Hussein worked tirelessly for peace in the region.

[English]

His goal was to ensure that Jordan could peacefully exist in a new regional relationship with Israel and the newly constructed Palestinian territories. King Hussein's passing marks the loss of one of the most formidable campaigners for peace in our lifetime but his legacy will endure.

[Translation]

His contribution to the peace process in the Middle East will live on.

[English]

I would like to convey on behalf of my colleagues and my party heartfelt condolences to the family of King Hussein, to the people of Jordan and to Jordanian Canadians. May his successors draw strength from King Hussein's inspiration and achievements and may we Canadians rededicate ourselves to the cause of peace.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, on behalf of the Progressive Conservative Party, I would like to express our sympathy at the death of Jordan's King Hussein.

People the world over are mourning the loss of this great man. Not only was he recognized as one of the world's most respected leaders both in the Middle East and around the world, but it was just a few short months ago despite his illness that the king was called upon to help forge the Wye peace accord between Israel and the PLO. His reputation and stature throughout the world is

obvious given the fact that all of the world's important leaders travelled to Amman today to pay their respects at the state funeral.

During his tenure as foreign affairs minister, our leader the Right Hon. Joe Clark had many occasions to meet the late King Hussein in Canada and in Jordan. He noted that he had always admired King Hussein's wisdom, foresight and calm strength during very tumultuous times.

King Hussein ruled Jordan through some very turbulent years but no matter what the obstacle, he always demonstrated a sense of fairness and compassion. His years of leadership guided his country toward democracy with human rights always at the forefront.

To his son and successor, King Abdullah, we wish him well as he works to continue the estimable legacy of his father. A king of peace seeking reconciliation will be that legacy.

With the flag over our Peace Tower flying appropriately at half-staff, the world has lost a great man. On behalf of our leader the Right Hon. Joe Clark and the Progressive Conservative Party of Canada, we would like to extend to Her Majesty Queen Noor and the entire family and the people of Jordan our deepest sympathies.

The Speaker: It is only in exceptional circumstances that we lower our flag on the Peace Tower to half-mast.

King Hussein was an exceptional world leader. Will you please stand and join me in one minute of silence on the death of King Hussein of Jordan.

[Editor's Note: The House stood in silence]

ROUTINE PROCEEDINGS

[Translation]

GOVERNMENT RESPONSE TO PETITIONS

Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, pursuant to Standing Order 36(8), I have the honour to table, in both official languages, the government's response to 17 petitions.

* * *

• (1515)

[English]

COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I have the honour to present the 56th report of the Standing Committee on Procedure and House Affairs regarding the selection

of votable items in accordance with Standing Order 92. This report is deemed adopted on presentation.

(Motion agreed to)

INDUSTRY

Ms. Susan Whelan (Essex, Lib.): Mr. Speaker, I have the honour to present, in both official languages, the 13th report of the Standing Committee on Industry entitled "The Year 2000 Problem—Canada's State of Readiness".

Pursuant to Standing Order 109 the committee requests that the government table a comprehensive response to this report.

* * *

PETITIONS

HUMAN RIGHTS

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, I am pleased to present a petition on behalf of a number of Canadians including from my own riding of Mississauga South.

The petitioners would like to draw to the attention of the House that the violation of human rights continues to be rampant around the world in many countries such as Indonesia.

The petitioners also point out that Canada continues to be the champion of human rights around the world. Therefore they call upon parliament to continue to express its outrage at human rights violations around the world and to continue to seek to bring to justice those responsible for such violations.

TAXATION

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, pursuant to Standing Order 36 I present a petition on behalf of people in my riding.

Whereas Canadian families who choose to have one parent stay at home with their children pay a substantial tax penalty for that decision, the petitioners request that parliament eliminate this discrimination against one income families and provide them with the same benefits received by families who have others care for their children.

HEALTH CARE

Ms. Judy Wasylcia-Leis (Winnipeg North Centre, NDP): Mr. Speaker, I am very pleased and privileged to be able to present a petition on behalf of hundreds of thousands of Canadians representing every corner of this land. They express their concern about the state of our health care system.

The petitioners express their worry about the quality of our health care system today and whether or not the principles of the Canada Health Act are being upheld.

Routine Proceedings

They call upon the government to stand firmly in support of the five principles of medicare being universal coverage, accessibility, portability, comprehensive coverage and federal funding. They express the view that these principles are the basic rights of Canadians everywhere in the country.

This petition was organized by members of the save medicare committee of the Durham region coalition for social justice. They are doing their part to work with Canadians right across the country to send a message to the federal government on this important matter.

MARRIAGE

Mr. Paul DeVillers (Simcoe North, Lib.): Mr. Speaker, pursuant to Standing Order 36 of the House I present a petition on behalf of 47 constituents.

The petition requests that parliament enact legislation to define its statute that a marriage can only be entered into between a single man and a single female.

FRESH WATER

Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP): Mr. Speaker, it is a privilege to present a petition pursuant to Standing Order 36 on behalf of a number of constituents from the constituency of Kamloops, Thompson and Highland Valleys.

The petitioners are deeply troubled about what they perceive to be the government's intention not to proceed with legislation to protect the fresh water of Canada. They want to see a moratorium and the introduction of legislation and they keep hearing promises and promises.

They are asking parliament to take whatever steps are necessary to ensure that a moratorium is called and that appropriate legislation to protect water for future generations of Canadians is introduced as soon as possible.

CASUALTY AND PROPERTY INSURANCE

Mr. Gerry Ritz (Battlefords—Lloydminster, Ref.): Mr. Speaker, it is an honour to present a petition on behalf of a number of the independent insurance brokers in my riding and people who support them.

They are calling on the government to reject the MacKay task force recommendations to allow banks into the selling of casualty and property insurance.

• (1520)

MARRIAGE

Mr. Myron Thompson (Wild Rose, Ref.): Mr. Speaker, I am pleased to present a petition today on behalf of a number of residents from my home town of beautiful Sundre, Alberta.

The petitioners are calling on parliament to enact legislation such as Bill C-225 so as to define in statute that a marriage can only be entered into between a single male and a single female.

Routine Proceedings

GASOLINE ADDITIVES

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): Mr. Speaker, pursuant to Standing Order 36 I am honoured to present two petitions signed by residents of London, St. Thomas and the Brantford area.

They urge parliament to ban the gas additive MMT, noting it is not used in Europe and most American states as it clogs emission control devices in vehicles.

MULTILATERAL AGREEMENT ON INVESTMENT

Mr. John Solomon (Regina—Lumsden—Lake Centre, NDP): Mr. Speaker, it my honour, pleasure and privilege to stand in the House today pursuant to Standing Order 36 to present a petition on behalf of many Canadians who are very concerned about the export of water to the United States from Canada.

They are also very concerned about the multilateral agreement on investment which the Liberals, and in particular the chief Liberal Don Johnston in Paris, are pushing under the instructions of the Prime Minister and the Government of Canada to continue to make sure that corporations have more and more power and authority over our economy without any independence from any country with respect to making their own decisions.

These citizens are from many locations across the country. They are concerned the MAI will make it very easy for corporations to take all of our fresh water and send it south so that the Canadian population will be at the mercy of the Americans and the large corporations.

I join with these individuals in presenting the petition on their behalf.

* * *

[Translation]

QUESTIONS ON THE ORDER PAPER

Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, the following question will be answered today: No. 133.

[Text]

Question No. 133—**Mr. Jean-Guy Chrétien:**

With respect to Ms. Manon Lecours, who worked as a special assistant in the office of the Hon. Martin Cauchon: (a) on what date did she begin working in this position; (b) on what date did she leave this position; (c) what was her salary throughout the time she worked in the Minister's office; (d) what was the exact length of her leave without pay in April-May 1997; and (e) what is her current status within the federal government?

Mr. Peter Adams (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.): I am informed by the Economic Development Agency of Canada for the Regions of Quebec as follows:

- a) February 12, 1996;
- b) June 19, 1998;
- c) annual rate of pay for a ministerial assistant to a secretary of state may amount to \$56,821;
- d) from March 17 to June 8, 1997;
- e) Ms. Lecours is no longer part of the Office of the Secretary of State.

I am informed by the Public Service Commission of Canada as follows: Ms. Manon Lecours is not currently employed in the federal public service under the Public Service Employment Act.

[Translation]

Mr. Peter Adams: Mr. Speaker, I ask that the remaining questions be allowed to stand.

[English]

Mr. John Cummins (Delta—South Richmond, Ref.): Mr. Speaker, I rise on a point of order. I would like to inquire about Question No. 132 which was asked on September 21, 1998, and Question No. 138 which was asked on September 24, 1998.

I might remind my friend opposite that veterans families have been denied benefits because they cannot get the information we have asked for in these questions. I asked previously when I might expect an answer and I was only told that the government House leader would look into it. I wonder if I could get a specific timeframe on that.

Furthermore, seeing as the government has had this question for six months, would it be prepared at least to table part of the question it has answered and give us an undertaking as to why it has taken so long to answer this question?

Mr. Peter Adams: Mr. Speaker, I know the member's concern. I heard his remarks this morning on a point of order on this very question.

I will look into in great detail the whereabouts of Questions Nos. 132 and 138. I will also look into his suggestion as to a way in which we might obtain a response.

Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP): Mr. Speaker, I rise on a point of order. I would like to ask a question of my friend, the parliamentary secretary. The government had promised to introduce legislation this year to protect Canada's water. That was actually last year and it is a new year now. Could he bring us any kind of update?

The Deputy Speaker: I am reluctant to allow question period to continue. The hon. member rose on a point of order. If he is referring to a question on the order paper I would perhaps allow his question. It does not appear that he is. This is another, if I may call it so, bit of a fishing expedition.

I think the proper time for this is during business of the House on Thursdays when the government House leader is here to deal with it.

Shall the remaining questions stand?

Some hon. members: Agreed.

GOVERNMENT ORDERS

• (1525)

[*English*]

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT

The House resumed consideration of the motion that Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act, be read the second time and referred to a committee.

The Deputy Speaker: When the House broke for question period the hon. member for Kings—Hants had the floor and he had five minutes remaining for his remarks.

Mr. Scott Brison (Kings—Hants, PC): Mr. Speaker, the issue of equalization is fundamental to Canada. Equalization has represented a cornerstone of the social and economic policies in Canada. The equality of opportunity that has been provided by equalization is pivotal and important if we are to ensure that throughout Canada people have access to the levers of the free market and a global economy.

It is very important that we recognize the differences of the country and encourage people to succeed in their provinces and to access opportunity. Without equalization, without this commitment to what is essentially Canadian, we would be imperilling that opportunity and that tenet of Canadian policy.

I mentioned earlier that in Manitoba there is some significant concern over the reduction in equalization payments that this adjustment process would result in. It reminded me of an article I read last spring in the *Winnipeg Free Press* of Saturday, May 17, 1997. It followed the Reform Party's announcement on equalization and was called "Securing Your Future". They were calling for a cut in equalization payments by 12% or \$1 billion. They were

Government Orders

looking at readjusting equalization so as not to include some of the provinces that are currently receiving it.

Manitoba would be one of the provinces that would be cut out of equalization. I will give an idea of the impact on Manitoba. Manitoba's deputy premier Jim Downey at that time called the Reform plan to cut equalization payments to only three payments frightening. He said that at first blush it would cause a remarkably severe impact on Manitoba and a loss of \$1 billion or about one-sixth of the province's gross revenues. He said it would essentially wipe out 25 provincial departments or the entire education budget. He was explaining what the impact in the short term would be of this type of draconian policy.

We all believe in the free market. We must all understand that the free market is only successful if all Canadians have access to the levers of it. In a knowledge based society equality of opportunity means equality of educational opportunities and health care. All these policies tie together.

We will not stand by and see a ghettoization of Canada. It is a remarkable achievement in our country that we have been able to provide some semblance of equality across the country in terms of opportunity.

We would like to see the government move forward not just with an equalization policy to equalize opportunities but with something more fundamental than that, an industrial strategy for our country, which is clearly lacking; a commitment to reducing interprovincial trade barriers; a commitment to reducing taxes; a commitment to reducing the regulatory burden on individuals and on small businesses; and a commitment to ensuring that Canadians can not only compete in a global environment as we enter the 21st century but can succeed in that environment.

Our party has always been committed to these goals. We would like to see the government commit in the upcoming budget to the type of fiscal policy and type of economic policy that would lead Canadians proudly into the 21st century. Maybe some day equalization will not be necessary because all regions of the country will succeed and all Canadians will have an opportunity to participate in the type of economic growth that everyone deserves.

• (1530)

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, one of the member's final comments was with regard to the ghettoization of Canada and I think that is an unfortunate description of what might be in fact the effect of the equalization program.

The member will know that equalization puts about \$8.5 billion into the hands of the provinces so their taxation levels do not have to rise for them to be able to provide the same kind of services across the country. It is basically a mobility issue.

The member should be careful in his choice of language. It would be wonderful to think that over the long term all provinces

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would be able to sustain their economies without equalization, but the bill before us will renew the equalization program for the benefit of all Canadians.

I would hope the member would want to clarify his views on equalization in Canada.

Mr. Scott Brison: Mr. Speaker, I thank the hon. member for his comment.

The hon. member may not have heard the first part of my speech which was prior to question period. At no time did I say that we did not support equalization. In fact I defended the tenets of equalization vociferously.

I agree with the hon. member that it is absolutely essential to the equality of opportunity across the country that we maintain and strengthen equalization.

I appreciate the hon. member's intervention because I would not in any way want my words to be interpreted as not supporting equalization. It is quite the contrary. We recognize it as a cornerstone of Canadian social policy. Our party defends it and we recognize its importance.

What I was suggesting, relative to ghettoization, is that without equalization there would be a ghettoization of Canadians because there would be some groups in some regions of the country who would simply not have the same access to opportunity as others. Without equalization we would have a ghettoization. I hope that clarification is to the member's satisfaction.

Mr. John Cummins (Delta—South Richmond, Ref.): Mr. Speaker, I listened with interest to what the member had to say and I agree with him that Canadians are fair and generous people who really do not mind helping out their neighbour.

However there is a feeling among many that Ontario, Alberta and British Columbia seem to be left holding the bag with this equalization business. That perception is very real. Part of the problem is that the whole process of the equalization formula is complex, convoluted and confusing. Nobody really understands why one province will be the beneficiary of funding while another will not. Without getting into detail, we have to look at some of the provinces and how wealthy they are in resources and ask why that province is getting funding when another is not.

In all seriousness, how would the member give this whole notion a better public relations face?

Mr. Scott Brison: Mr. Speaker, I thank the hon. member for his question. He raises a very good point.

I would suggest that if the member wanted to see British Columbia become a beneficiary province the best way to ensure that would be to maintain a New Democrat government there for a long time. In fact at some point in the future that may occur.

But seriously, it is an extraordinarily complex formula. We were briefed several times on the formula and it is very complicated, quite frankly, for a student of these affairs to understand. From a public relations perspective I do not know how to get the point across.

• (1535)

What is important for Canadians living in the contributing provinces to realize is that the people who are on the receiving end do not use the funds in a wasteful manner. They are being used for the basic social fabric, education, health care and those fundamental areas that everyone in Canada values. What makes Canada unique is our ability to provide the funds.

The people who simplistically say that we should cut off equalization have to realize that those people would go somewhere to find opportunities. Ultimately the social problems that would exist in a particular region, such as Atlantic Canada, would exist in another region if we were not able to provide some basic level of service in the areas of social spending, education and health care. Those problems would not disappear simply because of the lack of equalization.

Through an industrial strategy we could ensure that in 10 or 15 years equalization would be less necessary. We have to move on that type of policy. However in the short term it is a fundamental tenet of Canadian social and economic policy that simply needs to be maintained at this time.

Mr. John Cummins: Mr. Speaker, I appreciate what the member had to say. However the underlying question is: Are provinces, in a way, not like people? Are we not creating, to a certain extent, some kind of dependency on equalization, given that it is not clear to most people just why the money is being given?

We are transferring huge gobs of money from one place to another, from one pocket to another. Under what circumstances? I do not know. To a certain extent we are creating a dependency when the lines are not very clearly defined for these transfers.

Would the member comment on that?

Mr. Scott Brison: Mr. Speaker, one of the areas that is changing dramatically in Atlantic Canada is natural resource development. There is natural gas development in Nova Scotia and the Hibernia project in Newfoundland. We would hope that in the not too distant future these provinces would actually be have provinces.

I do not honestly believe that equalization payments contribute to dependency. When I speak of social spending policies I am not talking about income support, I am talking about education, health care and so on.

Those areas do not represent a dependency. They represent a basic quality of life that is required for anyone to succeed. If we

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want Nova Scotians to succeed we need to provide enough funding for a strong education system and for a good health care system.

The hon. member raises the very important issue of dependency. We must consider whether the government has over the past 30 years, in trying to protect Atlantic Canadians from the risks of the future, actually prevented some Atlantic Canadians from participating fully in the opportunities of the future.

He does have a point. I would suspect that some of the policies which have been implemented have not been successful. Equalization in itself, as a policy, has actually had some level of success in at least providing a level of opportunity for those people to succeed either in those provinces or to go elsewhere. In particular, young people need to be provided with a sound footing to get them through the first years.

I agree with the hon. member that we need an industrial strategy. We need something that can actually harness the powers of the free market in a global environment so that all Canadians can succeed. However, that cannot be done simply through equalization. It cannot exist in isolation from other government policies and leadership in other areas. Frankly, that is what is really lacking at this point.

• (1540)

Mr. Gerry Byrne (Parliamentary Secretary to Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, I am pleased to have this opportunity to discuss amendments to the Federal-Provincial Fiscal Arrangements Act. This act provides the legislative authority for parliament and this government to provide equalization payments to the provinces by virtue of the fact that all Canadians are equal and deserve equal access to equal services. Fundamentally, that speaks to what this legislation is all about.

We have heard in this House what the opposition parties feel this bill should not be about. They feel this bill should not be about equity, that it should not be about building Canada from coast to coast to coast, that it should not be about providing services to all Canadians, no matter the level of income or the location of residence, on the basis of equity. We have heard from the opposition that it should be about the principle of every person for themselves; that every person, man or woman, should fend for themselves, based on their ability to compete and survive in a very turbid world of market forces, and that is the way it should be. That would be a great speech in Washington, D.C., but this is Canada. Canada was built on a principled set of tenets. Canadians deserve equity in social programs from coast to coast to coast.

I re-emphasize that this debate has been about what the program should not be. This debate so far for the opposition has been about what it should not be for Canadians. The opposition has said that we should not have equity, that we should not have regional

distribution of wealth, that we should not build Canada as a mosaic of regions where each region builds upon the strengths of others and provides support where support is needed.

The opposition fails to remember that it was some of the eastern provinces which first began the process of transfer payments. It was the eastern part of this country that actually provided transfer payments for the building of the west. That did not happen last year, nor did it happen 10 years ago. It happened literally hundreds of years ago, but it happened. That is an example of how this country was built.

Do members of the House see me trying to profess that that was a wrong move, that it was un-Canadian, that now my region or province has been hard done by? No. That is what built this country. A major principle that built this country is that all Canadians should be provided equal access to government programs and services, in particular social programs such as health and education.

It is terrible that hon. members opposite are still heckling that point of view. We are debating the fact that in this country social programs will be provided to the citizens of St. John's, Newfoundland on the same basis as they are to citizens of Victoria, B.C. Hon. members opposite have some explaining to do, not just to their own constituents but to their own consciences. It is not a Canadian principle.

The Constitution has entrenched the principle of equity for Canadians. It has done so through the principle of providing services to Canadians.

I am very proud to be a Canadian. I am also proud that opposition members still defend the principle of equity. Unfortunately they do not come from the Reform Party, but I think there are a few members across the way who still quietly, while not disturbing their caucus ranks, realize and understand the value that Canada is not a dog eat dog society, that there are still some principles of building a country and that those principles are based on the fact that Canadians in need will be assisted by Canadians who, at that point in time, have a little more to offer.

We could simply take a snapshot in time of what Canada is today, but we must remember that Canada changes over time. The east coast was the economic engine of Canada not too long ago. We were the economic engine that provided resources to help build other parts of the country.

We have not heard any new ideas from the opposition about rebuilding the federation and building on the social programs and services which Canadians enjoy. What we have heard is how to take them down.

• (1545)

That is what the Reform Party has based its entire debate on. That is what the Reform Party and other members of the opposition

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have based their entire discussions on. Their question is how do they take down the program.

How do we take it down? By simply providing tax relief to Canadians. What will this tax relief do? It will provide the provinces with the opportunity to be able to tax their citizens. It is more appropriate for the provinces to tax their citizens based on the individual capability to provide the services.

What does it really boil down to? It is so that the people in Newfoundland and Labrador will be able to use their own money to provide all the programs and services they would need in order for them to be equal Canadians.

What does that really say about the Reform Party's position? This means every man, woman and child must stand solely for themselves. No matter what the financial circumstances of the provinces, no matter what the circumstances of the region, everybody should be on it for their own. Is it a great country building principle? Quite frankly it is one that I reject out of hand.

Reformers are really saying that they want all persons to fend only for themselves. I do not accept that notion. I do not agree with it whatsoever. It is a very short term view of what Canada is all about and what Canada has been in the past.

We are already seeing in the House indications that when it is appropriate for members opposite to rise and demand additional services and programs for their own constituencies they have no problem doing it, but do not ever institutionalize a program in the Constitution or in legislation which actually provides for the basic principle that Canadians help Canadians. Do not ever do it unless it affects Reform Party constituents. Then it can be done because it is completely appropriate.

The country was built on a more solid foundation than that. The country was built on the foundation that through time, through place and through any sort of political arrangement Canadians help Canadians.

I am very delighted that I am allowed the opportunity to speak on equalization. It has been very helpful to my province in a period of economic need. Over 25% of the budget of Government of Newfoundland and Labrador literally is achieved through the equalization program. If we were to suddenly eliminate that, what kind of health care would Newfoundlanders and Labradorians receive? What kind of education would they receive? How could they participate as full Canadians in a system which means that they will not receive the same levels of service as any other Canadian?

How productive or meaningful would our country be if we actually allowed that to occur? By providing government programs and services based on a province's individual capability of taxing its own citizens as opposed to drawing upon the collective strength of all Canadians is a very un-Canadian principle. Quite frankly,

why have Canada? Why be a collective? Why be a nation based on principles of equity? Why do it?

Hon. members opposite have no response for me because they realize that just as in any organization, just as in any family, just as in any circumstance, sometimes men and women are called upon in time of need, time of crisis, out of friendship and compassion to help out where they can. That is the principle that built the country and it is not being reflected in the House or during the course of this debate. That is why I am quite honoured to be able to have that entered into the debate.

The equalization program provides a significant amount of revenue which my province of Newfoundland and Labrador and indeed the other provinces of Atlantic Canada require. If it were not there the people of Atlantic Canada would not be as well served as they are today. They would not be provided with government programs and services. They would not feel like full Canadians.

The fact that it does exist despite the fact that it does have some shortcomings speaks well of Canada. It exists in a form that allows for equal participation not just of the provincial governments but of their citizens.

• (1550)

Equalization, according to this act as we have changed it, allows for a significant additional increase in incremental funds to the Government of Newfoundland and Labrador. Why? Because we are in need right now and it is judged by our ability to tax our own citizens.

In terms of the formula based approach to the equalization formula, which is transparent, up front and very accountable to all citizens of Canada, we provide a basis to transfer moneys to provinces in particular need of those services so that they can provide equally to their constituents. That is a principle which is being aggressively attacked by the platform and statements of the opposition parties.

Why is it that they feel this is such irresponsible behaviour on the part of the government? They define it as irresponsible in that the net effect of it is to reduce personal incentive. Why would they say that to a region such as Atlantic Canada or to certain regions in the west which also receive equalization and still profess to be a party that wants to build the country?

Quite frankly this is not the way that Canada was built. Nor should it be. It is not the position of our government. Nor will it ever be. It is now enshrined in the Constitution that equalization is part of the basic fabric of our country.

I am very pleased to announce in the House this afternoon that Newfoundland and Labrador will be receiving additional incremental payments under the equalization formula as amended in this act.

I think the reaction from the members opposite speaks to the fact that it is a good deal for Newfoundland and Labrador. I always

want to make additional improvements to the bill, but I am very satisfied to stand in the House right now to defend an amendment to an act which allows my province the ability to provide government programs and services such as health and education at a higher level than it would if members of the opposition were in power. That speaks to itself. It speaks to what Canada is all about. It speaks to my role as member of parliament in addressing the particular issues. It speaks to what we do in the House, which is debate ideas.

It is very clear that the idea of Canada as expressed by members of the Reform Party and other members of the opposition is not the idea that I share. We are a caring, sharing country where not every man, woman and child will have to fend for themselves according to their own means of the day. It is where we share resources, wealth, ideas and where we share the common greatness of our country.

That may be odious and terrible for the opposition. I hope the microphones are picking up the catcalls that are being put forward in the House. Equalization is a very important element of what we are doing in terms of providing equity and wealth distribution for all citizens throughout the country.

I want to say very clearly that the increased economic performance of Newfoundland and Labrador will mean in due time that we will not require the assistance of equalization payments. We will not require the assistance of any other transfers because that is our objective.

Just 10 short years ago Newfoundland and Labrador trailed the nation in terms of gross domestic product. We not only trailed. We were in negative growth. Today, Newfoundland and Labrador leads the country in economic growth. Our gross domestic product as predicted by some leading financial institutions is predicted to continue to grow into the 21st century. I am very proud of that. That growth will define the fact that we will no longer require equalization payments.

However, right now we have a dependable program of the Government of Canada to provide for some of our needs. Why that is even being debated on the other side speaks again to their positions.

• (1555)

Newfoundland and Labrador has representatives in cabinet and within the finance ministry who are protecting its interests, ensuring that the lives of the people of Atlantic Canada are better today than they were yesterday. That is accomplished in part through equalization.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, I thank the hon. member for his "Canada is a social program" speech. It was very heart rending. I am thrilled to hear that he has embraced

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collectivism and has spoken warmly in favour of it, but I want to point out a few things to him.

He talked about how much his government cares about social programs, but he forgot somehow to mention that his government has cut \$20 billion out of health care in the last few years. There was not a word about that. Somehow that slipped his mind.

Could the hon. member across the way tell us, if his government cares so much about social programs, why it cut \$20 billion out of health care over the last few years?

Mr. Gerry Byrne: Mr. Speaker, what is painfully left out of the hon. member's question is the fact that if the Reform Party had its way, if Canadians actually let it in through the democratic process, it would not be a question of cutting billions of dollars out of health care. It would be a question of when and how fast would it eliminate health care and have it just completely a user pay based system.

Let us be very clear about a couple of points. This is the party whose leader stood in Atlantic Canada some two or three years ago and said that when it comes to the fishery it has been such a boondoggle and expense on taxpayers "let's take 10 seconds and tell Atlantic Canadians that it is over".

Today the Atlantic fisheries are producing more in terms of gross domestic product than they were 10 years ago. The value of exports are double. Our economy is growing. This is a party that continually would abandon Atlantic Canada given the opportunity, but we will not let them have the opportunity.

Health care is a prime concern of Canadians. Everybody in the House knows that unless we did something about our fiscal house in Canada there would not be any question of how much would we have to cut from health care or education, or any other program today. It would be how we would deal with the destruction of all social programs in Canada.

It gives me no joy to admit there were cuts to social programs. When a \$42 billion deficit is eliminated it is not possible to turn to a neighbour and say it is okay because it is very important to eliminate a \$42 billion deficit. It is important that the Government of Canada not spend \$42 billion a year more than it takes in. When the question is asked whether that means we should cut \$42 billion in government programs and services, they do not have an answer.

We rebuilt the economy and our ability to fund health care and education programs while at the same time trimmed our deficit to a responsible level. Now we are seeing a dividend from that. We are seeing a reinvestment into health care and education. We are seeing it on a very stable platform: one where there will be no further cuts in the future, one that will see Canadians have stable fiscal arrangements in the future, and one that builds upon a very much stronger Canada. That is a Canada that the Reform Party does not understand.

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Mr. Jason Kenney (Calgary Southeast, Ref.): Mr. Speaker, I have risen from my laryngitis simply because I feel compelled to remark that of the many atrocious speeches I have heard in this place the member's ranks toward the very top of the list.

It is fascinating to have learned from the hon. demagogue opposite that he and his colleagues are in favour of equity, civility, collectivity, sweetness and niceness and little furry kittens, and the opposition is in favour eviscerating all that is good and civil about our society. I am delighted to see that the hon. member has a very mature Manichaeian view of the political pluralism in the country.

I will bring the hon. member's attention to a speech delivered by the hon. leader of the opposition this morning. The hon. member opposite suggested that the Reform Party opposes all manner of equalization carte blanche and would eliminate such programs.

• (1600)

This is simply, completely, totally inaccurate, false, wrong and misleading. The hon. member would know that, had he been here this morning to hear the hon. Leader of the Opposition say that the Reform Party "supports equalization". We support the principle of equalization. The people of Alberta, B.C. and Ontario generally support equalization as well. He went on to say that this is an important principle in our federation. What the hon. Leader of the Opposition did say, and I would second his comments, is that we have concerns about the way the formula is calculated and the way the program is applied.

The hon. member suggested that Newfoundland this year has the highest rate of GDP growth in the country. Marvellous. Kudos to Newfoundland and Labrador. We can all join in commending the people of that province for moving ahead economically. However, I would point out that that region is receiving hundreds of millions of equalization dollars from the taxpayers of British Columbia who are right now in a recession.

Given the hon. member's kind-hearted generosity, compassion and care for all, would he be prepared to adjust the equalization formula so that the fastest growing province in the country could help the only province that today is in recession?

Mr. Gerry Byrne: Mr. Speaker, it is always interesting and amusing to see the policy gymnastics of the Reform Party.

What the hon. member has referred to is the fact that there is substantial economic growth occurring in Newfoundland and Labrador. As a country we are going to see the shared dividends from that economic growth.

What the hon. member fails to point out is that there is still some significant catching up to do. Newfoundland and Labrador will become a have province, a sharing province which is indeed our

objective, but we still have some ground to make up. That is why the equalization program is stepping in right now. It is to be able to provide that opportunity.

It is not our objective over the long term to be a recipient of equalization. It is the objective however of the Reform Party to keep us in that position.

The Reform Party's position has always been that tax cuts are the answer. Can the revenue of a family be cut from \$30,000 a year down to \$25,000 and still provide the same level of purchasing power as there was at \$30,000? The obvious answer is no. Yet the hon. member and the Reform Party continue to raise the idea that we can cut the revenues of the Government of Canada very substantially, very quickly and very heavily and still be able to provide the same levels of support, programs and services such as health care and education for Canadians.

Thank God the people of Canada are much, much smarter than the Reform Party members will ever give them credit for being. They just do not understand this fact. Reform members change their policies time and time again whenever it suits their needs. They never actually address the real issues. They continually read the polls, find out what the polls may say in their constituencies and actually design polls so they say what they want them to say and then they create ideas or policy documents based on those polls.

Polls do not say much when it comes to building Canada. What hon. members do not understand is that Canadians throughout the country share a very sound value which says let us build the economy, let us build jobs, let us have growth but at the same time, let us try to be fair to all the regions of the country.

The Reform Party members do not understand that and it is about time they did.

Mr. Jim Abbott (Kootenay—Columbia, Ref.): Mr. Speaker, the member obviously does not know what he is talking about.

The Reform government will put \$2.5 billion back into health care. Furthermore we will reduce the tax burden on a family of four earning \$30,000 by \$4,000 a year. That will put almost \$1 billion more into Atlantic Canada than is presently being distributed in Atlantic Canada through all of those pork jobs the Liberals love to keep the strings on.

Our position is that we believe a dollar in the hand of the consumer beats the heck out of a dollar in the hands of the member. What is wrong with putting money into the hands of the people in Atlantic Canada who can be responsible and use that money in a far more responsible way than ACOA or any other program could think of?

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• (1605)

Mr. Gerry Byrne: Now we are getting to the heart of it, Mr. Speaker. What the hon. member is suggesting is that a dollar taken away from the hands of a public health care institution is far better served put in the hands of someone who is of a higher income bracket. Any tax cuts that occur take away funds from public institutions and put them in the hands of probably those who need them the least.

Tax cuts are important but they have to be focused. They have to be directed at the people who need them the most. Low income and middle income Canadian families are the people who deserve the tax breaks the most. Let us put it in perspective. What the hon. member is suggesting is that if we take that tax dollar, we reduce the ability of the Government of Canada and the individual provincial governments to provide those services and we put it in the hands of the rich. The rich quite frankly will be able to afford those health care services when they go on the free market to buy them. That is not universal health care. It is not universal health care and it is not a Canadian health care system.

We have one tier medicine where everybody, regardless of income level, regardless of their location of residence have equal access to the same medical services. That is something the Reform Party does not agree with. They cannot stand it—

The Deputy Speaker: I regret to interrupt the parliamentary secretary when he is in full flight, but the time for questions and comments has expired.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, it is my pleasure to address Bill C-65.

Unfortunately the Reform Party cannot support this bill. As my colleague from Calgary Southeast said and earlier my leader from Calgary Southwest said today, Reform Party does support the concept of equalization but we do think that the program as it is structured now not only is wasteful, vague and ill-defined but actually does some damage. We would like to see a different approach taken.

Before I get into that I simply must respond to something my colleague across the way said. He said that we have one tier health care in Canada today.

Let me inform my friend across the way that about 30% of health care in Canada today is funded by private individuals. Maybe he did not know that. Maybe he did not know that only 9% is funded by the federal government now. It used to be 50%, but the federal government did its disappearing act which it chronically does when the going gets tough, and now the provinces have been left holding the bag.

Of course, the member and his government provided the latest example of that when they dumped about \$20 billion in spending cuts on the provinces, including his own native Newfoundland which really could hardly afford to bear that kind of loss. My friend across the way should explain to his constituents if he cares so deeply for social programs, how it is that he let his own government eviscerate health care in Newfoundland like he did. I think he has a lot of explaining to do.

I will get into some of the specifics of this bill. The Reform Party has problems with Bill C-65 for a number of reasons. I should explain first of all what this is. This is an equalization bill that seeks to extend the current equalization agreement with some tinkering for another five years. It means about \$8.5 billion in expenditures or somewhere in that range per year, in other words about \$42 billion over the next five years.

That is a tremendous amount of money. It amounts to about 8% of the federal government's budget every single year. Yet are we having a major task force look into this? Are we having a big discussion about this? No. We had three days notice that we were going to debate it today. Probably not too many days beyond today it will be pushed through by this government because that is the way it does business.

I would suggest that this is one of the most important pieces of legislation that can be brought before this House. There is almost universal agreement that the legislation, and I guess it is in the Constitution now, the whole formula and idea of equalization needs radical reform. There is hardly an economist in the country who would argue that the current design is good.

I want to start by pointing out that it is fraught with opportunity for political manipulation. I will mention this to my friend who just spoke, because he comes from a riding that was formerly held by the current premier of Newfoundland.

• (1610)

Not very long ago in January the premier of Newfoundland announced to everybody that there was going to be a \$30 million deficit. This was a great disaster. Lo and behold two days later we found out that the federal government did some tinkering with the equalization payments. All of a sudden he has \$30 million in excess of his budget. He will have a balanced budget. It shows us how open to political manipulation the current system is. He went ahead and called an election on the basis of his balanced budget. That is ridiculous. It is an insult to Canadians. We need to have a system that is a lot more transparent than that.

I point out that we have a Constitution that says that equalization should provide reasonably comparable levels of public services at reasonably comparable levels of taxation. That is about as clear as it is. In other words it is wide open to interpretation. However the current government in power wants to structure it, it will structure

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it. It does not need all the provinces to agree because the federal government, if it so deems, will go ahead and structure a side deal with one of the provinces. We have side deals now with Newfoundland and Nova Scotia that provide different set-ups.

One of the problems with the formula, which is the most confusing convoluted thing I have ever laid my eyes on, is when it talks about calculating revenues. For instance for forestry, it does not take into account the cost of production. When we go to the people's republic of British Columbia where it costs a fortune to cut a tree and compare it to what it costs to cut a tree in Alberta, there is a huge difference. That is not reflected in the formula. Some provinces are discriminated against because of the huge discrepancies in the cost of production. In my judgment we have another disaster there.

We also have problems with this piece of legislation because it does not take into account the other types of social spending that come from the federal government. I want to give some examples of that. In my judgment and in the judgment of people who have followed this for a lot longer than I have, we constantly see in Canada various programs that seem to be equalization programs of some sort.

Look at employment insurance which is structured on levels of unemployment in particular areas. People in Alberta have to wait half a year to get unemployment insurance benefits. People in Atlantic Canada where there are high levels of unemployment may have to wait 10 or 12 weeks. It is now on an hourly basis but it boils down to somewhere in that range. That becomes a big transfer, a big equalization program.

Look at something like the infrastructure program. A lot of people did not realize that in itself was also an equalization program. It was based on levels of unemployment. Again we see a whole bunch of money going from some provinces into other provinces.

Look at regional development which is heavily skewed toward certain provinces. Look at defence spending. There is a good example. All these military bases are being put in particular ridings not because it makes military sense, not for the nation's defence, but because the government wants to plough some money into it.

I would argue that we need transparency. I would argue that we need a system today where we take into account all of this spending. Then we ask whether or not it is an appropriate amount. Maybe there needs to be a more straightforward formula. My leader spoke of that earlier today.

I do not want to make that the central part of my speech today. I want to talk about how we create have provinces. My friend across the way talked about the need to have ways to bring provinces that are currently receiving equalization into the mainstream so that they do become have provinces. I agree with that. We all agree with

that. We believe there should be ways to do that. But I can guarantee that having income tax top marginal rates of 69% like they have in Newfoundland is not the way to do it.

My friend across the way who embraces collectivism or spoke of collectivism in some warm way, and gave a speech about how Canada is one big social program, would be shocked to find out that many businesses do not want to set up shop in a province with marginal rates of 69%. They are scared away by high marginal tax rates. They find it passing strange that an equalization program that actually provides incentives to provinces to have high income tax rates, because that is how they receive equalization payments, actually exists.

• (1615)

I think he would be shocked to find that out. But I encourage my friend to consider that perhaps there is a better way to make Atlantic Canada work better. Maybe there is a way through lowering taxes to attract investment to Atlantic Canada. That is why last week the Reform Party spoke of a plan to give Canadians \$26 billion in tax relief. My friend across the way will say "Oh, but you are going to cut social programs". Not at all. In fact we would increase spending on social programs.

We would cut spending for some things that Canadians do not consider to be very important. We would cut spending for the CBC. We think that \$800 million a year spent on CBC television is a horrible waste. We think that the money that currently goes into regional development has become a huge pork barrel industry.

My friends across the way will know that even in Atlantic Canada many people are extraordinarily cynical of ACOA. They see all the manipulation that goes on whereby government ministers reward their friends.

I point out the situation in the Prime Minister's riding where all kinds of chicanery is taking place. Somebody who bought a hotel from the Prime Minister has received a bunch of federal grants. That is a little bit ridiculous. I see my friend getting hot under collar, but sometimes the truth stinks.

We argue that those things need to be cut. We would like to see the CRTC cut. It is a terrible waste of money. We would like to see all kinds of money eliminated from the bureaucracy of different programs like Indian affairs. Every year the auditor general pillories the department of Indian affairs for its wasteful expenditure of Canadians' money. In his last report the auditor general chastised the department for spending \$91 million to negotiate treaties, yet not a single treaty had been negotiated. That is what goes on in the Liberal government.

We argue that we need to cut spending, absolutely; not in the high priority areas, but in those wasteful areas to which I just referred. We are going to continue to push for that to happen.

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I will speak a bit about the best way to help people across the country. It is not by giving them a program. It is not by becoming a huge welfare state. It is not by embracing big government welfare programs like my friend across the way would have us do. We think that is the wrong approach. In fact I would argue that has failed in every country where it has been attempted. Instead it is time to see reality and to understand that it is the private sector which will create the jobs. It is the private sector that will create prosperity for people.

The political allocation of scarce economic resources simply does not work. The definition of insanity is to keep doing the same thing over and over again and expect to get different results, yet that is exactly what this government does. Every year it thinks that if it just throws a little more money at the problem it will get better. So it throws more money at the problem, but it never gets fixed. It just keeps getting worse and the government cannot figure it out.

It is time that my friends across the way embraced a new approach. We offer them an idea whereby we take the money that they currently dole out to their friends and instead leave it in the hands of taxpayers, entrepreneurs, investors and homemakers, the people who know far better than the government how to use that money.

I would argue that Canadians after a generation of seeing taxes go ever upward really do deserve a tax break. It is time for tax relief.

The hon. finance minister spoke in the House today about how he wanted to give Canadians tax relief. His department has been floating for weeks the idea that it wants to give Canadians a \$2 billion tax cut in the next budget. What a joke. What the minister does not mention is that this year the government is going to increase taxes by \$2.4 billion.

• (1620)

CPP premiums are rising by about \$1.4 billion. Bracket creep takes about a billion dollars out of people's pockets every year. What the government trumpets as a wonderful tax cut is actually a tax hike in disguise, and so it has been with this government for five years.

Every year the government says "We are going to provide targeted tax relief because we are Liberals and we care". It is simply not so. In fact since this government came to power we have seen taxes go ever upward. We have seen disposable income fall like a stone. Canadians have to pay \$38 billion in taxes this year that they did not have to pay in 1993.

I would argue that Canadians can ill afford that. It is interesting that as revenues for the government went up \$38 billion we saw the savings rate drop \$31 billion. Who really balanced the budget? Was it the finance minister?

An hon. member: Yes.

Mr. Monte Solberg: My friend opposite, the junior finance minister, says it was. I disagree. I think that Canadians balanced it. The finance minister balanced the budget on the backs of taxpayers. He balanced it on the backs of people who are sitting in hallways in hospitals waiting for beds because he took about \$20 billion out of spending for health care. He took billions out of essential programs but left lots of money for his slush fund. He left lots of money for ACOA. He left lots of money for the departments that funded the Prime Minister's hotel deal. We need to put an end to all that.

Let me talk about some specific ways in which we can benefit not only the people in Atlantic Canada and Quebec, but the people in provinces across the country.

Reformers believe that we could deliver about \$26 billion in tax relief over the next three years if we hold the line on spending at \$104.5 billion.

Already the government is headed for a budget this year of around \$109 billion. It will probably be \$4 or \$4.5 billion over budget. It was \$3 billion over budget last year. People probably have cause to be pretty concerned about the government falling into its old habits of spending like crazy.

If the government holds the line on spending at \$104.5 billion, that frees up a lot of money. It frees up about \$17 billion which could be used for debt reduction and about \$26 billion which could be used for tax relief.

When that is broken down, it means about \$342 million a year, or somewhere in that range, in tax relief for Newfoundland every year. As competent as my friend opposite thinks he is, I can guarantee that the people of Newfoundland would much rather have that money in their own pockets than give it to him to spend for them.

I would argue that the people of Atlantic Canada who would get a total of \$1.5 billion would much rather have that money in their pockets than allow hon. members opposite to spend it for them.

We believe that the people of Ontario, who would get \$10 billion in tax relief, would much rather have that money in their pockets than allow bureaucrats and politicians to spend it for them.

We argue that people in British Columbia, who could sorely use a tax break right now, would love to have billions in tax relief. It would mean a lot to them, especially as they toil under the socialist government which has done so much damage to that economy.

Our argument is very simple. We think that the money would be better used in the hands of individual taxpayers, investors and homemakers, rather than leaving it in the hands of bureaucrats and politicians who so often misuse it.

Let me touch on some of the things that we would do to help Canadians. We would eliminate the 3% and 5% surtaxes. We

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would fully index the tax system again so that we would stop this automatic tax increase of a billion dollars a year.

We would cut capital gains inclusion rates in half so that when people make an investment and help the economy they are not penalized heavily just because their investment may happen to keep up with inflation.

We have situations now where people invest in the economy. Their investment keeps up with inflation. All of a sudden they want to sell it, only to find that they have not made a cent in real terms but that they have to pay all kinds of tax. That is absolutely ridiculous.

We want to raise personal and spousal allowances to \$7,900.

• (1625)

We want the child care exemption to be given to all families, no matter how they look after their children. We want to have a refundable child care credit so that people on low incomes would actually get a cheque in the mail if they were not paying any tax at all.

We want the rate on the employment insurance fund to come to an end. Instead of giving back a paltry 15% of the money that has been taken, money that was overpaid to the EI fund, we want to give it all back. We want to give back to Canadians the entire overpayment because we believe it is their money in the first place.

Those are some of the things we want to do. We want to drop the three rates down to two rates. If we add up all of those things it comes to \$26 billion in tax relief. It would mean that a lot of money would go into people's pockets.

Let me give one example as I close. For the average family of four making \$30,000, it would mean \$4,660 in their pocket every year. That is what tax relief would do for Canadians.

My friend from Newfoundland would argue that his government could spend it better. I think that family would argue with that. It is time to embrace a new approach instead of continuing with the things that have failed for the last generation.

Mr. Gerry Byrne (Parliamentary Secretary to Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, there have been some comments made by members across the way that I think need to be corrected. There was an assertion that there was political interference in the budgetary deficit of the province of Newfoundland and Labrador that could be mysteriously re-corrected by some political interventions by the federal government in order to solve a political problem.

The hon. member has demonstrated that he clearly does not understand equalization. Therefore, when he makes these asser-

tions about the effects of tax cuts and other measures, he is obviously talking from a very ill informed point of view.

Equalization works on the basis of a formula. It is a very transparent, very accountable process that is defined and entrenched in legislation. The payments that are given to the provinces over the course of time are based on the formula. There are adjustments to the variables which are input into the formula based on facts: population statistics, growth in the economy, growth in the ability of the province to tax. Those are the basic variables that are put into the formula, which is very accountable, very transparent and very upfront. It is not subject to political manipulation.

During this entire conversation hon. members opposite have been speaking about the positive influences and effects of a \$384 million tax cut for Newfoundland. I would like the hon. member to go to Newfoundland and ask this simple question of Newfoundlanders and Labradorians: "Do you think that it would be acceptable to cut \$384 million in public programs for health, education and social services?"

I would like the hon. member to ask that question. That question was asked in the provincial campaign. The answer that Newfoundlanders and Labradorians gave was emphatically and categorically "No. We want strong public institutions and the ability for people to provide for each other".

Mr. Monte Solberg: Mr. Speaker, what did Labradorians and Newfoundlanders say to him when he cut \$20 billion out of health care? I would like to know that.

The Reform Party of course would not cut spending for health care and social programs. We would increase it. We have made that pretty clear. We would increase it by \$2.5 billion.

My friend across the way has asked a question and I think he deserves a serious answer.

In the last election campaign we laid out exactly where we would cut about \$9 billion in government spending. We sent it out to about 15 million households across Canada. I invite my friend to revisit that, but I will touch on some of the highlights again.

As we said then, we would make cuts to the CBC. We think that CBC television should be a private broadcaster. We think it is time, in a day and age when there are all kinds of private broadcasters providing services across the country, to privatize the CBC. We made that very clear.

We would make cuts to the Department of Canadian Heritage. We think that all of these grants for special interest groups are ridiculous. We think it is ridiculous to spend \$100,000 on a dumb blonde joke book. I am sure even my friends across the way would question whether that was a wise expenditure.

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• (1630)

We would cut all the pork barrel spending that goes on in regional development. It is a very unfortunate joke on Canadian taxpayers when they are paying for all kinds of patronage deals that benefit friends of the Liberal Party. We think that is wrong. We would cut the bureaucracy of Indian affairs. We have made that very clear.

Those are some of the areas where we would cut. If my friend would simply go back and review Fresh Start, he would see that we lay out the entire menu for him. He could go through it and he could use it to guide him when he wonders again where these cuts would come from.

The final point I would make is that it is interesting to me at a time when the government has cut so drastically in health care, and even with the increases it will still be about \$4 billion shy of where it was, that it has still managed to ratchet up overall spending pretty significantly, by about \$4.5 billion this year alone.

I have a question for the member across the way. Why is the government spending so much more on frivolous programs like millennium grants and things like that? If the hon. member cares so much about health care, why is it increasing in areas like that when it is cutting the heart out of Canadian health care?

Ms. Louise Hardy (Yukon, NDP): Mr. Speaker, the CBC is essential for the north because there are a lot of places private broadcasters will not serve.

My other concern is around land claims negotiations and the price we pay for them. Our other alternative is to go to court. When we go to court that means we have no control as politicians or as people. We cannot be a part of a legal process. Therefore we would have absolutely no say in or any control over what we would pay.

Would the member rather we take all our treaties to court to have them negotiated rather than have a process that we can actually be involved in?

Mr. Monte Solberg: Mr. Speaker, I thank the member for her good question. We have made it very clear we would not cut CBC radio. We understand that there are remote communities which do not have access to private broadcasters. We have specifically said CBC television.

With respect to the land claims issue, we do not argue necessarily with the idea of having the government engage in treaty negotiations. It would be nice if it could actually come to some kind of agreement. After spending \$91 million and not reaching any agreements I would come to question whether or not that is a very good use of taxpayers money.

The final point I would make on treaty negotiations is what is really important is that there be finality. When a deal is reached we

do not want to see it reopened again which is what we are seeing now with Treaty 8 in northern Alberta. We think that is a huge mistake. We would like to see these things settled and settled once and for all. We think we owe that not only to natives but to Canadian taxpayers in general.

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, during the member's speech when he was talking to the bill on equalization he referred to the employment insurance system as being an example of other ways in which equalization can take place. He specifically said that in Alberta people had to wait a half year before they got employment insurance benefits whereas in the maritimes it was obviously much less and therefore that equalization was giving more to the maritime provinces.

Would the member like to reconsider his statement? It is important for Canadians to understand we have an EI system that is the same for all Canadians. There are some exceptions which reduce benefits and reduce claim periods, but in terms of eligibility for benefits it is the same for all Canadians.

I raise this matter because if the member is incorrect on this item, how many other items in his statements can we believe?

Mr. Monte Solberg: Mr. Speaker, we can make the same argument about equalization itself. We could say that there are pockets of Alberta where the economy is not perking along like in Calgary and therefore they should have equalization. I do not buy the member's argument.

Previous to 1971 when the reforms were made to employment insurance on the basis of regionally extended benefits previous we had a purer type of insurance program, a program that looked at individual needs and not so much at the needs of regions. Insurance should be something that is based on individual needs, not on regional needs. When we have that we see political manipulation of scarce economic resources. We see politicians using the EI fund just like we saw in the recent raid on the EI fund. We see politicians using huge piles of money for their own political ends.

• (1635)

In this case it has been extraordinarily damaging to workers and small businesses that paid into the fund. They have seen what happens when governments are given control over huge piles of money like has happened through employment insurance.

I reject the member's arguments. I think they are false. I would encourage him to consider that basing employment insurance on a personal insurance basis probably makes a lot more sense for everybody involved.

Ms. Val Meredith (South Surrey—White Rock—Langley, Ref.): Mr. Speaker, it is my pleasure to speak to Bill C-65 which renews the equalization agreement. Like my colleague from Medi-

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cine Hat I am a little disappointed that the government has seen fit to have such a short debate and to rush something through the House when it knew it was coming. It has made no effort to really look at what equalization payments are or at the need for restructuring and some massive reorganization. It seems to think it can add a few band aids and every thing will be okay.

Bill C-65 makes technical amendments to the formula that determines equalization payments. I want to review the three sections. It provides for the phasing-in of tax base changes over the period from April 1999 to March 31, 2004. It adjusts the definitions of resource revenue and revenue to be equalized. It changes the minimum and maximum payment provision.

The question that some Canadians will be asking is what exactly is equalization and what is it for. I would like to review some of its history for Canadians who may be watching the debate this afternoon.

It was introduced in 1957 and it was an effort to balance the vast disparity in potential tax bases among the provinces to ensure that every Canadian citizen had access to similar levels of social programs. Equalization is included in the Canadian Constitution. It is found in section 36 of the 1982 act. It reads:

Parliament and the legislatures, together with the government of Canada and the provincial governments, are committed to: (a) promoting equal opportunities for the well-being of Canadians; (b) furthering economic development to reduce the disparity in opportunities; and (c) providing essential public services of reasonable quality to Canadians.

Section 36(2) goes on to read:

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

Most Canadians support this concept. Very few Canadians have difficulty in supporting the concept of equalization, but when Canadians get into the details they start to have some problems.

I want to share with them an experience I had with the unity panel in B.C. In the fall of 1997 I was asked by Premier Glen Clark to sit on the B.C. unity panel. It toured the province of British Columbia with regard to the Calgary declaration. Its purpose was to gauge public support for the declaration. The unity panel used various means to measure the support of British Columbia. It included a mail-in questionnaire, public meetings, focus groups and a province-wide telephone survey.

In the telephone survey the unity panel asked questions about equalization. I want to share some of the results. One question that was asked was: Should the provinces and Canada work together in

setting up national standards. They felt they wanted a shared partnership between Canada and the provinces.

● (1640)

The question on equalization was:

The federal government has an equalization program whereby the four provinces receive tax dollars to allow them to provide a similar level of public services to those available in richer provinces like British Columbia, Alberta and Ontario. Generally speaking, do you strongly support, somewhat approve, somewhat disapprove or strongly disapprove of federal equalization programs?

I am glad to share with the House that 37% strongly approved and 44% somewhat approved of equalization programs. The vast majority of participants supported the principle of equalization. To quote from the B.C. unity report:

However there was a great deal of reluctance to accept the possibility that British Columbia should, therefore, receive less than other provinces.

Many participants commented that British Columbia's population has special needs itself such as its specific demographic characteristics, seniors and immigration, that needed more funding and that there should be some recognition of this situation in federal transfers and there should be flexibility in arrangements to respond to this.

It was because of the results of the efforts of this B.C. unity panel that travelled the province that the B.C. government added three additional principles to the Calgary declaration:

(1) That British Columbia supports national standards for health and believes that these standards are best set co-operatively by the federal government with the provinces;

(2) That British Columbia supports the federal government's equalization program and believes that for other federal transfers for health, education, and social programs, provinces should receive the same level of federal funding per person;

(3) That British Columbia believes that provinces should be able to assume greater responsibility in areas that are important to them, such as fisheries in the case of British Columbia.

This resolution passed unanimously in the B.C. legislature. It is the second additional principle that is relevant today. British Columbians widely support the concept of equalization, but we have to remember that it goes far beyond this equalization program.

The federal government unfortunately has built in equalization bias in all of its transfer to provinces. When it comes to the three so-called have provinces, B.C., Alberta and Ontario, they get a reduced level of transfers from the federal government. There is not only the formal equalization program but the transfers to the provinces that show discrepancies. When we combine the formal equalization program with these other biases we get a different picture. I want to share some of the issues that are evident.

In the province of Newfoundland 43.7% of the provincial budget is from transfers from the federal government. In Nova Scotia it is 40.3%. In New Brunswick it is 38.2%. In Quebec it is 15.3%. In Prince Edward Island it is 36.8%. In Manitoba it is 29.3%. There is heavy reliance on federal government transfers. On the other hand

we have Alberta with 9%, British Columbia with 8.8% and Ontario with 10.9% of their provincial budgets coming from federal transfers.

This system of bias permeates through all the programs the federal government has with the provinces. It is very evident with the federal spending on immigration settlement in the provinces.

Let me provide the House with some numbers from 1997 when I was the Reform Party critic of immigration. This is the money that is sent to provinces to help new immigrants settle in their chosen home. Quebec, which is a have not province, receives \$90,000,000 a year. B.C. receives \$23,373,000.

• (1645)

The province of Quebec which takes considerably less immigrants than the province of British Columbia gets three times as much money per capita per immigrant. The province of Quebec gets \$3,067 per immigrant. The province of B.C. gets \$1,000 per immigrant to help them settle in their chosen home. It is not only in the transfer payments, it is in all these other payments that we see the bias.

I have sat in the House for five years listening to members of the Bloc Quebecois tell Canadians how Quebec is not getting its fair share out of the Canadian federation. Yet when I look at the figures in the equalization program, that is not what I see. In the last complete fiscal year, from April 1, 1997 to March 31, 1998, the federal government spent \$8.987 billion on equalization, almost \$9 billion, of which \$4.177 billion or 46.5% of the equalization program went to Quebec. It would appear to me, although we hear many complaints from the Bloc, that Quebec has done quite well in this regard.

When we talk in billions and millions of dollars, it is quite easy for the eyes of the viewers back home watching this debate to glaze over. It is incomprehensible to them. I would like to relate what we are talking about on a more individual basis.

When going through the website looking at the various programs that are provided to various provinces, I was struck by some differences. In viewing the Quebec government's website, I came across a wonderful program that is available to all Quebec children under the age of 10. Every child under the age of 10 in Quebec has access to free dental coverage.

In the province of British Columbia that is not the case. In British Columbia the parents are responsible for the dental care of their children. In effect the have province of British Columbia is helping the have-not province of Quebec to provide a health program to its children that is not available to the children in British Columbia.

British Columbia sees it as somewhat unfair that it is expected to have less and not to have the same advantages and the same level of care as a have-not province. It sees its money going to allow a

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have-not province to have better services and better care for its children. Is this equal and fair? I think many British Columbians would say no, it is not. This is only one example.

I will go to the example of the cost of universities. This country has three so-called have provinces. In 1998 *Maclean's* reviewed the universities in a special issue. It indicated that there were 24 universities in Canada's three have provinces. The average tuition fee in those have provinces was \$3,581. By comparison in Quebec where there are seven universities, the average tuition fee was \$2,109 for Quebec residents. It amounts to 60% less in cost for a student from Quebec to go to university than a student in the three have provinces. Even when it charges more for out of province students, it comes to \$56 less than the average of the three have provinces.

• (1650)

Once again we have a situation where the three have provinces, the provinces that contribute to the equalization program, are not getting the same benefits out of Confederation that the have-not provinces receive. It is a question of a level playing field and a lack of understanding why the provinces that are always putting in get fewer services from the government and why we are always being asked to pay more for those services than the have-not provinces.

British Columbians ask if this is fair. Is this equal? Does the equalization program mean that the have provinces will give money to the have-not provinces to provide services that they do not have themselves?

Then there is the province of New Brunswick which uses the largesse, the money it gets from the have provinces, to subsidize businesses to move to New Brunswick. British Columbia lost some of its UPS people and offices because the money it sent to New Brunswick was used to subsidize the businesses to move out of British Columbia to New Brunswick. For some reason British Columbians do not think it is fair that their money should be used to take jobs away from them.

The largest flaw in the equalization program is that it has lost sight of what it was supposed to be about. It is about providing reasonably comparable levels of public service at reasonably comparable levels of taxation.

The complexities and intricacies of equalization are an accountant's dream. They probably cannot believe this equalization formula, how it is derived and how it is used. The basis of the formula looks at 33 tax elements of the economies of five provinces: Quebec, Ontario, Manitoba, Saskatchewan and British Columbia. It tries to estimate how much revenue the province can raise in each category. This may work if every province had the same kind of tax system but they do not. They are all different. It also does not take into account some of the geographic differences in the country.

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In this bill the formula has been amended so that forestry revenues will no longer be based on the volume of wood harvested but changed to the value of production. Like my hon. colleague from Medicine Hat mentioned, this formula does not take into account the cost of production to obtain the forestry revenues. It costs significantly more to harvest trees in the rugged mountainous terrain of British Columbia than it does to cut the same value of trees anywhere else in Canada.

Similarly the equalization formula does not take into account the costs of providing services in each province. Once again let us compare the cost of building 100 kilometres of highway in British Columbia to the cost of building 100 kilometres of highway in Saskatchewan. The disparity in costs seems to be irrelevant to the formula. The government seems to think the cost of delivering services to Canadians is the same everywhere and that is just not so. Because B.C. has the potential to raise more money, it not only has to fund its own highways by itself but it also has to contribute to the building of the highway in Saskatchewan.

I would suggest that there is a grave need for change in the equalization program and Bill C-65 just provides more tinkering. It does not address the real problem. I would suggest that the real problem is why does a country like Canada have seven have-not provinces and only three have provinces? This is what this issue is all about and what needs to be dealt with in the discussion of equalization programs.

• (1655)

The Reform Party of Canada fully supports the notion that all Canadians must have access to the same level of health care, education and social services regardless of the province that they live in.

However, we should also be honest about the program. In the new Canada act we recommended changes to the federal-provincial fiscal relations and I want to quickly go through those. One is to make all payments to the provinces under jointly funded programs in the form of equal per capita grants. Another is to address disparities and regional opportunities through a single equalization cash transfer based on the relation of the per capita gross domestic product of a recipient province to the per capita gross domestic product of Canada. I would like to remind the House of the third element that the Leader of the Opposition brought up earlier, by recommending broad based tax reductions to give the citizens of all provinces additional money to spend, and aid in improving all provincial economies.

I would suggest that the biggest flaw in Canada's equalization payments is that it is only looking at the symptoms and not the ailment itself.

The Deputy Speaker: It is my duty pursuant to Standing Order 38 to inform the House that the questions to be raised tonight at the

time of adjournment are as follows: the hon. member for West Vancouver—Sunshine Coast, APEC Inquiry; the hon. member for Churchill, Aboriginal Affairs; and the hon. member for Winnipeg Centre, Employment Insurance.

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, I listened to the member's comments with interest.

I am surprised that someone did not jump up to make note that the pants of the member for Medicine Hat were in flames as a result of some of the whoppers he delivered to the House. Interestingly enough I found the same kind of attitude coming from the Reform Party again in the comments of the member who just spoke.

The member talked about immigration. She talked about numbers, here is how much per capita in Quebec, here is how much per capita in another province and then just asked the rhetorical question is that fair.

The duty of members of parliament is not simply to raise spectres but to convince the House and others that they have done their homework and that they have made sufficient inquiry so that any obvious reasons for differentials would be taken into account. They are not to raise those spectres and somehow leave everyone hanging as to why, what reasonable explanation could there be.

The member knows that the legislation before the House is renewing the equalization program for another five years and that the basic elements of the program have been reaffirmed by two years of consultations with all of the provinces and the federal government. Does the member know better than each and every one of the provincial representatives at the table discussing the elements of our equalization program? The important element here is that this member has only raised to the House questions which she has not attempted to answer herself.

If the member would look, for instance, at the whole area where she was Quebec bashing and was against the whole issue of bilingualism and the importance of our official languages in Canada. She did not even inquire whether or not the cost of providing services ostensibly in both official languages in that province had a significant amount to do with that and furthermore, that providing those support services with regard to immigration was also to provide support to the rest of the provinces which also have an obligation to provide those services in one of the two official languages on the basis of need.

There is something going on here which the member did not give credit for. The member did not explain it and did not attempt to explain it. Not only that, the member did not attempt to inquire. All she wanted to do was to raise spectres about inadequacies which she believes are there. Each and every premier and the federal government do not agree. The member should explain herself.

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Ms. Val Meredith: Mr. Speaker, I will certainly explain myself. I am sorry the member did not listen to my speech. He only picked out points that he wanted to challenge me on, but let me explain.

• (1700)

The point at hand is that the equalization program is supported by Canadians. It is a fair program and the understanding of it is supported by the Reform Party. We believe in equalization, the purpose of which is to bring the provinces to the same level of being able to provide social services and health care. We and Canadians have a problem when the federal government brings that equalization bias into every program.

By no means was I using Quebec as an example other than as a demonstration of how Quebec, which has fewer immigrants needing resettlement than British Columbia, gets three times as much money. Quebec gets the benefit of the investment dollars from the immigrants but the investors move to British Columbia.

Although Quebec gets the benefit of the investment dollars and the \$90 million a year even though it does not have the immigrants to support, British Columbia receives one-third of what Quebec receives although the majority of immigrants move to British Columbia. British Columbia does not have the benefit of the investment dollars to create economic growth which could be used to create the money to support them.

I was using that as an example of the equalization bias that is carried over in every transfer program the government has for the provinces. I do not apologize for that. I would like them to explain to Albertans, British Columbians and Ontarians, people from their own province, how they can justify always making those provinces pay more to get less. That is not equalization.

[*Translation*]

Mr. Pierre de Savoye (Portneuf, BQ): Mr. Speaker, I am always very interested in what my Reform Party colleague has to say. She does her research well.

But I would like to draw to her attention a few of the concerns that sprang to mind as I was listening to her.

It is true that Quebec's share of equalization payments, aimed at evening out the ability of the various provinces to provide services for their people, has unfortunately dipped dramatically in recent years. But that is only one facet of the movement of money between Quebec and the other provinces and the central government here in Ottawa.

The other is the taxes paid to the central government and then used by it to purchase goods and services or to fund research and development.

It is a fact, and there are figures to prove it, that the government spends the lion's share of its dollars in Ontario, not in Quebec or in the prairies. It does not spend the lion's share of its dollars in the Atlantic provinces, but here in Ontario.

That leaves us with the paradoxical situation of Quebec sending approximately \$30 billion every year to Ottawa and receiving \$30 billion back. Unfortunately, while Quebec is forking over taxpayers' hard-earned dollars, its share of goods and services falls well short of its share of taxes, while Ontario's exceeds it by about 15%.

Then the transfer payments kick in to even things up. But now, and this is the question I put to my colleague, we have the sad situation where Quebec is not receiving job creation money, but transfer payments instead. The same is happening in the Atlantic provinces, and that is what is unfair. The only solution, obviously, is for Quebec to become a sovereign nation.

• (1705)

[*English*]

Ms. Val Meredith: Mr. Speaker, if my colleague from Quebec is concerned about not getting any contracts or procurement from the federal government, he should try living in British Columbia where we get a very small amount in return.

An hon. member: Ontario gets it.

Ms. Val Meredith: There is no question that Ontario gets the largesse of government. It is no wonder with 99 members sitting opposite representing Ontario. The government is Ontario and that is part of our problem.

I share with the member from the province of Quebec that some of our concern is that although Quebec gets 46.5% of equalization transfer payments to level the playing field, that kind of bias is in other programs.

I mentioned the immigration program. The province of Quebec gets a very large share of the settlement dollars which other provinces do not get. Quebec may feel it is hard done by and I do not argue that Ontario gets the largesse of government, but B.C. is certainly far worse off than the province of Quebec.

Mr. Jason Kenney (Calgary Southeast, Ref.): Mr. Speaker, I apologize in advance that my voice is not as robust as usual; I am suffering from laryngitis. There is simply too much to shout at the government about. It is difficult to maintain one's voice.

I am pleased to rise today to address the bill dealing with equalization. At the outset and contrary to some of the comments by members opposite, the Reform Party supports the principle. We object to the equalization which is entrenched in the charter.

Contrary to what some members opposite might have us believe, I and others in my party share the belief that Canadians from coast

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to coast should have access to generally comparable standards of public services at reasonably comparable levels of taxation. We have some significant differences with the current structure of equalization which is perpetuated in the bill.

We have some very serious objections to the process by which Bill C-65 came before us. Equalization is an automatic entitlement program, a statutory program, which causes us to spend \$8 billion a year annually out of the public treasury with no specific annual grant by parliament.

Rather, it is an amount that is automatically included in each year's federal budget and automatically spent out of the federal treasury under the authority of the statute we are discussing and amending today. It is an automatic statutory entitlement program. I have a very large problem in principle with programs of this nature because they do an end run around normal safeguards, checks and balances of accountability in parliament.

It is important we not create programs of this nature that simply proceed on auto pilot year after year spending literally billions and billions of tax dollars without a close methodical serious review of their cost, their design and their implications.

We do not have such a methodical review in the debate on Bill C-65 before us today. Quite to the contrary, the government gave the House only three days sitting notice that the bill would be debated today, a bill which will essentially authorize roughly \$35 billion in expenditures over the next five years.

• (1710)

This is one of the largest expenditures of the federal government which parliament authorizes. Yet we have quite a remarkable circumstance of being given three days to prepare for debate on an extremely complex and complicated bill that deals with a formula which, as colleagues have said, nobody really understands expect for a handful of specialist accountants in the government.

The government is attempting to collapse debate by not putting up any other speakers. It is so serious about this \$8.5 billion public expenditure that I think it has had one prepared speaker on the bill and another who just stood and gave us 20 minutes of hot air. That is how serious it is about a parliamentary review of an \$8.5 billion expenditure. It is shameful.

That is why we ought not to rush through the automatic rubber stamping of this huge public expenditure every five years as we are today. Rather we ought to calm down and make a serious, slow, parliamentary public review of the design of the entire equalization system.

We ought to be allowed to have the bill go before a parliamentary committee for extensive hearings, to bring forward academic experts, to speak to the entire concept and design of equalization,

and to hear from Canadians on how they feel this matches with their ideas of social and fiscal equity. We will not do that. We will just ram it through yet once more, treating parliament and the people who represent Canadians as a kind of rubber stamp in the system.

A lot of experts would have a lot to add to the debate. In October the C. D. Howe Institute produced an excellent, thoughtful study on the entire balance of fiscal federalism with emphasis on equalization. It was authored by an esteemed professor from the University of Alberta, Dr. Paul Boothe and sponsored by Koch Oil. Other studies have been done by people like eminent fiscal expert Professor Thomas Courchesne at Queen's University. We ought to be receiving the benefit of the expertise of these people and not just rushing through it.

One of the many problems with this formula is that it is extraordinarily complex. A very simple principle involved in responsible government is that spending and taxing decisions should be transparent. They should be easy to see and understand at least by a reasonably well informed layman. I do not think there is a reasonably well informed layman in the country who is not an expert in the Byzantine rules surrounding equalization that really understands the process.

Even the auditor general pointed out that among the many problems with the equalization formula is the inclusion of property taxes in the assessment of the average tax rate in various provinces. It is incredibly difficult to get to the bottom of that. The auditor general in his 1997 report flagged as a very serious problem the inclusion of property tax in the formula for 33 tax sources. The finance department responded by saying that it would address the issue of property taxes in the renewal process, that is in this bill. There is nothing in Bill C-65 dealing with this one very complicated element of equalization.

Another problem is that the government tells us that this is all governed by a clean, clear mathematical formula but that is not the case. For political reasons we have ended up establishing a roof and a floor of equalization transfers.

Let us look at Newfoundland which is going through a period of considerable growth and suppose that it continued or in fact doubled or tripled over the next couple of years. Newfoundland would find its unemployment rate tumbling down. Let us hope that happens. Revenues would be flush in the provincial treasury but Newfoundland would still receive substantial transfer payments under equalization based on the notion that from a given year to a given year the reduction in equalization can only be x amount.

• (1715)

Even if the formula states that one province should no longer be considered a have not province and should be regarded as a have

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province, that province would continue to receive the benefit of a transfer from hardworking taxpayers in other parts of the country.

Similarly, if my province of Alberta, which seems to be a perpetual have province, were to suddenly suffer the fate of an enormous reduction in commodity prices, energy prices and agricultural commodity prices and suddenly were to fall into a regional recession, we would not suddenly receive a large equalization transfer payment.

Let us look at British Columbia. Today it finds itself in the worst recession ever since 1981, a very serious and deep recession. B.C. taxpayers are having to work harder and longer than they otherwise would in order to send extra revenues into the federal treasury. Those revenues are then spun around in this enormous costly machine we call Ottawa and sent out to parts of the country which are actually growing and which have considerable growth rates.

Family incomes are on the rise in some parts of the country. They are on the decline in British Columbia yet those hardworking families, because of the bizarre mess of the equalization formula, end up having to pay net into the system so that others can receive the benefit. I think that is just plain wrong.

What we need is a system that is transparent and accountable and one that ordinary people can understand. We also need a system that is fair. I have talked about the unfairness inherent in the system today.

One of the points that Dr. Paul Boothe has raised in his many studies on this issue is that if the objective in equalization is equity, if it is to establish a modicum of social equity through fiscal transfers, then the equalization plan as currently designed is surely not the way to do it. It takes money from every taxpayer in British Columbia, Alberta and Ontario, every single person who pays GST, federal income tax or pays in any way into the federal treasury. Even if they are below the poverty line, as hundreds of thousands of them are, they all end up making a net contribution to the fiscal transfer through equalization to even the highest income taxpayers in the so-called seven have not provinces.

Incidentally, I have a hard time believing in one of the wealthiest countries in the world, in a country that enjoys a level of prosperity and a standard of living almost unparalleled to any other country at any other time in human history, that seven of our ten provinces are purportedly have not provinces. I think that is part of the problem with the formula.

Having said that, a single mom in my riding who has a minimum wage job and is earning \$14,000 a year and is trying to raise a couple of children on that meagre, paltry sum is still paying federal income tax because of the enormous equity in our tax system. She is paying federal income tax, the goods and services tax and other taxes which come to us in this parliament. What we are going to do

under Bill C-65 is take some of the money from that single mother in Calgary Southeast, spin it around in this bureaucracy in Ottawa and then send it out to subsidize the delivery of social programs, including health care, which accrues in part to the benefit of billionaires who might live in another province.

One could say that my low income constituents, because they happen by accident of geography to live in what is deemed by this formula to be a have province are forced to pay, according to Dr. Boothe, 9% more in taxes than they otherwise would in order to benefit the Desmarais family, the Bronfmans of Montreal or the Irvings in New Brunswick, or the Purdues, or the Crosbys in St. John's, Newfoundland. That is not equity; that is inequity. This is not how to design a system of social equity.

● (1720)

If we want to help people who really need help, if we really want to equalize opportunity and living standards across the country, we need to come up with a system of equalization that is sensitive to income, not to the arbitrariness of region or geography or the accident of where people happen to live, but with respect to the very real circumstances of their standard of living.

That is why we propose that there should be a much clearer per capita transfer from the federal government to the provinces for the various social programs and, I believe, an equalization system on top of that which should be designed on the basis of individual transfers. What does that mean? That means we should look to the tax system which can respond to the different levels of income that people have as the way to transfer wealth in this country.

Really that is what this is all about. If we get all the bureaucratic gobbledegook, legalese and accounting gimmicks out of the way and what we are talking about in this bill is how we transfer wealth from those who have a lot of it to those who have not much of it. I submit we do not do that by penalizing the lower income taxpayers in Alberta, B.C. and Ontario to the financial and fiscal advantage of higher income taxpayers in the rest of the country.

My colleague from Medicine Hat mentioned that an Alberta family that earns \$30,000 to \$40,000 pays 9% more in taxes to the federal government than it otherwise would, whereas its counterpart family in P.E.I. generates 20% more income. These are families with the same standard of living. They have the same jobs. They are working just as hard. The family in P.E.I. is not living in poverty and is no less able to provide the necessities of life than that family in Calgary, Medicine Hat, Toronto or Scarborough, but it gets the 20% advantage.

This reminds me of a study that was conducted some years ago by the Canada West Foundation under the auspices of Professor Robert Mansell, an economist at the University of Calgary. It was the first real effort to quantify the net impact of what we call fiscal

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federalism, all of these transfers back and forth between Ottawa and the provinces.

This was in about 1992, several years ago. Professor Mancel found in 1992 that the total cumulative cost of fiscal federalism to the province of Alberta, my province, was nearly \$150 billion since 1960. That is to say that because of equalization, because of other transfers and things like the national energy program, the federal government had managed to extract \$150 billion more out of Alberta than Albertans received in benefits or transfers from the federal government. There was a huge net transfer out of British Columbia and Ontario, not nearly as large. I think it was in the neighbourhood of \$20 billion for British Columbia and \$30 billion to \$40 billion for Ontario.

We are talking about massive transfers of wealth largely based on geography. I just do not think that is equitable or fair in a society which is trying to assist those who need the help the most.

Another problem with the current equalization system is the classic welfare trap, as it has become known by sociologists. As a way of explaining it, the welfare trap is if we subsidize something we are likely to get more of it.

The current equalization plan essentially subsidizes provinces which do not have high rates of economic growth. It subsidizes provinces which keep their tax rates low. Provinces such as New Brunswick give special tax deals to corporations to locate there, as my colleague from South Surrey—White Rock—Langley pointed out, yet they still receive the benefit of equalization.

• (1725)

It creates this perverse situation where if a province raises its taxes or generates more economic growth, it will be deemed to be a have province. Based on the Byzantine equalization formula its transfer from the federal government under equalization will decrease. We are penalizing success. We are in a sense creating a perverse incentive for regional economies not to succeed.

I am not suggesting that any premier or his cabinet would set out to generate low rates of economic growth in order to avoid a cut in its equalization payments. I am not suggesting that for a moment. Surely the provincial finance minister realizes in the back of his mind when he is planning his annual budget that if he raises certain tax rates and if on the other hand they generate significant growth, that the province's equalization payment from the federal government is going to be cut. That is inevitably going to be a factor. We have entrenched this kind of welfare trap into federal-provincial fiscal arrangements.

For all of those and many other reasons, I am vigorously opposed to this bill. I do not think it is in the best interests of social

equity in Canada nor is it equalizing opportunity or creating greater harmony between the provinces and individuals within this wealthy and diverse country. I hope my colleagues will look more closely at this issue.

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Madam Speaker, I have a couple of comments on what the hon. member said.

One comment concerns the property tax issue. He is correct that the auditor general has flagged it as an issue of concern. The federal government has indicated that the property tax issue is one that the provinces and the federal government are continuing to discuss. It is a bit of a difficult situation.

Some provinces were recommending that we go to market value assessment although it does not necessarily allow a province to generate the same type of revenue when we compare the market value assessment of a home in British Columbia equivalent to a home in Quebec for instance. That has some flaws in it as well. For the information of the hon. member, the property tax issue would remain on the agenda until there was a solution that is acceptable to the provinces and to the federal government.

The hon. member also went on to talk about the impact on British Columbia that commodity prices are having and why British Columbia is not receiving any sort of equalization given the economic turmoil it is going through. I advise the hon. member that there is a fiscal stabilization program. The federal government compensates even the have provinces if their revenues decline more than 5% due to economic circumstances. Even for the have provinces there is a safety net with respect to drops in revenue.

The hon. member said that equalization provides a disincentive for provinces to raise revenues. It is hard to believe that a have-not province would take into consideration the fact that it is receiving equalization and based on that receipt of equalization that it would not engage in any type of economic activity, that it would not want to create employment for its people. I dispute the argument that equalization is a disincentive to provincial economic development.

I offer the opportunity to the hon. member to speak to that, to put himself in the shoes of a provincial finance minister or premier who would say "I am not going to work in partnership with businesses in my community because we are receiving equalization. We do not want any sort of economic development in this province until we have no more equalization and then we will engage in economic development". I just do not follow that argument.

Mr. Jason Kenney: Madam Speaker, my colleague from Stoney Creek does not follow the argument because he did not listen to it.

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With respect, I said explicitly that I did not believe for a moment that any provincial finance minister sat down and contrived ways not to generate economic or revenue growth in order to avoid the reduction in federal equalization payments that might result.

• (1730)

However, I said that it does put them in a difficult position. Let us take one concrete example.

The province of Quebec maintains substantially lower corporate tax rates than the province of Alberta. I am all in favour of tax competition in the federation. I think it is great. The problem is that if the Quebec finance minister raises that tax rate he will likely lose a corresponding amount of revenue or even more revenue out of the federal equalization transfer. So he is much less likely to make that policy change, which means that essentially Alberta, Ontario and B.C. businesses are subsidizing artificially low corporate tax rates in the province of Quebec.

I am not suggesting that the provinces should end up constructing their entire fiscal and economic policy to avoid a reduction in federal transfers. I am saying that we are creating a perverse incentive and it is not a good thing. If we move in the direction that I am advocating, which is to create a system of transfers that are sensitive to individuals and their income regardless of the accidents of geography, that would avoid the kind of disincentives which exist in the current system.

Mr. Paul Szabo (Mississauga South, Lib.): Madam Speaker, the member is debating Bill C-65, which has to do with equalization payments. I know that he is the finance spokesman for his party and is well aware of the fundamental principles, one of which is that on a province by province basis we do not take individual provincial tax rates into account but rather the average of five provinces. It would be very difficult for any province to structure tax rates which would allow it to maintain equalization payments.

Frankly, I was astounded by the answer that was given to the question posed by the parliamentary secretary. The insinuation by the member was that equalization is a disincentive. He denied it and then he went on to explain how it is a disincentive. It is sucking and blowing at the same time. He cannot have it both ways.

The question to the member is simple. Does he believe that the equalization program, agreed upon by all of the provinces and the federal government following two years of consultation, is a disincentive for growth in a province which would otherwise have opportunities for jobs? Does the member believe a province would turn down opportunities for economic growth simply to maintain equalization payments?

Mr. Jason Kenney: Madam Speaker, to be clear, I believe that it can act as a disincentive.

Furthermore, I do not believe that provincial governments necessarily respond by electing policies which slow growth or revenue. However, it is unfortunate that it can have the unintended consequence of penalizing provinces that see significant growth. It is an unfortunate outcome of this kind of system.

With respect to the member's point on an individual tax in an individual province, yes, the five province average which takes into account 33 different criteria is the average against which each individual province's fiscal load is measured in the determination of whether it qualifies for equalization transfers. In the instance I raised, the level of revenues that the province of Quebec generates from corporate taxes is a factor in its overall fiscal load as compared to the five province average. This system does create a situation where provinces can maintain artificially low levels of taxation, levels of taxation which would definitely be higher if there were no equalization payments. That is the whole point.

In some cases the provinces are able to maintain much lower levels of taxation in order to create de facto subsidies. I raised the case of New Brunswick which provides all sorts of corporate tax holidays for people who locate their businesses there.

• (1735)

Again, I am in favour of tax competition, but I am not in favour of a system where the federal government gives a financial advantage to those provinces which use those kinds of tax levers in their competition to attract business.

Mr. Paul Szabo: Madam Speaker, following on the whole issue of the tax question, has the member given consideration to the benefits received by a province that engages in economic growth and job creation? Does he believe they are simply dollar for dollar with the equalization payments or does he believe that the benefits to a province would greatly exceed the value which it would otherwise receive under the equalization program?

Mr. Jason Kenney: Madam Speaker, I would admit that it is possible, but I would also admit that it is possible that provinces take into account the loss of equalization revenues that they would receive if they reduced taxes or increased growth.

It is a problem and that is why I recommend my idea of transferring to individuals on the basis of income and need and not to the provinces on the basis of geography.

Mr. Deepak Obhrai (Calgary East, Ref.): Madam Speaker, this is my first speech of 1999. I will begin by wishing my colleagues and all of the constituents of Calgary East a happy new year.

As we approach the new millennium Canadians are looking to their elected representatives, and especially the government, for visionary and bold leadership. The role of the official opposition is

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to point out to Canadians when their government does not meet these expectations. With this in mind, I rise today to voice my concern over Bill C-65. I do so because I am convinced that this piece of legislation does not address the economic inequalities which exist among the provinces in our federation.

The concept and the intent of provincial equalization payments in order to guarantee all Canadians comparable services and standards of living is indeed a noble goal. My party supports this concept.

Reform members who have spoken today have made the point very clear that we support the concept of equalization and of Canadians having a guarantee of comparable services and standards across the country.

The role of every government, including the federal government, is to ensure that the equality of all Canadians is guaranteed. That is the cornerstone of my party's policy. Therefore, why are we opposed to this legislation? This legislation falls short of achieving this goal.

What amazes me is that after so many years of experience—and we have had this program for close to 40 years—one would think that this government would have learned to use our financial resources more effectively. However, what we have before us today is a status quo piece of legislation which is flawed and does nothing but pour more money into this program.

Why do that? Every program this government introduces costs more and more, while Canadians are burdened with oppressive tax rates and coping with the crisis in our health care system. Can the government not use taxpayers' money more prudently? Apparently not.

I am also amazed to learn that in a country rated as one of the best and richest in the world we have seven have not provinces and three have provinces. Why is 70% of the country made up of have not provinces? It is difficult to understand. One can readily understand a province needing assistance when an important sector of an economic activity collapses.

• (1740)

The current fisheries crises on the east and west coasts require attention and the injection of resources. The federal government should intervene to ensure that Canadians living in these regions do not suffer undue hardship.

However, that being said, the systemic equalization program that we are discussing today is inefficient, a waste of resources and fails to address the underlying problem of regional economic disparities.

This morning the Leader of the Official Opposition and my colleagues outlined some of the major problems and flaws in this program. Let me highlight some of them again.

The formula for determining the distribution of funds is overly complex and convoluted. It is based almost entirely on assumptions and not on hard facts or statistics. The current program ends up pitting province against province and results in resentment and conflict, the haves versus the have nots.

There is no accountability, leaving the entire process open to political manipulation and bureaucratic interference. It penalizes provinces which display industriousness and innovation.

I would like to elaborate on my last point. In my home province of Alberta the cornerstone of our prosperity has been the oil and natural gas sectors. We are and always have been proud to share these resources with our fellow Canadians despite the introduction of the unfair and discriminatory national energy program during the early 1980s.

Today oil prices are quite low. This has led to hard times and layoffs in the oil patch. However, due to the resilience of Albertans and their government, Alberta is not facing an economic crisis. This is because Alberta has diversified its economy to avoid such situations.

The federal government could learn much from the Government of Alberta. It could also take some pointers from the Government of Ontario. The Ontario economy is booming through low levels of taxation and job growth.

The question still remains: What are we to do with this inherently flawed equalization program? The official opposition suggests a new approach. For starters, let us discuss a new approach to equalization through open and honest debate in parliament.

We are supposed to be the custodians of the public purse. It is up to us to find cost effective ways to ensure that all Canadians have comparable services. We must also eliminate the arbitrariness of the current program and eliminate bureaucratic interference. We must create a transparent and accountable manner of addressing regional inequalities. This could be achieved through a simpler formula.

The official opposition's new Canada act proposes two basic reforms which have been outlined by speakers from the official opposition. I am going to repeat them so that members opposite will understand what we are trying to say. They are: the equal treatment of all Canadian citizens with per capita grants to provinces for shared cost programs, and a single equalization grant based on a macro indicator of per capita provincial GDP compared to per capita national GDP.

Canadians are respected around the world for their generosity and desire to help others. The citizens of our country are compassionate people who will go to great lengths and sacrifices to ensure that their neighbours are well taken care of.

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However, this government should not take this goodwill and generosity for granted. I am sorry to report that our current method of equalization takes advantage of the compassion inherent in Canadians.

I will conclude by stating that what is needed is a frank and open discussion in parliament over the nature of equalization payments in our confederation. I humbly submit that the Reform Party's new Canada act proposals merit serious consideration in the debate over the equalization program in our country.

• (1745)

Mr. John Bryden (Wentworth—Burlington, Lib.): Mr. Speaker, first and foremost the Canada act to which the member refers is a misnomer. This is not legislation. This is merely a proposal on the part of the Reform Party. If that party were very serious about it, it would introduce it as legislation, possibly as a private member's bill.

I would like to take the member to task slightly in his suggestion that the way to correct or to reform the equalization process is to treat all Canadians equally. The problem with that concept is that there is great disparity across the country. In fact Canadians do not have equality of opportunity either in terms of their resources or their industrial base.

The member suggested that 70% of Canada is have not because seven provinces are recipients of equalization payments and three are the actual ones that give out the equalization payments. This illustrates the weakness in the submission in the Canada act that the key is to treat everyone equally.

In fact, 70% of Canada does not quite describe the situation when the member was talking merely about provinces. The three have provinces probably account for 80% or 90% of the actual industrial and resource base of the country.

Would the member perhaps reconsider his approach to treating everyone equally and consider the disparity of opportunity that exists among Canadians rather than ignoring the inequalities among us all?

Mr. Deepak Obhrai: Mr. Speaker, I am extremely happy that my colleague asked a couple of questions and made some comments. We will introduce the new Canada act when we are over there and they are over here.

The second factor is that under no circumstances will we give up the cornerstone of the policy that all Canadians and all provinces are equal. How did we suddenly come to recognize the factor that 70% of the provinces are have nots? It was from the formula those members came up with that is so complex nobody can understand it. People in my province cannot understand this formula. It is they who have created have not provinces versus have provinces. The Reform Party has stated that.

We agree with equalization. We agree with the policy that all Canadians are equal, but we are asking for a better allocation of resources like we have proposed. Those members must have been listening to what we have said about how the equalization program should work.

Mr. Gerry Ritz (Battlefords—Lloydminster, Ref.): Mr. Speaker, I listened intently to my colleague's speech. One thing he did not talk about was a provision in the new act to tax casino profits. The federal government has realized that some tax dollars are being generated in gaming whether we talk about casinos or VLTs or whatever. I know VLTs have become quite a contentious issue in Alberta, the member's home province.

Would the member share with us whether he thinks there is a taxable net benefit to society? We have Gamblers Anonymous and the social ramifications of family break-ups and so on that are being caused. Does the member really consider that the federal government will see a net taxable benefit in that regard? I know Saskatchewan is struggling with the concept of whether there is anything there that is taxable.

Mr. Deepak Obhrai: Mr. Speaker, that is a very good point. I am sorry to see that it was introduced. The member is right that my province is struggling with it. I personally believe that VLTs, as has been done in my province, should only be in casinos where those who want to go there can go. They should not be accessible to the general public. The member is right. I do not agree.

• (1750)

Mr. John Bryden: Mr. Speaker, I was intrigued by the member's suggestion that the new Canada act will not be introduced until the Reform Party forms the government. I would suggest that the new Canada act may never be introduced at all.

I would also suggest that he kindly consider calling it something other than an act which suggests that it is already legislation that has passed. He could call it a bill but it has not actually been submitted before parliament. Would the Reform Party be up front and call it what it is, which is simply a proposal?

Mr. Deepak Obhrai: Mr. Speaker, Canadians who will decide who will be sitting on that side. I rest assured that Canadians will ensure that if the Liberals carry on with heavy taxation and continue the health care crisis they will on this side pretty soon. Let us not worry about that. We will leave it to the decision of Canadians.

Mr. Gurmant Grewal (Surrey Central, Ref.): Mr. Speaker, I rise on behalf of the people of Surrey Central to express opposition to Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act. Many of my colleagues have spoken very well from different angles and I shall be looking at some of the technicalities in the bill.

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The subject matter of the bill is commonly referred to as the federal-provincial equalization payment arrangement. Every five years since 1957 the federal government through the finance department reviews the equalization program. Bill C-65 deals with the period from 1999 to the year 2004.

The purpose of the equalization program is to equalize the provincial revenue raising capacity which enables provinces to provide reasonably comparable levels of the public services at reasonably comparable levels of taxation. In the absence of equalization payments wealthier provinces would be able to provide more services to their residents than poorer provinces with the same level of taxation. The equalization program is important to the Canadian Confederation. This program is only as good as the process that allows it to keep pace with the provincial tax system.

Let us look at the process. The key element in the equalization formula is the representative tax system commonly called RTS. The RTS is a hypothetical tax system which is representative of the actual systems of the separate provinces. The key to success rests on how well the RTS reflects provincial tax systems. The RTS ought to be comprehensive, representative, accurate and appropriately categorized.

The RTS should include all revenue sources used to support public services comprehensively. Also a partial coverage of the revenue sources yields a biased picture of relative fiscal capacities of the provinces. The RTS should use definitions of tax bases that reflect the tax structure actually used by the provinces to reflect what governments actually do. It should not represent imaginary, unfair or unrealistic measures. It should be representative of the actual tax system.

The data used to measure the various tax bases must be as accurate as possible for it to be a reliable measure. The items in the RTS that make up a category or revenue source should have common characteristics, the ability to be taxed at a similar rate and should be appropriately categorized.

• (1755)

The finance department currently uses such criteria for its assessment of the RTS but nowhere is it explicitly set out. The finance department has not formalized the set of principles to guide its review of the RTS. It is necessary to arrive at a common way of estimating the tax base.

For many of the 33 revenue sources used by the department the bases are not straightforward and no consensus exists. I will give six examples to prove what I am saying. For example, some provinces calculate their payroll taxes on the total payroll of a business while others tax only a portion above a certain threshold.

Still other provinces charge no tax at all. For the purpose of RTS the base chosen across all provinces must be common.

For sales taxes the base used in the RTS is no longer representative of the tax structure used by all provinces. The four provinces that account for a third of Canada's population use a common sales tax base, the GST, which is different from the one used in the RTS. We are comparing apples to oranges. They are not equivalent. There is a need to review the way the sales tax base is currently measured.

Another example is user fees. User fees are not part of the current federal-provincial discussions for the 1999 renewal. It is very important to mention here that governments at every level are resorting to alternative revenue sources such as user fees. It is a tax with only a semantic distinction.

Provincial and local governments receipts from user fees doubled from \$6 billion in 1984 to \$12 billion in 1994. In just 10 years it doubled. How these revenues are treated in the equalization formula can have a significant effect on overall equalization payments. User fees imposed by the provinces have been part of the equalization of the RTS since 1967.

Similar fees imposed by the municipalities were brought in with the 1982 renewal. Currently they are included under the miscellaneous revenue category of the RTS. This is a category that is altogether different and impacts on the calculations of the complicated equalization formula.

The fourth example is that since 1977 lottery revenues have been treated as a separate revenue source in the RTS, with gross revenues from the sale of lottery tickets constituting the lottery base. It worked well until the provincial gaming sector became significantly transformed.

Today provinces are operating video games, casinos, bingos, VLTs, break-open tickets and other games of chance. The RTS base does not cover these newer gaming activities. The revenues are treated differently for equalization purposes. Where a casino is operated by a provincial lottery corporation profits are equalized under the lottery revenue source. If the casino is operated by a government department the gross revenues of the casino are equalized under the miscellaneous revenue source in the RTS. Again we are mixing apples with oranges.

Similar inequities arise in the treatment of revenues from other games. The RTS has become less representative of the provincial taxing policy. We will see if the government is addressing these gaming inequities in the bill.

The fifth example is resource taxation. Resource taxation is an area where the ground is always shifting. The resource revenue bases in the RTS are measured on the basis of the value or volume of production. Ideally they would be measured on the basis of economic rent or the value of the resource over its cost of

production. Rent is a measure of taxable potential, not actual but potential. It consists of a value that can be taxed without affecting production because natural resources in different locations can differ in quality and production costs. Rent associated with them can also differ significantly. These differences are not captured by the value or volume of production.

- (1800)

Also, there are separate sources, for example, new oil, old oil, heavy oil or mined oil.

Saskatchewan argues that the current equalization formula lumps together oil sources that have much different profit potential. The resulting national average tax rate overstates the extent to which the low profit oil can be taxed. Royalties generated from low profit oil may not be sufficient to compensate for the loss in equalization payments associated with the production of that oil. Production of such oil may cause a province to lose more in equalization transfers than it gains in oil revenues.

Similarly, forestry revenues include income from logging plus royalties, licences, rentals or fees. The tax base used in the RTS for forestry revenues is cubic metres of wood cut on crown land. The province of Quebec argues that trees are not a homogeneous product and I agree. Spruce grown in Quebec is not equivalent in value to the cedar grown in B.C. The revenue used for forestry products is related more to the value of the product than the volume of production.

To get technical, the revenue yield of forestry products is related more to the value of the product than the volume of production. The current RTS base for forestry revenues may exaggerate the fiscal capacity of Quebec and other provinces with large volumes of relatively low value wood products.

The Department of Finance has failed to find a way to accommodate provincial concerns in the area of resources taxes and appropriately categorize them.

The sixth example is property taxes. It produces \$2 billion in this category, the second largest amount of entitlements in the equalization program, almost 22% of the total. When the RTS was first adopted, municipal property taxes had been left out of equalization because there was no suitable measure available to determine the base for the real property tax. Still the government has not developed a suitable measure. The government is using the wrong yardstick instead of the 36-inch one.

Comparable data on real property values across provinces has always been difficult to obtain. The base needs to be assessed rather than observed. The tax base is the income earned by the taxpayer, not the potential. The base is a stock of heterogeneous items, only a small portion of which changes hands each year. The value of the stock must be estimated or assessed.

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Assessments inevitably involve judgment and judgments can differ. They can differ from item to item. The problem is compounded by the fact that the assessment practices differ from one class of property to another, from one province to another and from one municipality to another.

In addition, the assessments are infrequent and use different base years. Thus the assessments are not comparable within the same municipality either. The government therefore lacks a common measure of property values. There is no agreement on the appropriate base for taxing property. Market values are volatile and changes in the market value do not necessarily reflect changes in fiscal capacity. The current property tax base measures relative fiscal capacity.

The weights used in the formula to distribute property values across provinces are arbitrary and the formula is not sufficiently sensitive to changes in property values. The formula is not consistent with the basic RTS principle that the tax source used should closely represent what provinces actually tax. Not even one province levies property taxes on the basis used in the equalization program. Despite the red flag by the auditor general, the Liberal government has done nothing to rectify this problem. It continues to measure a yard with a 26-inch yardstick.

- (1805)

There are many flaws in the present equalization program. It should be completely reformed. We know the equalization's provision has limited the cumulative growth of total equalization payments to the cumulative growth of GNP from the base. Ceiling and floor levels were also introduced. I will not elaborate on that but it does not work favourably. Rather it would make it difficult for the provinces, particularly those close to the floor level, to plan their budgets.

There is asymmetrical treatment of underpayments and overpayments. The overpayments are treated as non-interest bearing loans to the provinces. Last year it cost the federal government \$38 million. Free use of federal funds is not necessarily shared equally by all receiving provinces. The federal government does not charge interest on the underpayments.

The government has manipulated the program for political favours. Our leader reminded us that the premier of Newfoundland, Brian Tobin, was given a gift before the election. The program could be more effective if the federal-provincial committee on equalization began its review of outstanding issues earlier in each new equalization period.

The final decision about this program rests with parliament. The Department of Finance should have made a greater effort to educate parliament and the Canadian public in general. It could use parliament more effectively by soliciting advice from a wider

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circle of interested parties rather than just relying on the advice of a federal-provincial committee working behind closed doors.

The government has had five years. Just three days ago we received notice of this bill without draft legislation. I wonder what the government has been doing for five years. The Liberals have denied the opportunity for public consultation or academic input into this case. This process is characteristic of this government. We all know the Liberals are masters of the top down, arrogant, manipulative process. The least the government could do would be to establish a committee of parliamentarians to study this issue in detail.

The constituents of Surrey Central and I have some serious problems with the unnecessary and traditional way the political leadership of our country has handled the equalization program. Evolving over many decades, every five years the traditional political parties have given us an extremely convoluted and complex process. Its design is so archaic and cryptic that it defies logic and reason. It is not fair that our system is such a conundrum. There is no reason for that to be the case. This could be a simple series of calculations. That is where the problem begins.

Liberals are failing Canadians by not providing a system that is capable of providing measurements of provincial revenue raising capacities that are comparable from province to province. What is worse is that the Liberals are satisfied that the best measurements possible are being used. This is unacceptable.

The measurements should be accurate, reliable and sound. In this case they are not. Why would the Liberals allow such measurements to be used? In the five years the Liberals have had to prepare for the new equalization program they have done nothing but tinker with it.

The Reform Party has advanced the new Canada act which seeks to improve the Canadian political and economic system.

There is a need for a single social union agreement on transfers from the federal government to the provinces. The program presently costs \$48 million. Eventually it will cost \$242 million.

• (1810)

I and many Canadians wonder why every proposal from the government costs Canadian taxpayers more money. Equalization as it is structured is divisive. It pits one Canadian against another. The program is used as a political gift, as mentioned earlier in the case of Premier Brian Tobin of Newfoundland.

In conclusion, on behalf of the people of Surrey Central I am voting against the bill. The people of Surrey Central do not want me to rubber stamp my approval on the work that the government is doing on Bill C-65. I will not do that. I am proud to represent my constituents who would not do that either.

Like British Columbia and Alberta, Ontario is a contributing province. We will see how the 101 members from Ontario will vote and justify it to their constituents.

I oppose the bill until the whole equalization program is completely reformed.

Mr. John Bryden (Wentworth—Burlington, Lib.): Mr. Speaker, the member's remarks give me an opportunity to express feelings that I have with respect to gaming. Mr. Speaker, if you will forgive me I will go slightly off the topic but I hope that the member will react to my comments.

I have been increasingly uneasy with the way provinces have more and more been exploiting casinos, gambling and lotteries in general. I fear that this is creating as many if not more problems than is worth the money that is being collected. In other words the provinces are causing addiction, breaking up families, contributing to all kinds of problems that in the end the federal government will have to address by increases in transfer payments for social and health spending.

Gaming is becoming a serious addiction, on the same order as alcoholism and drug abuse. We, as legislators, be we at the federal level or the provincial level are forgetting our duty to the citizens by allowing the spread of this terrible problem simply because provincial governments want to make money easily without having to raise taxes. They want to make money by exploiting the weakness of people. This is a serious problem that the governments are going to have to address eventually.

I ask the member whether he agrees that gaming has become a serious sickness in society, that it is aided and abetted by the provincial governments and that sometime the federal government should intervene in order to protect the interests of Canadians who obviously cannot protect their own interests.

Mr. Gurmant Grewal: Mr. Speaker, I sincerely thank the hon. member for bringing forward this issue. I know he is sincere in coming forward with his question.

Last weekend I was in Windsor, Ontario, a city with casinos. I noticed that the small businesses, particularly the restaurants, were closing in that area. The reason is that the casinos were subsidizing the food and the smaller businesses were suffering. The revenue from the casinos was not going to the community where it was doing the damage to the community. The smaller businesses were suffering and complaining. At least seven businesses complained to me. Three of them were restaurants.

Particularly in the gambling industry it is recreation on the one hand but on the other hand it is a serious disease. It is mostly seniors who are affected by the disease. It is a provincial jurisdiction and I cannot comment on what it should do or what it should

not do. Definitely this is a point that all politicians at whatever level should look at seriously so that we can preserve the social values in our society and protect those who are addicted to gambling.

• (1815)

Maybe once in a while it is fine for people to go and enjoy it, but it hurts me when those who are addicted find all their life savings drained into gambling.

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, I am pleased to speak to Bill C-65, an act to amend the Federal-Provincial Fiscal Arrangements Act, at second reading.

I have spent some time listening to the debate of hon. members and thought it would be appropriate to get back to the bill and to put on the record some of the principles with regard to equalization.

The equalization program is one of the cornerstones of the country. It has played a major role in defining the Canadian federation. Equalization ensures that all provinces have the resources they need to provide reasonably comparable services to Canadians, no matter where they live, without having to resort to higher levels of taxation than other provinces. That is a very important principle within equalization.

Equalization is also an unconditional federal payment and the provinces can use it as they wish. Seven provinces currently receive equalization payments: Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Manitoba and Saskatchewan. They all currently qualify for payments.

The proposed Bill C-65 would renew the equalization program for a five year period from April 1, 1999 to March 31, 2004. The basic structure of the equalization program would remain the same as proposed under Bill C-65. There is no change to the basic structure of the program.

The bill includes changes to the program to ensure that it continues to measure the ability of provinces to raise revenues as accurately as possible. These improvements will increase the costs of the equalization program by an estimated \$242 million and the changes will be phased in over the course of a five year renewal period. The bill also includes changes to the ceiling and floor provisions of the equalization program which protect against unusually large fluctuation in equalization transfers.

The proposed amendments are the result of over two years of extensive consultations and review of the equalization program by the federal and provincial governments. It is important for members to know that the review of this process that has been with us for some time took two years to look at the rationale of the program, its benefits, its fairness and its equity. The premiers and provincial representatives along with the federal government concurred with the principles of our equalization program.

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At the time of the 1998 budget it was projected that equalization in 1998-99 would amount to \$8.5 billion. The last official estimates released in October show an increase to \$8.8 billion. New estimates of equalization will be provided when the 1999 budget is tabled in the House on February 16.

The bill also includes changes to the ceiling and floor provisions of the equalization program which protect against unusually large fluctuations in equalization transfers. The bill would also renew the provincial personal income tax revenue guarantee program for the same five year period. This program protects those provinces participating in tax collection agreements from many major revenue reductions that may be caused during the course of the year by changes in federal tax policy.

Those are the principal elements of the bill before the House. This is second reading. The speaker who just addressed the House raised some concern that he did not want to rubber stamp approval of the bill and that he was opposed to it. This is not the time to deal with approval of the bill. This is the time to look at some of its elements. The bill will go to the finance committee which has representatives of all parties. Members of parliament do a lot of their work in committee where officials appear before the committee—

• (1820)

An hon. member: If you believe it, pal.

Mr. Paul Szabo: Reform members want to deny the fact that at committee important work is done. I know that, having been a member of both the health committee and the finance committee. We have had the opportunity to deal with officials, to deal with the minister responsible and to hear witnesses on a whole host of things.

I know the Reform Party has made some suggestions. It is useful to have suggestions on how the equalization program may be modified or may possibly be improved. The time to get these points before the House is through its committee system. That is why it is there.

I spent the afternoon listening patiently to the speeches. I intervened on a couple of points which I thought were concerning because they may have given Canadians the wrong impression about what the situation was with regard to the equalization program.

One of the examples given by the member for Medicine Hat dealt with the employment insurance system. The member suggested that the EI program was biased and a form of equalization in itself. The member also went on to present the House with a fact, at

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least in his own mind, that somehow people in Alberta have to wait longer to get EI benefits than somebody in the maritimes.

I am sorry but that is just not correct. It is absolutely wrong and the member should correct the record for what he said. They do not have to wait a half a year. The member said the people of Alberta had to wait a half a year and that is just not the case.

The employment insurance system is very specific. It is prescribed benefits for all Canadians. It has a clawback mechanism as well as intensity rules for frequent users which actually would reduce benefits, but in terms of eligibility for benefits what the member said to the House was absolutely wrong. The member should clarify the record.

The member from South Surrey presented the House with a very creative argument about immigration and how it was awful that Quebec was getting so much money per capita more than anybody else. She tabled the numbers and said that was \$3,000 per capita here and \$1,000 for somebody else. It begged a question. If the numbers were in fact that different, if the numbers were as they suggest unfair, why did the member not present to the House what the reasons were from the officials, from the department, from the minister, from any colleagues in this place? If only she asked the question, she would have had the answer.

Rather the whole strategy of this debate on behalf of the Reform Party was not to give answers but rather to raise spectres, to raise simple allegations and not to answer them, to leave Canadians hanging, saying that they said so, so it must be wrong.

That was not the case at all. The member for Calgary Southeast decided that he would try to slip one through on taxation by saying that all a province had to do was keep the tax rate low to continue to collect equalization payments. If they raised their taxes then they would lose some equalization dollars.

It is not as simple as one province increasing its tax rates and somehow losing some equalization payments. The system is much more complex than that and takes things into account. It provides for five-province averages of tax rates.

The allegations or insinuations in the House in many of the speeches given by Reform members have been to suggest that there is an inequity, to suggest that there is a wrong, to somehow suggest there is something going on that should not be going on. They have used time and time again a rhetorical question: "Is this fair? Look at these numbers. This could not be fair". Not one member rose in his place and actually said "I made the inquiries and I now understand why the numbers are different".

• (1825)

Every member of parliament has heard these questions before on things like Canadian film production subsidies where Quebec gets

a disproportionate amount of subsidies for French film production on a per capita basis.

There is a reason for that and I will offer it to the House. The reason is that production for French language film is centred in Quebec and provides that film for French speaking Canadians across the country. It is not just for Quebeckers. It is for francophones in Canada who want to enjoy French language film. That is the explanation. If we take that into account we will see that the numbers are fair and equitable.

We will see with regard to immigration, with regard to property taxes and with regard to many of the examples the Reform Party raised as spectres of inequity that they are explainable. The question then becomes why did these members not do the right thing and explain the variances that they found in some of these issues. Why did they not try to answer the question? The reason is that it is politically opportunistic to raise the rhetorical question, suggest it is wrong and leave it there.

Canadians have a right to know all the facts. With due respect, I think what we have seen today is an example where members have not given all the facts. I do not think they have done Canadians a service by presenting facts without proper investigation, without proper inquiry to ensure that the allegations or the insinuations they are making were correct. These are important points for Canadians to know.

One of the most repeated allegations by the Reform Party today was that this system provides disincentives for the seven provinces that presently receive equalization to pursue economic growth, to create jobs and to improve their lot. This is basically saying that all premiers who receive equalization feel that they will get a better benefit by keeping equalization than there would get by having more growth and more jobs in their province. That is just not the case.

The economic spinoff and the ripple effect of economic growth and job creation in provinces create value added benefit for the provinces that is worth far more than simply the loss in equalization payments that they would otherwise receive.

It is absolutely absurd to suggest that a province would value equalization payments more than it would value jobs for its citizens. Yet throughout the entire debate the Reform Party has suggested that somehow the provinces, the treasury officials, the premiers and so on all get together and connive to see how they can screw the system.

When the provinces get together and they present their cases they know exactly who gets what. They know what the rules are. It is a transparent process. They know what the calculations are. There are adjustment features as the other member from B.C. mentioned. Those things are taken into account.

We have a system that is already in place. We have come forward to renew it for another five years. Effectively it has the same fundamental principles of equalization for the benefit of all Canadians which basically promote equity among Canadians regardless of where they live and regardless of where they choose to live because we are a mobile society. I think that is a very important aspect. The equalization program continues to support Canadians as a mobile society no matter where we choose to live, to work or to play.

Those things are there so that we have the services that we can get, no matter whether we are in the east or in the west. From coast to coast the equalization program is there and working to ensure that all Canadians have those services.

I appreciated the opportunity to put some of these points on the record. It is important to understand that we are here at second reading.

• (1830)

I heard some suggestions where there may be some discussion about how we might change it. I welcome those suggestions from the members. I hope their representatives will be at the finance committee and that they bring their briefing books along to deal with the officials and to explore these possibilities. This is the opportunity to do it. If they believe they have adequate opportunity, they can make changes. That is the way democracy works.

The Deputy Speaker: Order, please. When the House resumes consideration of this item, the hon. member will have six minutes remaining in his time.

ADJOURNMENT PROCEEDINGS

[English]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

APEC INQUIRY

Mr. John Reynolds (West Vancouver—Sunshine Coast, Ref.): Mr. Speaker, tonight we will talk about APEC for four minutes. I want to start off by reading into the record exactly what commissioner Ted Hughes received in a letter addressed to him on February 3 regarding his role in the hearing. In the public interest, he is to inquire into all matters touching upon these complaints, to hear all evidence relevant thereto and to ensure a full and fair hearing with respect to these complaints.

In his letter to the new solicitor general, Ted Hughes points out very clearly “I have concluded for the purpose of the present inquiry, a full and ample opportunity to present evidence to

cross-examine witnesses and to make representations can be best achieved by the complainants having counsel. Accordingly I write to recommend in the words of Madam Justice Reed that the state fund counsel. That is the purpose of this letter.

“The question I have under study is not whether state funded counsel should be provided but rather whether I have as a matter of law the authority to order that it be provided. You will appreciate from what I have said that my answer to the former question would very definitely be in the affirmative. While it is going to take time for me to study and research the legal question before me, I believe that, as a courtesy to you while that process is occurring, I ought to make my view of the funding issue known to you and communicate it to you in the form of a recommendation pursuant to the protocol sanctioned by Madam Justice Reed. If such a recommendation has not been previously been placed before you, I believe this is a fair and reasonable course for me to follow”.

Mr. Justice Hughes is a well respected person in British Columbia. He has been on the bench. He has worked for governments in British Columbia. The Reform Party is very happy that he is now heading up this inquiry. We know from his past record he will not be pushed around. He will do what has to be done to make sure that justice is served in this purpose.

I find it very strange that today in the House the minister was asked again by our critic for the solicitor general whether he will agree to these recommendations by Justice Hughes and yet we are still looking at it. This is not something that just happened yesterday. The letter has been there for close to a week, but the government has known for a long time. The previous commissioners requested funding.

There cannot be a fair hearing unless everybody is well represented. I hope Justice Hughes in his own research will find that under the act he has the power to do this funding on his own in case the government refuses once again to go by what he is asking it for.

This whole APEC situation has been a black eye on Canada. A number of things have happened in this inquiry. A minister has had to resign over this issue. The former chairman of the commission has resigned over this issue. The two other commissioners have resigned over this issue. Here we are back now with Justice Hughes starting into this hearing and looking at getting some more support from this government to get ahead and do what needs to be done.

The government in hundreds of questions in this House on this issue has always said “Let us let the inquiry get going. Let us let it happen”. Now the new commissioner is saying to fund the other parties so that we can get this under way in a fair and prudent manner.

I would implore this government to do that. Make sure it is funded. Make sure it moves forward. We are all looking forward to the results that Mr. Hughes will come out with.

*Adjournment Debate**[Translation]*

Mr. Jacques Saada (Parliamentary Secretary to Solicitor General of Canada, Lib.): Mr. Speaker, the more things change—

For months now, we have been peppered with questions about APEC and the events in Vancouver. For months now, the opposition has held to a position that is fundamentally contradictory.

• (1835)

On the one hand, they are calling for a public inquiry while, on the other, they want the commission to be allowed to do its work. But when we agree that the commission should be allowed to do its work, they go back to their call for a public inquiry. The opposition's position is completely illogical.

Mr. Hughes, who is now chairing the commission, has said himself, and I am quoting very freely here, that he will do "whatever it takes to uncover the truth of what went on in Vancouver". He himself, therefore, is saying that the commission is able to get to the bottom of things, to effectively determine what happened and to submit a report, which, I would remind members, will be made public.

We received a letter from him, and this letter was released Friday at noon. What could be more natural than for elected officials to take the time to read this letter, to examine it and reflect on it, and to respond in a balanced manner that takes into account the full proposal, the present context in its entirety, and the mandate of the commission.

[English]

ABORIGINAL AFFAIRS

Ms. Bev Desjarlais (Churchill, NDP): Mr. Speaker, the neglect of first nations is an ongoing black mark against the Liberal government. It should be ashamed of the way it ignores the huge problems facing these people. The government claims to be concerned about the problems but it does little about them.

First nations in my riding live in third world poverty. Unemployment is over 70% and over 90% in some areas. There is homelessness and a lack of clean drinking water. Preventable diseases like TB are prevalent. When I go to these communities I can hardly believe what I am seeing. The human tragedy of these conditions is heart breaking.

Last November I questioned the Minister of Indian Affairs and Northern Development about conditions at the Shamattawa first nation. Shamattawa is a sad example of all of these problems. Four out of five children in this community have been or are addicted to solvents. Since 1992 there have been over 100 suicide attempts in this community of under 900 people.

Last week I got a letter from the Minister of Indian Affairs and Northern Development saying that Shamattawa is a high priority community. If it is such a high priority, why has the government ignored its appeals for a healing centre to treat addicts within the community? Why did the government promise to pay for a recreation centre and only commit 16% of the needed funding? If this is what the Liberal government calls a high priority community, I would hate to see the low priority community.

Shamattawa is not the only community that this Liberal government has abandoned. In my short time today I cannot possibly list them all but I will mention a few.

One that I definitely want to mention is Garden Hill. This community of about 2,700 people was shaken by a terrible tragedy last month. An infant choke to death because no nurse at the local nursing station was able to respond to the call in enough time. The station is supposed to have eight nurses but only had three at the time.

The lack of health care professionals does not only affect first nations. Thompson has a severe shortage of doctors. These days someone who wants a simple physical has to book months in advance. Doctors are leaving and nurses are being laid off because of government cuts. These cuts are affecting all northern communities, first nations and non first nations alike.

That is why the New Democratic Party is calling on this government to reinvest at least \$2.5 billion into health this year. Anything less will not be enough to patch up the holes we are seeing in our health services.

Earlier I mentioned the poverty and poor housing on first nations. I want to point out the link between this and the health problems we are seeing.

Take the God's Lake first nation. This small community of 1,200 accounts for 10% of all the cases of TB in Manitoba. That is a shocking number but not surprising when only about 10% of the homes on the reserve have basic sewer services. If the government would do something about these kinds of problems, it would save millions in health care costs.

The Liberal government must do more to address the conditions on first nations. These conditions would not be tolerated in Toronto or Shawinigan. It is a double standard to ignore the first nations. The Liberal government always points to the "Gathering Strength" initiative and the aboriginal healing fund as if they are going to solve everything. They do not even come close to what is needed.

We need a real investment in first nations housing, health care and economic development. Token gestures and empty words are not enough.

Adjournment Debate

• (1840)

Mr. David Iftody (Parliamentary Secretary to Minister of Indian Affairs and Northern Development, Lib.): Mr. Speaker, I am pleased today to respond to the hon. member for Churchill on behalf of the Minister of Indian Affairs and Northern Development concerning the social problem at the Shamattawa First Nation.

The Government of Canada is concerned about the living conditions facing the residents of Shamattawa. We are working in partnership with the first nation to take action in addressing the social conditions.

Numerous meetings have occurred among regional officials and the chief and council over the past few months. On November 20 officials from Health Canada and the Department of Indian Affairs and Northern Development met with Chief Massan of the Shamattawa First Nation and Chief Francis Flett of the Manitoba Keewatinowik Okimakanak. They discussed the first nation's desire to build a multipurpose complex which would contain an arena. On December 24, 1998 a letter committing \$400,000 toward the cost of this multipurpose complex was provided to the first nation. These funds include \$200,000 in advance to the first nation's base capital allocation and another \$200,000 provided through social and educational reform components of the gathering strength initiative.

In addition, \$150,000 was made available to enhance education facilities. The first nation anticipates the construction of two portable classrooms to begin in the spring.

Construction of a water treatment plant is also under way at a cost of \$4,736,000. A further \$33,000 has been identified to assist the first nation in the development of a human resource strategy that will target education and employment opportunities for youth.

Finally, I understand that the community is working on a proposal to access dollars from the Aboriginal Healing Foundation, to which the member referred, to address its needs for a healing centre on the reserve.

EMPLOYMENT INSURANCE

Mr. Pat Martin (Winnipeg Centre, NDP): Mr. Speaker, I asked a question recently of the Minister of Human Resources Development regarding EI and the changes to EI that have had such an impact on the riding I represent. I was not at all satisfied with the answer. In fact I do not really know where the comments of the minister came from.

The minister maintained that it was our party which has been calling for a reduction in premiums. Clearly our party has been fairly constant in our position that we want the eligibility to be increased and the levels of benefits to be increased, but we

certainly do not want the premiums to be lowered. That certainly was not our prime motivation.

The New Democratic Party has been looking at the impact of the cuts to EI for quite some time. In fact our EI critic, the member for Acadie—Bathurst, has toured the country recently, going to virtually every community, getting input from working people and asking them about the impact the cuts have had on their working lives. Certainly the feeling has been that the current system has had an impact greater than I think the government even realized when it introduced the recent changes to EI.

My riding of Winnipeg Centre has seen a cutback or a withdrawal of funding of \$20.8 million. One can imagine the impact it would have on any community to pull out that kind of capital.

Looking at the inverse, if a business were to come to Winnipeg with an annual payroll of \$20.8 million, one could imagine that any level of government would pave the streets with gold to try to attract that type of business to the riding.

Certainly this has had a devastating effect. The riding I represent has two of the poorest postal code zones in the country. Already an awful lot of people are living very close to the poverty line. It is a very marginal area. To pull \$20.8 million out of that community meant that many more people were pushed over the fine line from living marginally close to the poverty line to living in abject poverty. It has had a huge impact.

We believe the changes necessary go far beyond what is being hinted at or alluded to.

• (1845)

We believe there have to be dramatic changes in the eligibility. We want at least 70% of all unemployed people to be eligible for benefits. They should be getting benefits in the neighbourhood of 60% of their working earnings. They certainly should not be penalized the way they are now in terms of clawbacks, where if their income is over a certain level they have their benefits clawed back.

One of the harshest rules that has come into effect recently which has caused the biggest inconvenience is the divisor rule, where the benefit is calculated using all of the 26 weeks preceding the date on which one files, including the dead weeks that one may not have worked. Obviously rolling those weeks where one has no income into the average will bring down one's monthly benefit.

Again, I do not believe the government realized how sweeping this would be. Cases came before the public hearings held by our critic. People came forward who had previously received in the neighbourhood of \$350 per week. Their weekly cheques are now \$38 per week. Surely this was not the intention of the government.

Adjournment Debate

We are hoping that substantial changes will be put into effect in the next budget.

Ms. Bonnie Brown (Parliamentary Secretary to Minister of Human Resources Development, Lib.): Mr. Speaker, the hon. member has criticized our reduction of the EI premium rate from \$2.70 to \$2.55, but we feel the new rate provides a moderate reduction for both employers and employees and still provides money to help Canadians find jobs.

The premium rate reduction does not jeopardize benefits to the unemployed. We will spend an additional \$800 million per year on active employment measures under EI, bringing federal funding to more than \$2.7 billion annually by 2000-2001. We will create even more jobs by using the \$3 million transitional jobs fund now in place and by using general revenues to serve high unemployment regions.

On December 14 the minister announced the Canada jobs fund, a permanent program which will build on the highly successful transitional jobs fund initiative. This annual commitment of \$110 million will help a greater number of regions across Canada and will help create approximately 10,000 new jobs each year.

We also recently announced that we will be injecting another \$465 million over three years into the youth employment strategy to help young Canadians enter the workforce.

The employment insurance system is about making sure people who are laid off or quit with just cause get help in between jobs. A recent study of the system determined that 78% of such people were eligible for benefits. We believe our approach is working and Friday's employment figures bear this out.

We have to remember that the unemployment rate dropped to 7.8% in January, the lowest level in nine years. Last year 143,000 jobs were created for youth, the best performance in 20 years. Last month alone 87,000 jobs were created and 44,000 of these were for youth. Since October 1993, when we came to office, 1.6 million more Canadians are working.

The Deputy Speaker: The motion to adjourn the House is now deemed to have been adopted. Accordingly, this House stands adjourned until tomorrow at 10 o'clock a.m., pursuant to Standing Order 24(1).

(The House adjourned at 6.48 p.m.)

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Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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