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**Tuesday, June 7, 2005**

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**Chair**

**Mr. Massimo Pacetti**

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## Standing Committee on Finance

Tuesday, June 7, 2005

• (1535)

[Translation]

**The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)):** Good afternoon, everyone.

[English]

I hope everybody had a good lunch and a good question period. We've got a big supper planned.

We left off on clause 10 of Bill C-43.

Could we just go directly to the—Mr. Loubier?

[Translation]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Could you tell us what's on the agenda for this afternoon? Since there will be a vote at 5:30 p.m., do you expect that we'll finish our business by then, or will we come back after the vote?

**The Chair:** The meeting will be over at 5:30 p.m. and resume at 6:30. Dinner will be included.

**Mr. Yvan Loubier:** Until what time?

**The Chair:** Until the committee decides to adjourn the meeting, at least until midnight.

**Mr. Yvan Loubier:** Would 3:00 a.m. suit you?

[English]

**The Chair:** We're sitting until 5:30.

*En anglais,* we're sitting from 3:30 to 5:30. We vote, we come back at 6:30, and we go until I say we drop it.

Mr. Penson.

**Mr. Charlie Penson (Peace River, CPC):** We haven't discussed whether we are coming back. Maybe you're in the process of doing that. Let's see how this goes until 5:30. I think it's an open question as to whether we come back afterwards. I would prefer not to.

**Mr. Monte Solberg (Medicine Hat, CPC):** Let's get it done.

**The Chair:** The meeting is scheduled for 5:30. If we don't need it, we can easily cancel it.

**Mr. Charlie Penson:** Even if we need it, Mr. Chair, are you talking about the 6:30 meeting that's just been put on?

**The Chair:** Yes.

**Mr. Charlie Penson:** That would be three meetings today.

We may want to go there, but, Mr. Chairman, we agreed before we left that we would discuss that matter now. I suggest we see how far we get on this before the vote. At the end of the time period, if we

haven't finished, I think we need to have a discussion on whether we finish it—come back tonight—or do it tomorrow afternoon.

**The Chair:** Monsieur Loubier.

[Translation]

**Mr. Yvan Loubier:** Mr. Chairman, I quite agree with the Conservatives. We could continue until 5:30 p.m., until the vote. Since, this morning, we didn't anticipate that we might have a meeting this evening, and as we were notified at the last minute, I'd propose instead that we have a meeting tomorrow afternoon and tomorrow evening, if necessary, and all day Thursday, if necessary as well. Today, everyone had planned to do something else in the evening, and I swear to you it's not recreational.

• (1540)

**The Chair:** We had a meeting to discuss the committee's future business, and we decided we would conduct the clause-by-clause consideration on Tuesday. We've already summoned witnesses for the study of Bill C-48 on Thursday. I've called a meeting for 6:30 p.m. If no one comes... I don't know what to tell you; we have to continue working.

Richard and I are hungry at 6:30 p.m.; we have to eat.

**Mr. Yvan Loubier:** Yes, but if we proposed that we hold a meeting tomorrow afternoon...

**The Chair:** If need be, we'll continue tomorrow as well. We'll see after 5:30 p.m. how much work is left for us to do, but perhaps the Minister of Finance will come tomorrow for the study of Bill C-48.

**Mr. Yvan Loubier:** But if half of committee members are absent, we won't be any further ahead, because we won't have a quorum to continue.

**The Chair:** I can't do anything about that. If committee members aren't here, we can't continue; that's for sure.

**Mr. Yvan Loubier:** That's an odd way to work.

**The Chair:** As Chair, I've decided that we'll continue working after 6:30 p.m. If the committee has other ideas to propose...

[English]

**Mr. Charlie Penson:** And you may lose your ruling, Mr. Chair.

**The Chair:** Is that a threat?

**Mr. Monte Solberg:** It's just a possibility.

**The Chair:** It's never happened before.

**Mr. Charlie Penson:** It isn't the only way to proceed.

**The Chair:** It's never happened before.

Okay. Can we do clause 10?

(Clauses 10 and 11 agreed to on division)

(Clause 12 agreed to)

(On clause 13)

**The Chair:** Can we do clauses 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, and 29? Okay?

Okay. We'll do up to clause 28.

[Translation]

To be sure, we'll do up to clause 28.

[English]

(Clauses 15 to 28 inclusive agreed to on division)

(On clause 29)

**The Chair:** There is no amendment for clause 29.

[Translation]

There's a new proposed clause 29.1.

Mr. Loubier.

**Mr. Yvan Loubier:** Yes, I move a new clause 29.1, Mr. Chairman. That's the purpose of amendment BQ-1. I believe we distributed it to you.

In this new clause 29.1, the idea is to consider the possibility of increasing federal government transfers for postsecondary education and social programs on an annual basis, by 25 percent increments. The first three years appear here.

This is consistent with the discussions held in the context of the proceedings of the Subcommittee on Fiscal Imbalance, and it precisely corrects part of the fiscal imbalance between the federal government and the provinces.

•(1545)

**The Chair:** In view of the amounts that appear in your amendment, a Royal Recommendation would have to be obtained. The amendment is therefore inadmissible. All right?

**Mr. Yvan Loubier:** That's too bad, Mr. Chairman, because I would have liked to correct the fiscal imbalance immediately.

[English]

**The Chair:** Okay.

(Clause 29 agreed to on division)

(On clause 30)

[Translation]

**The Chair:** There are two amendments to clause 30. We'll begin with amendment BQ-2.

**Mr. Yvan Loubier:** Mr. Chairman, the purpose of amendment BQ-2 is to delete any reference to national standards with regard to programs...

I move that Bill C-43, in Clause 30, be amended by replacing lines 1 to 3 on page 32 with the following: learning and child care.

Mr. Chairman, the purpose here is for there to be no national standards because this is a jurisdiction of the provinces, of Quebec.

[English]

**The Chair:** Does anybody want to speak to amendment BQ-2?

[Translation]

The reference number is 1875396.

**Mr. Yvan Loubier:** Yes, that's it.

In the proposed clause entitled "Early Learning and Child Care Transfer", which is an exclusive jurisdiction of the provinces and of Quebec, the Bloc québécois asks that the federal government not apply standards concerning quality, universal inclusiveness, accessibility and development, because they are simply not within its jurisdiction.

The purpose of our amendment is to remove national standards and all conditions pertaining to those provisions.

[English]

**The Chair:** I have Ms. Minna, Monsieur Côté, and then Mr. Bell.

**Hon. Maria Minna (Beaches—East York, Lib.):** Thank you.

While I understand Mr. Loubier does not support national standards because he feels this is entirely provincial and the Government of Canada should have nothing to do with provinces—primarily because of your particular disposition with respect to wanting to separate as well—the fact is, though, that in Quebec you have a fairly evolved child care system. There's no question about that. That's fair. That is not the same situation across the country.

I think it's important when the Government of Canada tries to establish a national program.... There's no point in calling it a national program if you have absolutely no objectives of any sort. We have it in health care under the Canada Health Act. I think in child care these are very minimal; I would have put in some more conditions.

In Ontario—I think you and I have had this discussion before, Mr. Loubier—we have had problems trying to get some really strong child care programs with some standards in the past, and this, at the very minimum, gives us a basis on which to build a national program. That's all it is. It basically is simply saying that the transfer dollars, I would think, from the Government of Canada are not transferred unless the provinces agree to the four minimum conditions, which are already being met in Quebec anyway. So it's not an issue as far as Quebec is concerned, but it is an issue in many other parts of the country.

Now, five provinces have already signed to this effect, in any case. My understanding is that there are others already ready to sign, so in essence we're saying no to something that's already happened and is happening and is good for the country.

I hope you would allow this federation enough flexibility that it would allow for us to be able to have and introduce national standards to ensure that children in all parts of Canada have, at the minimum, access to quality child care.

[Translation]

**The Chair:** I'll come back to Mr. Loubier at the end.

Mr. Côté.

[English]

Monsieur Penson, and then Monsieur Loubier.

[Translation]

**Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ):** Ms. Minna explained it very well: Quebec didn't wait for Canada in order to offer a high-quality service that's universal, accessible and focused on childhood development. First of all, moreover, I would point out to the member that we currently have a federalist government in Quebec and that it's applying those four principles.

Second, ultimately, we're asking that you comply with your own Constitution because it's clear on this point: this falls within the jurisdiction of Quebec and the provinces. If they don't agree with the Constitution, they should amend it. It's as simple as that.

I can understand that there may be some fear that the provinces won't apply those principles. Then it'll be up to the residents of those provinces to act accordingly and to elect a government that complies with them. The federal government has no business interfering in areas of provincial jurisdiction.

She mentioned that four provinces already have agreements with the minister, which is somewhat surprising, particularly since the measure hasn't been adopted yet. Furthermore, on a number of occasions, the minister has said that transfers to Quebec would be made without unconditionally. Since that was said, it seems to me that an absence of conditions isn't hard to negotiate and that there's one province with which there should be an agreement today, and that's Quebec. The government therefore has no business interfering in areas of provincial jurisdiction.

• (1550)

**The Chair:** Thank you, Mr. Côté.

Mr. Penson.

[English]

Mr. Bell, Mr. Penson, and then Ms. Ambrose, and then we'll go to Mr. Loubier, and Mr. McKay at the end.

**Mr. Don Bell (North Vancouver, Lib.):** I really just wanted to echo my colleague Ms. Minna's comments with respect to this, and that is, I acknowledge that Quebec has a very good child care program. That's not necessarily the case, as has been said, in other parts of Canada. I think the principles espoused in Bill C-43 with respect to QUAD—quality, universal inclusiveness, accessibility, and development—are critical as we attempt to establish at least minimum standards, if you want to call them that, for parents across this country. So I'm in full support of keeping the bill the way it is. I do not agree with the proposed amendment.

**The Chair:** Thank you, Mr. Bell.

Mr. Penson, and then Ms. Ambrose.

**Mr. Charlie Penson:** The only problem, Mr. Chairman, with Mr. Bell's and Ms. Minna's argument is that they don't have constitutional responsibility in this area. I think it's important that we respect the constitution of the country. The provinces have this area of responsibility. The federal government might want to contribute money—that's fine—but if the provinces feel they want to set

standards, that is their area of jurisdiction. I wonder how the federal government would feel if the province started to meddle in areas of defence and monetary policy. We have a clear constitution here; let's respect it.

I don't think we should support this motion that.... I think the amendment is a good amendment, Mr. Chair.

**The Chair:** Thank you, Mr. Penson.

I have Ms. Ambrose. Then I have Mr. Loubier, Mr. McKay, Ms. Minna, and Ms. Wasylycia-Leis.

**Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC):** Thank you, Mr. Chair.

I wanted to make a point about Mr. Loubier's amendment. He mentions that, "The Minister shall provide full financial compensation, unconditionally". I would suggest that this actually looks a little more like what the Liberals have proposed, which is a more collaborative federalist framework. He goes on to say, unless an established day care network is already in place or the Minister of Social Development has been notified that the province intends to establish—

**Mr. Yvan Loubier:** That is not the right amendment. This amendment is BQ-3 and we are studying amendment BQ-2.

**Ms. Rona Ambrose:** It's the one you're proposing. It has your name on it.

**Mr. Yvan Loubier:** Yes.

**Ms. Rona Ambrose:** Did you change it since—to BQ-3?

**The Chair:** You're ahead of us.

Thank you.

Monsieur Loubier.

[Translation]

**Mr. Yvan Loubier:** I reserve the right to conclude, since I'm the mover.

[English]

**Hon. John McKay (Parliamentary Secretary to the Minister of Finance):** This sets up a \$700-million trust fund, which is not conditional. It sets up principles of accountability and transparency. I make a distinction between delivering the service and asking for some accountability and transparency. Therein lies the crux—whether we are involved in other areas of jurisdiction. I don't believe we are involved in other areas of jurisdiction, but it is incumbent upon us to expect that the moneys for child care will be delivered in a quality fashion, that it will represent the principle of universal inclusiveness, that it will be accessible, and that it will be a developmental type of learning environment for children. I don't think it's an unreasonable expectation. It certainly doesn't intrude into provincial jurisdictions, and I don't understand the resistance on the part of members to adhere to national standards.

• (1555)

**The Chair:** Thank you, Mr. McKay.

Ms. Minna, Ms. Wasylycia-Leis, and then Mr. Bell.

**Hon. Maria Minna:** I wanted to address the comments made by both Mr. Loubier and Mr. Penson with respect to constitutional jurisdiction. The Constitution gives the provinces the right to deliver these programs, as it does in health care. But we also have a Canada Health Act. The Constitution also gives the Government of Canada the right, through its spending powers, to establish some national standards and some programs. This has been made clear over the decades. It was the case with the Canada Health Act in respect of extra billing. Provinces that were condoning extra billing were denied the funds.

It's also part of the Constitution that the Government of Canada has this ability. Only through such a mechanism can we establish some form of accessibility and services to people in Canada, in this case to children. I and many others have been labouring for decades to get quality child care to the children of Ontario, and every time we tried, we failed because the provinces have not agreed. In 2000, when the early education program started, Premier Harris was not interested in child care. He actually cut back, so we saved money, but it didn't do one bit of good for the enhancement of the child care system in Ontario.

In this instance, we seem to be saying that this is minimal. I would have made it stronger. We are simply saying that we're establishing a national program, that we are signing contracts with the provinces across the country, and there are minimum standards for those who want to receive federal dollars. It's plain and simple—if you don't want the money, then don't take it. Be accountable to your electorate. But under the Constitution, the Government of Canada, under its spending powers, has the ability to set some standards on programs it chooses to sponsor. That's only fair.

**The Chair:** Thank you, Ms. Minna.

Ms. Wasylycia-Leis, and then we'll hear Mr. Bell.

**Ms. Judy Wasylycia-Leis (Winnipeg North, NDP):** Well, Mr. Chairperson, I just want to make the point that this really isn't about jurisdiction at all. We're talking about child care and early learning in the context of health transfers, social transfers, and wait time reduction transfers.

So, Mr. Speaker, all this really implies is that there are national programs and national funding for implementation of programs for which there is provincial agreement and for which special provisions have been arrived at to recognize the uniqueness of Quebec and to take into account asymmetrical federalism. We've already established that as a precedent in the health care accord. There's no reason in the world why, when Quebec decides to sign its bilateral agreement with Ottawa for child care funding, there won't be the same kind of recognition taken into account.

So I would suggest we just pass it and get on with the job.

**The Chair:** Thank you.

Mr. Bell.

**Mr. Don Bell:** Going back to Mr. Penson's question about the involvement of the federal government from time to time in areas where the provincial governments have primary jurisdiction, I can tell you, coming from a municipal background, that municipalities are very happy to see things like the municipal green funds program

through the FCM, and the gas tax, which is enabled through transportation.

There are parallel programs in the U.S., where they have their TE programs, I guess they're called, transportation enhancement programs that help port cities. It's because there is a national benefit or a national good that is seen.

But I can say, maybe somewhat tongue in cheek, and this may reflect my lack of experience here, I'm sure that if the provincial government—Alberta, for example, or any other province—wanted to give us some money for the military and it was targeted for tanks or anything else, we'd be happy to paint their provincial emblem on the side and add to the.... I'm not speaking for Quebec, but I think it would be accepted.

**The Chair:** Thank you, Mr. Bell.

Mr. Loubier.

[*Translation*]

Mr. Loubier, you may conclude.

**Mr. Yvan Loubier:** Mr. Chairman, I was hoping that all my colleagues would comply with the Constitution, particularly since Mr. Martin promised during the election campaign last year that transfers to Quebec for day care would be made without conditions or standards, because Quebec had inspired the introduction of a day care system in the rest of Canada.

I don't know how many questions my colleague from Quebec City has already asked Mr. Dryden, but he's still being evasive. I'm used to telling him jokingly — although I now think it more and more — that he was my idol as a goal tender, but he has a lot of work to do as the Minister of Social Development.

That's all I can add, Mr. Chairman. It seems clear that my Liberal and New Democratic colleagues don't want our amendment, which moreover is so well written.

• (1600)

**The Chair:** Ms. Ambrose, please be brief.

[*English*]

**Ms. Rona Ambrose:** I have a question for my colleague Mr. Loubier.

I just want you to clarify this. As you well know, the Conservative Party has a lot of respect for the constitutional jurisdiction of the provinces. You have said here that you are against the notion of quality, inclusive universality, accessibility, and development, as stipulated by the Minister of Social Development in the Liberal day care plan.

My question to you is why, since the Liberal day care plan is, from what I understand, modelling their entire plan after the Quebec model, can you not agree with those four things?

[Translation]

**Mr. Yvan Loubier:** I'll tell you why. Thus far, Quebec isn't one of the provinces that has signed an agreement with Mr. Dryden. Mr. Martin was very clear during the election campaign. He said there would be not standards or conditions, that Quebec would get its share precisely because it had introduced its own child care service in 1997. It now happens that negotiations are not over with Quebec, whereas that should be a mere formality. We have a bill in which the federal government is decreeing conditions of access, quality, etc., in an area that is not its own and that entirely breaks Paul Martin's promise. Mr. Martin is engaging in double-talk, and we don't trust the federal government on this. We aren't opposed to the objectives, but rather to the fact that Quebec is included in this section, regardless of the fact that it was Quebec that inspired the day care system in the rest of Canada.

There are limits to our trust in the government.

**The Chair:** Thank you, Mr. Loubier.

[English]

I'll call the question on amendment BQ-2.

(Amendment negated [See *Minutes of Proceedings*])

**The Chair:** Now to amendment BQ-3.

[Translation]

**Mr. Yvan Loubier:** Mr. Chairman, it's roughly in the same spirit, and I see that the spirit around this table is not one of cooperation.

**The Chair:** Mr. Loubier, I'm going to help you. Since this involves amounts of money, it requires a Royal Recommendation. It's therefore inadmissible.

**Mr. Yvan Loubier:** No, no amounts of money are involved.

**The Chair:** Here it states:

(1.1) The Minister shall provide full financial compensation [...]

**Mr. Yvan Loubier:** Just a minute! Full financial compensation doesn't mean additional expenditures; it implies a different way of allocating funds; it means that the government should consider a day care system that's already firmly in place and that, instead of setting its own conditions for the transfer of funds, it should respect what's been done since 1997 and what has inspired the rest of Canada. It's not an additional expenditure; it's strictly equivalent. An amount is provided for day care centres across Canada, and it must be allocated differently for the provinces that have already put a day care program in place.

**The Chair:** Excuse me, I gave you incorrect information; it's not just a matter of amounts, but also of their allocation. It's written in the third line of the recommendation in the bill.

[English]

I guess I have to read the whole sentence.

[Translation]

It states: “[...] in the manner and for the purposes set out in a measure entitled [...]”

**Mr. Yvan Loubier:** Mr. Chairman, in the circumstances, I don't see what amendment can be admissible, unless you put in commas, ellipsis points and exclamation marks. There's not much to do in this

committee in that regard. I find you much more severe than you were. It seems to me we had a lot more flexibility on the fact...

Judy was talking about asymmetrical federalism earlier. But I realize that the procedures aren't flexible enough to enable us to spread the general will around the table.

• (1605)

**The Chair:** Thank you, Mr. Loubier.

Shall clause 30 carry?

[English]

There is no amendment; we're not accepting BQ-3.

(Clause 30 agreed to on division)

**The Chair:** Thank you.

(Clause 31 agreed to on division)

(On clause 32—*Payments to trust*)

**The Chair:** I have a Conservative amendment, which I believe is C-1, reference number 1796057.

**Mr. Monte Solberg:** Thanks, Mr. Chair. I'll just speak very briefly. Hopefully, this won't be contentious.

I think this reflects the spirit of the budget. It simply calls for the money that is supposed to flow to the territories to be divided evenly, which I believe is the agreement.

**The Chair:** Mr. McKay.

**Hon. John McKay:** Mr. Solberg, you're right, this does reflect the agreement. The agreement is to take the moneys that are proposed and divide them three ways between the three territories. I think that's already done. I think the agreement's already signed, and in some respects the proposal is redundant.

We're not objecting; I'm just simply saying it's already done.

**The Chair:** I'll call the question.

That's half a hand, Ms. Wasylycia-Leis. Next time I'll count it as half a vote.

Oui.

[Translation]

**Mr. Yvan Loubier:** This is important, Mr. Chairman, because the interpretation lags a bit behind. We didn't know whether we were voting on the amendment or the clause.

**The Chair:** It's on the amendment. I'm going to try to do it in all three languages.

[English]

On the amendment C-1, reference number 1796057.

(Amendment negated [See *Minutes of Proceedings*])

**The Chair:** Thank you.

(Clauses 32 to 58 inclusive agreed to on division)

(On clause 59—*Payment of \$150,000,000*)

**The Chair:** I have a Conservative amendment 1797256.

Yes, Mr. Solberg.

**Mr. Monte Solberg:** Mr. Chairman, again I think this reflects the spirit of the budget. All it does is clarify that \$150 million of the \$300 million in funds is directed to the purpose of cleaning up brownfields, as was stated in Budget 2005.

**The Chair:** Mr. McKay.

**Hon. John McKay:** Again, it's our position that this is a redundant amendment, Mr. Chair. This was already done. You can reference page 197 of the budget and the agreement between the Government of Canada and the FCM dated March 31 of this year. So nothing will actually be accomplished by inserting this amendment.

• (1610)

**Mr. Monte Solberg:** What would be accomplished is to give legislative authority to the government to do what it's already done with the FCM, which is no small matter.

**Hon. John McKay:** I think entering into an agreement with FCM is well within our jurisdiction.

**The Chair:** Okay. Is there anything else?

[Translation]

Mr. Côté.

**Mr. Guy Côté:** We'll vote against the amendment because, although this is not entirely a direct transfer to the municipalities, the federal government will nevertheless dictate spending in the municipal field. Naturally, we'll vote against this amendment.

[English]

**The Chair:** We are voting on the amendment.

[Translation]

We're voting on amendment C-2, reference number 1797256.

[English]

Numéro 1797256.

(Amendment negated [See *Minutes of Proceedings*])

(Clauses 59 to 84 agreed to on division)

(On clause 85—*Payments for infrastructure*)

**The Chair:** *Oui*.

[Translation]

**Mr. Yvan Loubier:** Mr. Chairman, may I ask committee members to address clause 86 before clause 85, because our amendment BQ-4 concerns clauses 85 and 86. We should start with clause 86; if our amendment to clause 86 carries, that will decide our support for clause 85.

[English]

**Hon. John McKay:** We have a clarifying amendment for clause 85. We have another amendment with respect to clause 86. I think once those are dealt with it would be appropriate to deal with BQ-4. Possibly the easiest one is the change from "Treasury Board" to "Treasury". I'll leave Richard here to give the explanation.

**The Chair:** There's no reference number, so we're looking at amendment G-1. It says

[Translation]

Bill C-43, clause 85

[English]

page 53. Is that what we're looking at, Mr. McKay?

**Hon. John McKay:** It's page 53, line 12.

**The Chair:** Do you want to speak to this, Mr. McKay?

**Hon. John McKay:** I'll defer to Mr. Botham.

**Mr. Richard Botham (Chief, Knowledge and Innovation, Economic and Corporate Finance Branch, Department of Finance):** The amendment proposed here just takes account of the fact that the conditions have already been approved by Treasury Board. It changes the tense in the line from the current version, which says "to be approved", to "conditions approved". That's the only change that's affected here with that amendment.

**The Chair:** Is that okay? Does anybody want to speak to it? Can we vote on the G-1 amendment?

(Amendment agreed to on division [See *Minutes of Proceedings*])

• (1615)

**The Chair:** We'll wait for clause 85.

(On clause 86—*Bilateral agreement*)

[Translation]

Mr. Loubier.

**Mr. Yvan Loubier:** You could go on to clause 86, since there's an amendment BQ-4. Whether our amendment carries will decide how we vote on clause 85. Would you agree to start to clause 86, then to come back to clause 85 for the vote?

**The Chair:** Yes, I agree.

[English]

Mr. McKay, it's because you have your amendment G-2 prior to that.

**Hon. John McKay:** Let me speak to G-2 first, and then we'll move from there.

**The Chair:** Let me address BQ-4 because

[Translation]

Mr. Loubier, the amendment is beyond the scope of the bill because it concerns national standards and the terms of accountability to the federal government.

[English]

Again it's not admissible. So we can just go directly to that.

[Translation]

**Mr. Yvan Loubier:** So, Mr. Chairman, I won't even be able to discuss compliance with the Constitution of Canada as regards the municipalities.

**The Chair:** That's been done. Thank you.

**Mr. Yvan Loubier:** It's already been done?

**The Chair:** You discussed it.



**Mr. Yvan Loubier:** Yes, but I find it unfortunate that this amendment isn't admissible; it's a good one.

[*English*]

**The Chair:** Amendment G-2, Mr. McKay.

**Hon. John McKay:** We have two issues before the committee. The first is the deletion in subclause 86(1) of the word "bilateral". By deleting "bilateral" it allows the government to enter into contracts and agreements that are more than bilateral—trilateral, for instance. I guess one of the recent examples was in British Columbia in the lower mainland, where the municipality was part of the agreement with the province and the federal government.

Further down in subclause 86(2), it allows the Government of Canada to enter into agreements with a municipal entity.

**The Chair:** Thank you, Mr. McKay.

Does anybody want to speak to it?

(Amendment agreed to on division [See *Minutes of Proceedings*])

(Clauses 85 and 86 agreed to on division)

(On clause 87)

**The Chair:** We have three amendments from the government, G-3, G-4, and G-5. Let's address G-3 first.

Mr. McKay.

**Hon. John McKay:** If possible I would like speak to G-3, G-4, and G-5 together. They are really a collection of spelling errors, mostly *en français*. Hopefully my colleagues in the Bloc will have corrected my imprecise use of the French language.

• (1620)

**The Chair:** On G-4, let me help you with the French. Was Labrador spelled incorrectly in English and in French, or just in French?

**Hon. John McKay:** In French.

(Amendment agreed to on division)

**The Chair:** Next is amendment G-3. There's a mistake on "Royalty".

(Amendment agreed to on division [See *Minutes of Proceedings*])

**The Chair:** G-5 on division? Okay.

(Amendment agreed to on division [See *Minutes of Proceedings*])

[*Translation*]

**The Chair:** We'll move on the vote on clause 87.

[*English*]

Shall clause 87 carry as amended?

**Mr. Monte Solberg:** Mr. Chairman, can somebody shed some light on "as amended"? What are we talking about?

**The Chair:** We just voted for the three amendments.

**Mr. Monte Solberg:** I see—on the spelling errors.

I think we'd like to actually cast a ballot on this one and make it very clear that we do support clause 87.

**The Chair:** It will be a recorded vote, Monsieur Dupuis.

(Clause 87 agreed to: yeas 9; nays 2)

(Clause 88 agreed to on division)

(On clause 89)

**The Chair:** We will go to BQ-5, reference 1875631.

[*Translation*]

**Mr. Yvan Loubier:** Mr. Chairman, the purpose of amendment BQ-5 is to afford more flexibility for the provinces and Quebec, of course, solving their greenhouse gas emissions problem on a regional basis. Contrary to the sectoral approach proposed under the federal policy, this would afford the provinces a little more flexibility in implementing their own policies, but ultimately with the same greenhouse gas emissions reduction objectives.

BQ-6 is another amendment that we're introducing to ensure that Quebec and the provinces get their fair share of transfers for reductions in greenhouse gas emissions.

We're therefore proposing more flexibility on a regional basis and a fair share for each of the provinces based on population.

**The Chair:** Thank you, Mr. Loubier.

Amendment BQ-5 is admissible.

However, BQ-6 is not because it concerns unconditional transfers once again. That's not in the spirit of the bill.

Amendment BQ-6 is inadmissible.

[*English*]

We'll go back to amendment BQ-5. Does anybody want to speak on amendment BQ-5?

Mr. McKay.

• (1625)

**Hon. John McKay:** We actually support amendment BQ-5. I know that's a bit of a heart attack for Mr. Loubier, but in fact we do.

I'll let Ms. Margles speak to it.

**Ms. Susan Margles (Director, Economic Development and Corporate Finance, Department of Finance):** I guess the only thing I want to say is that part of the idea, in terms of the whole program here, is to encourage participation by provinces. We see this as being consistent with that, so our advice is that it's acceptable and should be supported.

[*Translation*]

**Mr. Yvan Loubier:** The problems is that amendments BQ-5 and BQ-6 are indissociable: latitude and flexibility on one hand, and a fair share on the other. If one of them doesn't carry, I'll have to vote against clause 89 as amended and against half of my amendments. That'll be the first time that's happened to me.

[*English*]

**The Chair:** Are we ready for the question on amendment BQ-5, reference 1875631?

(Amendment agreed to [See *Minutes of Proceedings*])

[Translation]

**Mr. Yvan Loubier:** You told me that BQ-6 was inadmissible.

**The Chair:** It's inadmissible.

[English]

We are now at amendment C-3.

Who wants to speak to that—Mr. Solberg, or Mr. Mills?

**Hon. John McKay:** A point of order, Mr. Chairman, just before Mr. Solberg speaks.

It's our view that we should deal with C-6 and C-7 before we deal with C-3. How we deal with them will largely determine how we'll vote on C-3 and probably C-4.

**The Chair:** Are we okay to go to amendments C-6 and C-7 by the Conservatives? Is that okay?

Mr. McKay, why are we doing this?

**Ms. Susan Margles:** Our interpretation of amendment C-3 was that it would be consequential to the proposals under amendments C-6 and C-7. Whether or not you accept amendments C-6 and C-7 will dictate how you treat amendment C-3.

That's having looked at it today, our interpretation of it, but if Mr. Mills has other information that—

**Mr. Charlie Penson:** Could we ask for a better explanation of why, a further explanation?

**Ms. Susan Margles:** When we looked through all of the amendments, it appeared to us that amendment C-3 was really to make consequential changes that would hinge on whether or not you were going to accept the proposal under amendments C-6 and C-7. They're all linked because they're all talking about whether or not we're going to leave wording in there that would allow for Kyoto credits to be acceptable under the regime.

This is our reading of what you've proposed, but if there's an explanation, if we've misread it, then....

**The Chair:** Give us a minute.

Monte, do you want to break?

•(1630)

**Mr. Monte Solberg:** We want to work with everybody on this, but we're just trying to get a handle on what it means.

**Mr. Bob Mills (Red Deer, CPC):** Mr. Chair, I just can't see the connection between amendment BQ-7 and amendment C-3. What amendment BQ-7 is talking about—

**Ms. Susan Margles:** No, it's amendment C-7.

**The Chair:** We're talking about all the Conservative amendments. We want to address amendment C-6 and then amendment C-7.

Monsieur Côté.

[Translation]

**Mr. Guy Côté:** Are we discussing amendment C-6?

**The Chair:** No, we're waiting. We usually proceed in numerical order, but it's been proposed that we start with amendment C-6 and C-7. Then we'll go back to amendments C-3 and C-4.

**Mr. Guy Côté:** All right. We'll wait for the discussion on amendment C-6. Then I'll ask my questions, Mr. Chairman.

[English]

**Hon. John McKay:** Mr. Chair, I have, hopefully, a helpful point here. Let Ms. Margles give our understanding of this grouping of amendments and see whether the Conservatives agree that they should deal with amendments C-6 and C-7 before they deal with amendments C-3 and C-4. Maybe we could give a more fulsome explanation of what our understanding of your amendments is.

**The Chair:** Give me just one second.

Are you ready to go, Mr. Solberg?

**Mr. Monte Solberg:** Ms. Margles, let's do that.

**Ms. Susan Margles:** In an attempt to aid and not confuse the issue further, when we looked at the amendments, C-6 basically says, "(2) Despite subsection (1), the Agency may not acquire eligible Kyoto units." It allows for that right now.

C-7 was then making a similar point in the amendment it was proposing. It was taking out wording that previously would have allowed for Kyoto credits to be purchased.

Going back to amendment C-3 on page 67, taking out the words in the current subsection 5(4), "regulations under subsection 18(2)", basically refers to the same thing. The minister is making regulations that define what kinds of credits are going to be eligible, including Kyoto credits.

We saw that if you were going to determine that you were okay with Kyoto credits under amendments C-6 and C-7, then C-3 would say that we're not going to make that; whereas if you determined under C-6 and C-7 that you wanted to remove the Kyoto credits, you would then be supporting C-3. We saw them as linked in that way

At the end of the day, the order doesn't matter. Again, that's our interpretation in reading through them. If there's a different way to look at it, we apologize.

**Mr. Monte Solberg:** Mr. Chairman, if anything underlines why this should have been before the environment committee, this does. At any rate, I appreciate the attempt to clarify this. Perhaps in a spirit of goodwill, I can explain what we're up to and what we're trying to do.

We have concerns about the purchase of foreign credits. That's what we're concerned about. We believe the amendments we're moving here effectively restrict the government to only purchase domestic credits. That's what we're trying to do, just so everybody understands what we're up to and we don't have to talk about this for two hours.

With that understanding, might I ask, Mr. Chairman, now that we've had the full explanation, whether it's convenient to proceed with these? I'm not sure that dealing with amendments C-6 and C-7 first will change where people are at on these things, if they understand what the attempt is here.

Does that make sense?

•(1635)

**The Chair:** Before we start voting, based on amendments C-6 and C-7, do we have another technicality?

**Mr. Wayne Cole (Procedural Clerk):** With respect to the relationship between amendments C-6 and C-7, if C-6 is adopted, an affirmative vote on C-6 would apply to C-7. If the committee defeats C-6, they'll have to vote separately on C-7. They can be separated in that fashion.

**The Chair:** Is there any more confusion to add to this?

Let's address amendment C-6.

Mr. Solberg.

**Mr. Monte Solberg:** Why don't we start with C-3? I think everyone knows where we're at.

**The Chair:** Do you want to begin with C-3, Mr. Solberg?

**Mr. Monte Solberg:** I think I've already explained what we're attempting to do here.

**The Chair:** Okay.

**Mr. Bob Mills:** Mr. Chair, to give everybody a little bit of background, seeing that we spent six months going through Kyoto and its implications in the environment committee, I might add that the report is in fact being tabled as we sit here.

Basically, our concern is that you can't monitor international credits. We can't monitor domestic ones now. How would we monitor international ones?

We are also concerned about providing funds to competitors internationally for Canadian business. How can you justify that? We're concerned about the bureaucracy. We're concerned about the extra costs that are associated. We feel that every dollar you send offshore is in fact not going to help us develop the technology domestically that we would need to be competitive in the world.

We see this as a very important set of amendments that we need to remove. That explains our whole purpose. In amendment C-3, we're really attempting to simply make public all of the decisions around Kyoto that the minister might make. That's the attempt of C-3.

**The Chair:** Thank you, Mr. Mills.

Mr. McKay.

**Hon. John McKay:** I'll comment briefly and then turn it over to the officials.

I appreciate Mr. Solberg's explanation of what he's trying to do here with respect to domestic versus international credits and things of that nature, but in some respects you have to see the larger picture here as a more carefully crafted regime for emissions trading and things of that nature. This particular clause would in fact restrict the ability of the minister to decide what constitutes a credit, and we don't think that's an appropriate restriction.

I'm going to turn it over to Mr. Beale and Ms. Margles to speak to this particular amendment, but that's the larger context. If you start pulling out all of these little nails, if you will, you'll soon have the Kyoto proposals that are set out in the budget pretty well start to fall apart.

**The Chair:** Mr. Beale.

**Mr. Mike Beale (Acting Director General, Economic and Regulatory Affairs Directorate, Policy Integration, Department of the Environment):** The Kyoto Protocol allows for a number of

internationally recognized Kyoto units, and these include, for example, emission reductions that have been verified as having come from a project to reduce emissions in a developing country. In Mexico, for example, if there is a project that reduces emissions from a landfill gas site, therefore benefiting the atmosphere and fighting climate change, that would generate a credit that would go through an approval process. On that basis, this bill proposes that Canada could buy that credit; similarly for a verified unit that arises from a reduction in, for example, eastern Europe.

It's an important component of an overall Kyoto strategy, and all our partners in the Kyoto Protocol envisage buying international credits of this type.

The government has made it clear that any credits it would buy would have to constitute verified emission reductions. They would have to be real and concrete reductions, and they would only be balanced after domestic reductions. Priority would be given to domestic reductions. That's the context in which the proposal is being made here to allow the agency to buy international credits.

• (1640)

**The Chair:** We're on amendment C-3, reference number 1799961.

(Amendment negated [See *Minutes of Proceedings*])

**The Chair:** We'll go to amendment C-4, reference number 1797263.

(Amendment negated [See *Minutes of Proceedings*])

**The Chair:** We're at amendment C-5, reference number 1797258. [Translation]

Can we vote?

[English]

Yes.

**Mr. Bob Mills:** I'll just make clear what we're trying to do here, that it isn't just advice to the minister, but that it be made public so the public knows the decision that's made by the advisory board. Remember, this advisory board has up to 12 people named by the government, and if they are not required to report publicly, how are we going to know what they're doing in terms of this environmental area? Our intention here is simply that they make it public within five days of the advisory board tabling the motion: transparency, openness, democracy.

**The Chair:** Mr. McKay.

**Hon. John McKay:** There is no principal reason why we would object to the amendment as put forward, though I wonder whether the mover would entertain an extension of the period of time. Five days is an extraordinarily short time, and we're proposing that a friendly amendment of 30 days would be more appropriate.

**The Chair:** Who is the proposer? Mr. Solberg.

**Mr. Monte Solberg:** Well, in the spirit of goodwill, I guess we could accept that.

**Hon. John McKay:** I just feel the spirit.

**The Chair:** On the amended amendment? So we change it from “five days” to “30 days” and

[*Translation*]

in French, for “cinq jours” to “30 jours”.

[*English*]

Are we ready to vote? We're voting on the amended C-5,

[*Translation*]

which moves that “five days” be replaced by

[*English*]

“30 days”, and it's again reference 1797258.

All in favour?

(Amendment agreed to)

**The Chair:** We're at C-6 and C-7. Can we just go ahead to the vote? We're looking at C-6, reference 1797299.

Mr. Mills, go ahead.

**Mr. Bob Mills:** All I would add is that after six months of listening to witnesses and compiling an 85-page report, the conclusion of every single one of the amendments proposed is that in fact the government does not have a method of monitoring, that the international agency in the United Nations does not have a method of monitoring, and that the whole process of international credits is extremely flawed, as of course each of the COP meetings.... After sitting in Buenos Aires last year and listening to the 123 environment ministers, they recognized the fact that it's very, very flawed.

So why would Canada want to start sending resources offshore, which we'll be forced to do because we're so late into the process? Why would we want to do that at the risk of affecting our own technology development here in Canada? It just doesn't make any sense according to the facts we have today.

•(1645)

**The Chair:** Mr. McKay.

**Hon. John McKay:** It's our view that this is actually a business-friendly amendment. I know that may sound difficult for our members in the Conservative Party, but it does in fact give the large final emitters some additional options, and we don't think it's appropriate to restrict those options.

Also, all the signatories have agreed that this is a reasonable mechanism in order to meet our Kyoto Protocol targets. While I know Mr. Mills has studied this issue in some detail and has spent a lot of time on it, we see his argument as fundamentally flawed. But I just want to see whether Ms. Margles or Mr. Beale want to add to those arguments in any fashion.

**Mr. Mike Beale:** Just to say, Mr. Chairman, that the process that has been established to verify these international credits is in its early stages and the parties to the protocol are still working through ways in which it can be improved.

But it's important to note that if there is a problem with the process right now, it's to do with excessive strictness. The process is being very strict and firm in what can qualify as an internationally verified

credit, so it is not introducing any looseness or ambiguity into the system, and the parties are determined to ensure that it stays a strict but flexible mechanism.

**The Chair:** Thank you, Mr. Beale.

Mr. Penson.

**Mr. Charlie Penson:** Mr. Chairman, this part I think is the weakest link in the whole business we're addressing today, this idea of buying credits internationally. The parliamentary secretary has said that our partners think this is a good deal, but remember, there are a lot of those we would call our traditional partners who are not part of this Kyoto agreement to begin with—the United States, for example, and Australia. And what about some of the big emitters in China that are not part of the Kyoto process?

This idea of buying credits internationally, to me, really goes against the grain. Anything we should be doing should be helping Canadian business to adapt to this new program, and if we want to spend our money, we should spend it here at home in order to clean up our problem.

**The Chair:** Did you want to speak again, Mr. Mills?

**Mr. Bob Mills:** It's simply to say that one of the projects that is being proposed, for instance, is the following. The Ukrainian gas lines leak and give off a lot of the product into the soil and so on. So we're going to allow some of our oil and gas industry to go and supposedly sign an agreement to fix those pipelines. How are we going to account for that? How are we going to know that this actually was done? There is no mechanism to monitor any of that. It's not in place. It's just not there.

The environment minister suggests that we're going to buy cheaper credits, and we'll go to Africa to buy those credits. How are we going to monitor credits that we buy from Zimbabwe? How are we going to do that? It's fine to say, well, the UN will take care of it. So far they haven't taken care of very much, whether it's in Rwanda or Sudan or wherever.

I just don't have the confidence you have, Mr. Beale, that in fact we're going to be able to monitor this kind of thing.

**The Chair:** Mr. Solberg.

**Mr. Monte Solberg:** Mr. Chairman, we're on the finance committee, so I think we have to look at it through the lens of the economy. Of course, when you're talking about the economy, you talk about incentives. Incentives always matter. We have a kind of perverse situation here, where the incentive is for some of these countries where credits would be purchased to do as little as possible to control their own emissions. Isn't that correct? Then they have a tremendous market to sell these credits to the rest of the world.

•(1650)

**The Chair:** Mr. McKay.

**Hon. John McKay:** Why don't I let Mr. Beale and Ms. Margles answer that?

**Mr. Mike Beale:** The government has made it clear, for example, in the climate change plan that was released in April, that this agency it created would not be purchasing so-called “hot air”, which I think is what Mr. Solberg is referring to. “Hot air” is surplus credits that a country like Russia has simply because of the target it achieved under Kyoto. The government has made it clear that this is not on the table.

What proposed subsections 18(1) and 18(2) do is indicate that any credits that could be eligible for this agency to purchase would need to be of benefit to Canada, in terms of linking to technology, linking to trade, linking to other environmental benefits, and the minister will be consulting on what those regulations should exactly say. So there would be a consultative process if this legislation goes through on exactly what the terms would be for buying these credits.

**Mr. Monte Solberg:** Perhaps I can just follow up on that, because I don't think I had an answer that was quite to my satisfaction.

You have a situation where you're in a developing country. Developed countries need to purchase these credits to meet their targets. So what is the incentive, then, in third world countries for them to go ahead and aggressively pursue the elimination of the emission of carbon dioxide into the air, or greenhouse gases? What's their incentive when in fact they can be paid if they continue to produce these emissions?

**Ms. Susan Margles:** Mr. Solberg, actually it's only if they do reduce emissions that a credit is created that they can sell.

In other words, it is an incentive for them to do that reduction, and this allows for when Canadian companies have technology to go over and do that. It counts as a credit for Canada, not just for that country.

**Mr. Monte Solberg:** No, I understand that. When they reduce emissions, you're right...and typically, a Canadian company might go over and say, “We can even help you with that”. So there is no incentive right now, for instance, for them to do anything on this until such time as we're going over there and purchasing these things from them. Correct?

**Ms. Susan Margles:** This is why signing on to this kind of a trading market will hopefully help provide an incentive for countries that are not signatories now to do mitigation and to do reduction.

**Mr. Monte Solberg:** It's because of the looming prospect of these credits being produced. If there was no Kyoto, then they would be in a situation where they would say, “Well, we want to control emissions, possibly, because we're worried about greenhouse gases and maybe pollutants”. With the prospect of Kyoto coming and the ability to actually have others come in and basically do this for them, and maybe make some money at it, what it means is that they don't feel compelled to control their emissions at all at this point. Right? Isn't that the incentive?

**Ms. Susan Margles:** I'm not sure I would characterize it as an incentive. I think you appropriately characterized the current situation, which is that they are not incented, yet they are still producing greenhouse gases that are affecting the entire world. It's with a system like this that we actually have a mechanism, with them not signing on, to actually get them to move into action.

• (1655)

**The Chair:** Mr. Mills.

**Mr. Bob Mills:** The countries that signed on here did so because they wanted to sell credits. They wanted to be part of the trading mechanisms.

The reason the east bloc countries have credits for sale is not because they really did anything environmentally sound; it's because they deindustrialized because of the coming down of Communism. So you can't really say, well, we're going to improve the environment because these countries are going to do something; it's just a matter of their situation. Places like Zimbabwe and Jamaica have credits for sale. They got those credits because they aren't industrial. That's why they joined Kyoto, to make some money from it, to transfer wealth to those countries. Instead of developing technology in Canada, we're going to transfer the wealth wherever: open a Swiss bank account, send the money on down.

**Ms. Susan Margles:** I think what Mr. Mills is describing is what Mr. Beale described earlier as the hot air credits. The government plan for Kyoto is quite clear, that it will not be purchasing credits that relate to collapses in economies or other circumstances that allow countries such as you describe to have credits.

What this intends to do is that in countries where they are actually undertaking projects to reduce emissions, we could benefit by having Canadian companies go there to work with them, and in turn, as a signatory to Kyoto, purchase those credits and have it count towards our target.

**The Chair:** Thank you, Ms. Margles.

Okay, we're voting on amendment C-6, number 1797299.

(Amendment negated [See *Minutes of Proceedings*])

**The Chair:** Does anybody want to speak on amendment C-7?

I think we've already spoken on C-7.

**Mr. Monte Solberg:** Yes, okay; pardon me.

(Amendment negated [See *Minutes of Proceedings*])

**The Chair:** Shall clause 89 carry...?

**A voice:** As amended.

**The Chair:** As amended?

Oh yes, it's because of BQ-5.

[*Translation*]

**Mr. Yvan Loubier:** Mr. Chairman, I want to announce that we're going to vote in favour of clause 89, since one of our amendments has carried.

So we'll vote for clause 89.

[*English*]

**The Chair:** And we have C-5 as well.

[*Translation*]

**Mr. Yvan Loubier:** I thought that amendment concerned the provinces' flexibility in implementing the Kyoto Protocol on a regional basis.

[*English*]

**The Chair:** Okay.

Just so everybody is clear, clause 89 is amended because of BQ-5 and C-5.

On division? No.

(Clause 89 as amended agreed to)

**The Chair:** Shall clauses 90 to 97 carry...?

[*Translation*]

**Mr. Yvan Loubier:** Mr. Chairman, I'd like a recorded vote on clause 90, please.

[*English*]

**The Chair:** Okay, so we're going to go to clause 90. We're going to go to...I have no idea what that is in English.

Okay, we're doing a recorded vote on clause 90.

Are we ready? I want everybody ready.

Okay, Monsieur Dupuis.

(Clause 90 agreed to: yeas 9; nays 2 [See *Minutes of Proceedings*])

• (1700)

**The Chair:** Can we do clauses 91 to 97?

[*Translation*]

We'll now vote on clauses 91 to 97.

**Mr. Yvan Loubier:** We vote against all those clauses.

[*English*]

**The Chair:** Okay, so on division?

(Clauses 91 to 97 inclusive agreed to on division)

(On clause 98)

**The Chair:** Now we're on clause 98, amendment C-8, Mr. Solberg. For everybody at home, it's reference number 1797322.

Mr. Solberg.

**Mr. Monte Solberg:** Mr. Chairman, basically this is just to give direction to the minister on the types of projects that should be considered for grants or contributions. It's a democratic thing.

**The Chair:** Mr. McKay.

**Hon. John McKay:** We are not supporting this amendment. While Mr. Solberg argues that this is the democratic thing, I think he needs to keep in mind that there's a legislative branch of government, a judicial branch of government, and there's an administrative branch of government. This clearly falls within the administrative purview, and this is the kind of thing that ministers do. Once they receive budget appropriations, then they make the decisions with respect to grants and contributions.

It's not a legislative function.

**The Chair:** Mr. Solberg.

**Mr. Monte Solberg:** I think our concern is that when you're talking about hundreds of millions of dollars, the minister has too much discretion, and it concerns us that the government would take these powers unto themselves. In the past they've demonstrated,

sometimes, that they're not very careful with these things, and they tend to end up going to the wrong people.

That's the reasoning for this. We just want to ensure that the people's money is protected.

**The Chair:** Ms. Minna.

**Hon. Maria Minna:** With respect, Mr. Chair, this is an attempt at trying to get some political slap about a responsibility and what have you. The fact of the matter is that standing committees—

**Mr. Charlie Penson:** [*Inaudible—Editor*]

**Hon. Maria Minna:** Yes. I'm not suggesting that there aren't problems, Mr. Penson, but to suggest that standing committees are going to be administering the day-to-day expenses of the government, which are under the purview of the minister, is totally undoable. The committees don't even have that kind of power.

With all due respect, when there's a problem, we've caught it and we've fixed it, Mr. Penson.

**Mr. Monte Solberg:** We're setting parameters.

**The Chair:** Do you guys want to have a conversation, or are we going to debate this?

Is there anybody else?

**Mr. Charlie Penson:** If anybody's going to be quoted, I would ask that they be quoted accurately.

**The Chair:** Mr. Hubbard.

**Mr. Charles Hubbard (Miramichi, Lib.):** The idea of parameters is probably good, but the amendments as presented would be very restrictive. Maybe our witnesses could tell us how often this group would report to Parliament. We wouldn't want to have an "open-ended forever"—is it two years, three years, four years? How often does the agency report to Parliament?

**Hon. John McKay:** Mr. Penson, this isn't our amendment. I'm not sure what is being driven.

**Mr. Charles Hubbard:** It seems that the intent of the amendment is that they would be subject to annual review by the standing committee. I think it's important that all our agencies and organizations report occasionally to Parliament. I would suggest to Mr. Solberg that his amendment should include firm time periods, say, biannual periods.

It's his amendment, but I think it might be acceptable if we had a reporting timeframe rather than leaving it open-ended. We could make it a biannual requirement.

• (1705)

**Hon. John McKay:** This is an intersection of legislative functions and administrative functions. If a minister has a grant he wishes to make in this fund, that is within the prerogative of the minister. Once the minister does his annual report before committee, that's presumably the point at which a committee would have the opportunity to question whether or not the minister made the appropriate grant.

**Mr. Charles Hubbard:** Committees get very busy, but we have a whole group of agencies out there that seemingly never report to Parliament. We created a number of them a few years back. I think it's a dangerous precedent that we don't get specific reports, as opposed to the general report we get when a minister occasionally comes before a standing committee. This is a controversial business in respect of Kyoto, credits, and all of that. I think it should be subject to review, at least every second year, by a specific report to the House indicating just what has happened. Mr. Mills, in his own environment committee, has played a leading role in this over the years, along with others. Mr. Caccia was previously on the committee. I think it's important to subject this to a review.

**The Chair:** Are you proposing an amendment, or are we still discussing it?

**Mr. Charles Hubbard:** I was speaking about Mr. Solberg's amendment. I don't have a written one.

**Mr. Bob Mills:** Basically, we're talking about a fund into which companies are going to have the option of putting money. When we get to nine megatonnes, that's the cap. So companies are putting money in, and this board of up to 12 people is then going to decide which green projects they're going to fund.

Company A can put money in, and the board can decide to give it to company B, a competitor of company A. I think we should know that. They should know that they have to report to a committee, to Parliament, on what they're doing. That way they're going to remain much more objective in the granting of these funds for green projects. It makes sense that they be accountable, that they not sit off by themselves making these decisions on green funds.

**Ms. Judy Wasylycia-Leis:** On a point of information, I'm not sure I understand. It is to the advisory board that the decisions are being put. I think the bill is written to confirm that it's the minister who makes the decision. The minister reports to Parliament, and Parliament scrutinizes through the finance committee or the environment committee. I don't understand how this is different from normal scrutiny of grants and allocations.

**Hon. John McKay:** That's the point we wish to make. The intentions of the mover are somewhat puzzling. In theory, if somebody sends in an application, it would have to come before the committee, and the committee would then suggest to the minister whether or not to proceed with the application. I don't see that this would enhance the committee's level of scrutiny. Parliament already has all of the tools available to it—the committee process and the House process. I don't see the point of this amendment.

**The Chair:** I think there's some misunderstanding about what the amendment is supposed to say. There has to be some annual reporting here, or something, and it doesn't say that.

**Hon. John McKay:** It doesn't say that. Well, I can't vote on something it doesn't say.

**An hon. member:** Let's ask the mover to expand it.

**Mr. Monte Solberg:** Mr. Chairman, I'd be quite prepared to accept Mr. Hubbard's suggestion that we change the wording on this.

The actual amendment calls for “consulting with the standing committee of the House of Commons that normally considers

matters related to the environment, make grants or contributions”, and it goes on.

•(1710)

**The Chair:** I think the point is that every time there's an application before the fund for money, you're asking that the House be consulted.

Is that Mr. McKay's point?

**Mr. Charlie Penson:** It's his point, but he's wrong.

**Mr. Monte Solberg:** Yes. What we're looking for is to give general guidance to the advisory board from the standing committee—the advisory board and the minister.

**Mr. Bob Mills:** I would just add that what you're also going to get is that the advisory board, when it's handing out this money, is going to think, “Hey, this is going to be examined by a committee. We're going to have to justify why company A got it and company B didn't.”

**The Chair:** So why don't we say that?

**Mr. Bob Mills:** That then gets away from—

**The Chair:** Why don't we say that the advisory board will have to consult on it?

**Mr. Charlie Penson:** That it will be reviewed by the standing committee every two years is I think what Mr. Hubbard—

**Mr. Bob Mills:** Not every application. What you're going to review is the whole process: what did you guys do this year, who did you give the funds to, and why?

**Ms. Judy Wasylycia-Leis:** On a point of order, this is all about the minister allocating grants and making disbursements. It's not about the advisory board, and it's not about an agency. It is clearly about the minister with responsibility, and the advisory board may advise the minister, but it is the minister who makes the decisions. The minister is responsible to Parliament. Parliament scrutinizes expenditures. This is no different from any other disbursements in terms of grants and allocations.

Proposed section 6 is clear.

**The Chair:** Yes, because the title on top does say “Grants or Contributions”, right?

**Ms. Judy Wasylycia-Leis:** It says “The Minister may”.

**The Chair:** No, Ms. Wasylycia-Leis, the title on top of page 76.

Okay, go ahead, Mr. McKay.

**Hon. John McKay:** I would defer to Mr. DeVries and Ms. Margles.

**The Chair:** Okay.

**Mr. Peter DeVries (General Director, Deputy Minister's Office, Department of Finance):** I guess on this issue, Mr. Chair, there is regular reporting of all of grants and contributions that would be made, either in the parliamentary performance report or the public accounts, or in other documents, as the minister may see fit. But there would already be a regular reporting of all the decisions that are made, at least on an annual basis, if not more often.

**The Chair:** I think that's what the committee was looking for.

**Ms. Susan Margles:** In addition to that, and in the interest of having the committee for the environment give input, there is a possibility under the next amendment for them to make an amendment and recommendations. But linking it to the minister making grants and contributions is what makes it problematic.

**The Chair:** Thank you.

We'll go directly to the vote on C-8.

Mr. Mills.

**Mr. Bob Mills:** Mr. Chair, it was implied by Mr. McKay, I think incorrectly, that the House would have access. The Auditor General can audit this, but we can't order her to audit it. If we went to the minister and asked him, "Who have you given these funds to?", he can say that because of confidentiality he has to black that section out because it's going to give us proprietary knowledge about business.

I can see a minister easily getting out of ever reporting what this advisory board has been doing, unless the Auditor General audits it.

**Hon. John McKay:** It's the normal course of events to publish who receives grants and contributions. What in this bill says anything differently?

**The Chair:** It's even the title on the top of page 76, which does say "Grants or Contributions".

(Amendment negated [See *Minutes of Proceedings*])

**The Chair:** On amendment C-9; *on va lire à C-9*.

Just before we begin, I want to notify everybody that if we vote in favour of C-9, we are also voting in favour of C-10. We'll look at these together, because I've just handed a note to that effect. It will save us a vote, but we can debate both.

[*Translation*]

**Mr. Yvan Loubier:** Mr. Chairman, I don't know whether [*Inaudible—Editor*] sometimes. There's an amendment C-9, but we have amendment BQ-7 for the same clause 98. That could be a good thing; we'd feel more involved.

•(1715)

**The Chair:** Do you have one?

**Mr. Yvan Loubier:** Yes. Perhaps we could dispose of amendment BQ-7.

**The Chair:** You're going to have five or six, one after the other.

**Mr. Yvan Loubier:** If you see it that way, I respect your decision.

**The Chair:** Take a break.

[*English*]

Mr. Solberg, do we need to discuss C-9?

Mr. Mills.

**Mr. Bob Mills:** Amendment C-9 basically involves the kind of work that we've been doing for six months in the environment committee, so that these expenditures and this fund as set up would in fact be examined by the environment committee, which would look at the details of whether it is a green investment, and so on. It seems to me that the environment committee would be better equipped to analyze that than the finance committee.

**The Chair:** Mr. McKay.

**Hon. John McKay:** I'll pay no attention to this amendment.

**The Chair:** Is there anybody else?

**Mr. Charlie Penson:** I didn't hear Mr. McKay's comment.

**Hon. John McKay:** Do you want me to repeat it?

**The Chair:** Are you sure, because he may change his mind?

**Hon. John McKay:** I've already given Mr. Loubier a heart attack. Do you want one too?

**The Chair:** I don't think he should, as he may change his mind.

Can we go directly to the vote for C-9?

[*Translation*]

We're voting on amendment C-9, reference number 1797302.

[*English*]

(Amendment agreed to [See *Minutes of Proceedings*])

**The Chair:** And C-10?

(Amendment agreed to [See *Minutes of Proceedings*])

**The Chair:** We'll try to get through the amendments here. We'll try to go another five minutes, if we can.

On amendment C-11, Mr. Solberg.

**Mr. Bob Mills:** Basically, this is a motion that makes what the advisory board does public. Again, you might want to change "five days". I think that would be fine, but again, it's that it be a public document.

**Hon. John McKay:** I wonder whether, here again, Mr. Mills is open to a friendly subamendment that says "30 days". We'd support that.

**The Chair:** Mr. Mills, are you in favour of the subamendment "30 days"?

**Mr. Bob Mills:** Yes.

**The Chair:** We're on C-11, reference 1797301.

[*Translation*]

The purpose of the subamendment was to replace the words "five days" with the words "30 days".

[*English*]

Instead of saying "five days", it's going to be amended to say "30 days".



(Subamendment agreed to)

(Amendment agreed to [See *Minutes of Proceedings*])

**The Chair:** We're on amendment C-12.

**Mr. Monte Solberg:** Mr. Chairman, what this does is extend the deadline indefinitely for the maximum amount, \$15, that may be contributed for a technology investment unit to be created. The deadline, of course, is currently December 31, 2012. I know that's when the current Kyoto deal is supposed to conclude, but just in the event that it doesn't, we'd like to have some assurance we can keep that \$15 going.

**The Chair:** Mr. McKay.

**Hon. John McKay:** I notice Mr. Solberg's tongue was firmly planted in his cheek. Yes, the government is committed to the \$15 item until December 31, 2012, which is the end of the protocol. Thereafter, it would presumably revert to market, unless there is some other arrangement between the Government of Canada and business. Under no circumstances would the Government of Canada support this amendment.

**Mr. Bob Mills:** Again, the reason—we heard this over and over again from industry—is for when you're planning projects; some of these projects take at least 10 years by the time they decide to go with them till they actually bring them on stream. I'm talking about power projects and things like that. Obviously, time is running out. They need to know this \$15 is in place, or maybe the investment is just not going to be made in Canada.

• (1720)

**The Chair:** Let me help out on this one. I've just been notified that because the amendment would take out a date, the payment would be ongoing indefinitely. It's not within the spirit of the law, so it's inadmissible.

**Mr. Monte Solberg:** Mr. Chairman, on a point of order, I would just caution the parliamentary secretary about making suggestions on where the price of this might go, especially after what my friend has said. If people are talking about making millions and millions of dollars in investments and he opens up that kind of uncertainty, imagine what it does to investor confidence.

**The Chair:** Thank you.

Mr. Solberg on amendment C-13. Do we need to discuss it?

**Mr. Monte Solberg:** Actually, Mr. Chairman, I would like to talk about this for a moment.

This would allow companies the possibility of transferring to other large final emitters any excess units they have in case they find themselves having acquired more credits than they need for compliance with their large final emitter target, which of course would create a market for these. If somebody is extraordinarily efficient, then they will be rewarded by being able to sell their credits.

**Mr. Bob Mills:** I could think of several examples this would apply to. For instance, Quebec Hydro could benefit from this. Suncor could benefit from this. These are companies that have accumulated these credits because of actions they have taken, and therefore they have surplus credits. They would like to be able to trade those within Canada as opposed to the credits being a bad investment. They actually acted ahead of the curve, if you will, and want credit for

that. There are a number of companies in that respect, a number of industries.

**The Chair:** Thank you, Mr. Mills.

Mr. McKay.

**Hon. John McKay:** This has very serious implications for the technology fund, and I want Mr. Beale to outline to the committee the significance of this proposal.

**Mr. Mike Beale:** Thank you.

Mr. Chair, there are a number of compliance options that will be available to companies that are covered by the large final emitter system. Mr. Mills was referring to, I believe, companies that purchased international qualifying Kyoto units or domestic qualifying Kyoto units. Under the system that is being proposed in the climate change plan, those units are perfectly tradeable and companies can exchange them one for the other.

What this legislation is talking about is the technology investment fund, and the proposal is that those units would not be transferrable. The intent is to ask companies to first of all invest in their own emission reductions in their own facilities to try to get their own emissions down, then to get verified reductions elsewhere, and only after those avenues have been exhausted, go to the technology fund. It's a question of priority, and what the legislation is trying to do is give priority to emission reductions over simply buying technology credits. That's the reason it's being proposed that they not be transferrable.

**The Chair:** Thank you, Mr. Beale.

Again, it's amendment C-13, reference 1900780.

(Amendment negated [See *Minutes of Proceedings*])

[*Translation*]

**The Chair:** Let's move on to amendment BQ-7. Because of the words “do not apply in a province whose government has notified”, this amendment is not consistent with the spirit of the bill and is not admissible.

All right, Mr. Loubier? Your amendment BQ-7 is inadmissible.

**Mr. Yvan Loubier:** It isn't admissible, again?

**The Chair:** No, because of the words “do not apply in a province”.

• (1725)

[*English*]

Let's vote on clause 98 as amended.

[*Translation*]

**Mr. Yvan Loubier:** Mr. Chairman, I request a recorded vote on clause 98.

[*English*]

**The Chair:** We'll have a recorded vote on clause 98.

(Clause 98 as amended negated: nays 5; yeas 4)

**The Chair:** We're back at 6:30 or after the votes.

Thank you.

The meeting is adjourned.

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