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(HANSARD)

**Tuesday, February 8, 1994**

**Speaker: The Honourable Gilbert Parent**

# HOUSE OF COMMONS

Tuesday, February 8, 1994

The House met at 10 a.m.

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*Prayers*

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## ROUTINE PROCEEDINGS

[*English*]

### WAYS AND MEANS

#### NOTICES OF MOTIONS

**Hon. Douglas Peters (Secretary of State (International Financial Institutions)):** Mr. Speaker, pursuant to Standing Order 83(1), I wish to table two notices of ways and means motions.

The first respects amendments to the Excise Act, the Excise Tax Act and the Income Tax Act. The second respects amendments to the Excise Tax Act.

I ask that an order of the day be designated for consideration of each motion.

\* \* \*

(1005)

### TOBACCO PRODUCTS

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, it has been almost 100 days since the government took office.

We have established a clear approach of being straight with Canadians, of facing difficult problems head on and dealing with them decisively. That is what we intend to do today. We intend to deal with smuggling and to take steps to re-establish the rule of law. A civilized society requires that the rule of law be respected, that it be enforced and that it apply equally to all citizens.

[*Translation*]

We are confronted today with a very serious problem which is not limited to tobacco smuggling alone. I want to take a few minutes to explain the magnitude of the problem, to discuss the options and to tell Canadians why we have come to the conclusions we have reached.

Many Canadians in the past days and weeks have been discussing among themselves the whole issue of smuggling and in particular the consequences of cigarette smuggling. I think it is fair to say that no one can be certain of the right approach. We all have doubts about any course of action. We are dealing with a very complex problem of law enforcement and organized crime, with health issues, with federal-provincial relations, even with relations with aboriginal peoples.

This is not an issue of left or right, or English or French, or aboriginal or non-aboriginal. This is an issue in which there is no absolute right answer and no absolute wrong answer.

[*English*]

Governing is supposed to be the art of the possible. What I am announcing this morning is what this government believes is the best possible solution to an almost impossible problem. Let me explain.

Many Canadians and many members of the House may not realize how deep rooted and far reaching the contraband tobacco trade has become. This is a problem that has grown over several years. There was a question asked in the House of Commons in 1990 by the member for Glengarry—Prescott—Russell about this problem. Almost four years later we are still faced with the problem.

This problem has grown over several years. It is no longer a regional problem confined to specific communities and areas. It is now a national problem requiring a national solution.

At first the smuggling was just in Quebec and some Atlantic provinces. It has now spread to Ontario in which 35 per cent of cigarettes sold are now contraband. It is growing in western Canada. It has a foothold in virtually every part of the country and is spreading at an alarming rate.

Let us consider the facts. Illegal tobacco now accounts for about 40 per cent of the \$12.4 billion Canadian tobacco market. Organized crime now controls up to 95 per cent of the contraband tobacco entering the country. More than two million Canadians are purchasing this contraband.

More than \$1 billion in federal tobacco tax revenues and \$1 billion in provincial revenues were lost in 1993. These losses will climb steadily if action is not taken, and the social costs in terms of increased crime and violence in loss of business to law abiding merchants and in lawlessness are considerable and growing.

*Routine Proceedings*

As the portion of the Canadian market supplied by smuggled tobacco has increased, the average price paid for cigarettes has dropped. Access to cheap contraband tobacco undermines the government's health policy objectives to reduce tobacco consumption, particularly among youth.

(1010)

I want to stress this last point. The issue is not how to keep prices high so that young people do not smoke. The issue is how to keep cheap contraband cigarettes out of the hands of young people. Quite frankly that is the great dilemma we all face today.

The organized crime networks that control 95 per cent of the tobacco smuggling also supply and distribute smuggled liquor, firearms and drugs. It is essential that we take strong steps to dismantle these organized crime networks. That is what we are going to do starting today.

Our actions today are aimed at these gangs. They are aimed at the tobacco companies that have benefited from this illegal trade and that also bear responsibility. They are aimed at the breakdown in respect for the law that this trade creates. This breakdown cannot and will not be tolerated.

I say to those Canadians who buy smuggled goods, I know they must be frustrated with taxes. They should stop a minute and think of what they are doing when they buy contraband tobacco. They might think it is a victimless crime. That is a myth. When they buy contraband cartons of cigarettes they are not just saving a few dollars for themselves. They are directly supporting organized crime. Every time they light up they are supporting gangs that have committed murders and car bombings, that are smuggling illegal drugs into Canada, that are terrorizing entire communities.

If they do not like some of the things their tax dollars get wasted on, they should think of the investment they make in buying illegal tobacco. They should think of the decent, honest business men and women they are pushing out of business. They should think of the revenues that are not available to the government for health and social services. They should think of the consequences of their actions and they will understand why the government will not allow some Canadians to take the law into their own hands.

We will not allow this breakdown of respect for the law to continue. That is why I am announcing a four point action plan to combat smuggling. The four elements of this action plan are an enforcement crackdown, a reduction of consumer taxes on tobacco, special action on tobacco manufacturers and the most intensive anti-smoking campaign in Canadian history.

*[Translation]*

As I speak, the RCMP is dramatically stepping up enforcement, particularly at key spots along the Canada-U.S. border. The government will substantially increase RCMP and Customs

personnel dedicated to fighting smuggling. Along with these resources are new strategies to crack down on organized smuggling groups and to increase surveillance of these groups.

The Department of Justice will increase prosecutions, and make full use of proceeds of crime legislation. The RCMP and other enforcement agencies will focus their resources on the major player controlling smuggling: organized crime.

(1015)

This enforcement will be applied everywhere—and anywhere—there is illegal smuggling activity. There will be no refuge for criminals. “No go” areas are not acceptable in Canada.

*[English]*

There will be no “no go” zone in Canada.

*[Translation]*

This is one country with one set of laws that applies to all citizens and in all communities. Increased pressure on criminals in the contraband trade will succeed in disrupting illegal trade in alcohol, drugs and firearms, as well as tobacco. But this is only part of the answer.

*[English]*

While we will put great effort into enforcement we also need to weaken the market for smuggled tobacco products. At present the demand is high and so are profits: \$500 for a case of contraband cigarettes, half a million dollars or more for a truckload. We need to change this. Nothing would please me more than to be able to address the problem simply through law enforcement combined with an export tax.

The best advice the government can get is that law enforcement and an export tax alone is simply insufficient to curb the growth in smuggling activities. It is advice that I accept with great reluctance. If the House agrees I would like to table the letter of the commissioner of the RCMP, addressed to me, and ask that it be printed as part of today's *Hansard*. In his letter the commissioner said very clearly to me that if we want to resolve this problem in short order we have to do this. With the permission of the House I would like to table a copy of this letter so that it can be printed in *Hansard*.

**The Speaker:** Is it agreed that this letter be printed?

**Some hon. members:** Agreed.

*[Editor's Note: See Appendix.]*

**Mr. Chrétien (Saint-Maurice):** Therefore, much as we may all regret the necessity of lowering cigarette taxes, we must do so at least until we have put the smuggling networks out of business. Then we will be able to restore the appropriate level of taxation that the situation needs.

*Routine Proceedings**[Translation]*

We have taken steps today to immediately lower the federal excise tax by \$5 a carton. We have also informed the provinces that we will match dollar for dollar any reduction they make above \$5. The total federal reduction will not exceed \$10 per carton.

The provinces will be able to choose their own rate of participation. Of course, the largest reduction in taxes will occur in provinces where the problem is most severe.

The cost to the federal government is significant. Smuggling has steadily eroded federal revenues each year for the last three years. The best estimate of the Department of Finance is that today's tax cuts will reduce revenues in fiscal year 1994-95 by approximately \$300 million.

But this action, combined with the enforcement measures planned, will stop this tax revenue erosion and stabilize the contribution which tobacco taxation makes to the federal treasury, and eventually to restore an effective taxation level to help discourage smoking. In the short term we will no doubt lose revenue.

(1020)

*[English]*

The cost of inaction will be much higher. Federal and provincial governments will continue to lose huge and growing amounts of revenue. We will have lost more than the money I indicated we are losing anyway and, of course, organized crime will flourish.

We do not want tobacco manufacturers to receive any benefit from the difficult decision we have made today. The fact is that Canadian manufacturers have benefited directly from this illegal trade. They have known perfectly well that their tobacco exports to the United States have been re-entering Canada illegally. I believe they have not acted responsibly.

It is going to end now with taxation and regulatory measures. The government is imposing immediately an export tax of \$8 per carton on Canadian tobacco exports. This export tax reflects the fact that 80 per cent of cigarettes being sold on the black market are Canadian cigarettes that were manufactured for export. The new export tax will work to reduce the profitability of tobacco smuggling.

We are imposing, effective immediately, a substantial increase in corporate taxes on Canadian tobacco manufacturers. We are imposing a three-year health promotion surtax on tobacco manufacturing profits. The surtax will increase the federal tax rate on manufacturing and processing tobacco products from 21 per cent to 30 per cent. Companies will pay 40 per cent more federal tax on manufacturing profits than they have in the past and the federal government will receive up to \$200 million in extra revenue over the three years.

*[Translation]*

The money generated by this surtax will fund the largest anti-smoking campaign this country has ever seen.

The government will also require manufacturers to clearly mark their cigarettes to distinguish those for domestic use from those for export use. This will greatly help our enforcement efforts because smuggled cigarettes will be easily recognizable.

It is quite simple: if people smoke legal cigarettes in Canada, every one around them will be able to tell they are smoking legal cigarettes. I think that, once the distinction between legal and illegal cigarettes has become obvious, many people will prefer to be seen smoking legal cigarettes rather than illegal ones, and smuggling will decrease accordingly.

Through legislation, regulation and education, the government will take action to discourage Canadians, especially children, from taking up smoking or continuing to use tobacco products.

For years the government's policy of forcing up the price of tobacco through taxes resulted—it did—in a steady decline in the number of Canadians who smoke. It was particularly effective at keeping young people from starting.

But the fact is that today cheap, contraband cigarettes are readily available to Canadians everywhere. Under such circumstances, controls on the distribution, sale and consumption of cigarettes are useless.

(1025)

The government recognizes that lower taxes and therefore lower prices for legally purchased cigarettes may prompt some people, particularly young Canadians, to smoke more.

*[English]*

That is why the government will take strong action to discourage smoking, including legislated and regulatory changes to ban the manufacture of kiddie packs targeted at young buyers, raise the legal age for purchasing cigarettes, increase fines for the sale of cigarettes to minors, drastically restrict the locations for vending machines, and make health warnings on tobacco packaging more effective.

We will also examine the feasibility of requiring plain packaging of cigarettes and will also ask the House of Commons Standing Committee on Health to make recommendations in this area.

*[Translation]*

We are also launching immediately a comprehensive public education campaign including a national media campaign to make young people aware of the harmful effects of smoking; new efforts to reach families, new parents and others who serve as role models for children; support of school education programs; increased efforts to reach young women who are starting

*Routine Proceedings*

to smoke; and new approaches for reaching groups who have not responded to earlier campaigns.

[English]

We are determined through the four point national plan I have outlined today to eliminate smuggling as a significant national problem. Even more, this program will help restore respect for the laws of the land, will help restore safety in our border communities and will help destroy smuggling rings.

I will be honest with Canadians. This has not been an easy decision for the government or for me. I know it is not a perfect solution but, more important, I know there is no perfect solution. We have come up with a fair, workable, decisive action plan. I am convinced it is the right thing to do.

I ask members of the House and all other Canadians for their help and support. It is our responsibility to end this unacceptable situation that is destroying all the values in our land. Three or four years of tolerance of smuggling and people defying the law is unacceptable. We have to restore order and respect in our land. This is what we have decided to do and we shall succeed.

(1030)

[Translation]

**Mr. Michel Gauthier (Roberval):** Mr. Speaker, I will start by apologizing for the absence of the leader of the opposition, who had a previous engagement in Montreal North, made more than two months ago, while we only had a 24-hour notice of the Prime Minister's statement.

I would also like to say that I deplore the government's lack of courtesy, considering that for the past three weeks, it was the Official Opposition that moved this issue along, patiently asking question after question, day in day out, to make the government and the Prime Minister realize there was a problem.

I may add that despite our contribution, the government gave us only 24 hours notice that there would be a statement, ordering a briefing session behind closed doors at 9 a.m. today. Our members did not come out of the lockup until 10 a.m., when the Prime Minister started his statement in the House. Obviously, we would have liked to examine carefully every aspect of the action plan announced by the Prime Minister. We would have liked to provide a thorough analysis—based on the figures—of each of these measures, because there are measures that would require further study.

At this stage, we cannot do much more than give our impressions of several aspects of the plan. I may recall that three weeks ago, in response to our first questions in this House, the Prime Minister and the Minister of Finance said that the tax on cigarettes would not be changed. Three weeks ago, the Prime

Minister told us that the RCMP was doing its job and was doing it very well. It was arresting all smugglers, and if the opposition had any names, it should say so. Three weeks ago, the Prime Minister told us that the law was being enforced throughout Canadian territory, without any problems.

Today, the government said, basically, that there is a problem with cigarette smuggling. The law is not fully enforced throughout Canadian territory, and so far the RCMP has not been able to prevent these unlawful sales of cigarettes and tobacco. That is what we heard this morning. Today the Prime Minister hit the jackpot, after three weeks of making what proved to be totally inaccurate statements.

**Some hon. members:** Hear, hear.

**Mr. Gauthier (Roberval):** Mr. Speaker, we are sceptical, because the Prime Minister says that from now on the law will be enforced throughout this country, no exceptions.

The RCMP's has figures that both confirm and emphasize the figures of the Official Opposition, according to which in 1993, only one per cent of contraband cigarettes were seized by their officers. I repeat, one per cent, while today we heard, as we were told in the lock-up, that 70 to 75 per cent of this unlawful trade was being carried on through Mohawk territory in southern Quebec and southern Ontario. Seventy-five per cent of this trade is carried on in those territories. So far, the RCMP has been unable to improve its score of one per cent interception, and today we are told that 350 additional officers should be able to deal with the matter.

It may be a significant improvement, but there are a number of very serious questions that have yet to be resolved. We have chiefs of Amerindian nations and the Mohawks saying they have arms on the reserves and that any police intervention might cause a blood bath. It might lead them to use the illegal weapons now on the reserves. The question that I should be asking the Prime Minister, and one that will most certainly be put to him, is this: Good God, what means does the RCMP have now that it did not have before to intervene and intercept the remaining 99 per cent of smugglers who conduct their business virtually in broad daylight? Is it that it lacks the means to intervene or does it fear reprisals from persons who are illegally armed?

(1035)

The Prime Minister informs us that an \$8 export tax will be imposed on each carton of cigarettes. I will remind you that a similar tax was introduced in 1992, only to be withdrawn two or three months later because it proved to be completely ineffective. Why could the government not come up with a more original solution that simply to reintroduce a tax that only a short while ago proved to be totally unworkable, inadequate and unenforceable?

*Routine Proceedings*

In addition, the government has stated forcefully that tobacco manufacturers would be hit with a surtax in order to finance a health promotion campaign. We fully endorse a health campaign. However, what the Prime Minister has failed to say is that there is a danger that the first chance they get, manufacturers will pass on the cost of the surtax to consumers through a price increase. Has the Prime Minister received any assurances that the surtax to be paid by tobacco manufacturers will not, at some point, be passed on to Quebec or Canadian consumers? The Prime Minister was silent on this matter and the whole issue remains unresolved.

Does the Prime Minister not realize that these two measures, namely an export tax and a surtax on tobacco manufacturers, could drive jobs out of Canada. Manufacturers could be inclined to produce the same quality of cigarettes somewhere else where they would not have to pay the surtax or the export tax. Does he not see the danger not only of failing to take highly effective means to get to the root of the problem, but also of driving our manufacturers out of the country? Has the Prime Minister received assurances that manufacturers will go along with this measure, stay here in Canada and pay taxes to finance the health promotion campaign? This question too remains unanswered.

Is there not some risk that the refusal of the other provincial governments to participate in the Prime Minister's action plan will create a serious problem elsewhere than in Quebec? Is there not some risk that the smuggling network, the contraband activity and the illegal sale of cigarettes will move to southern Ontario and to other Canadian provinces since measures will be in place in Quebec to curb this illegal activity? Has the Prime Minister made provision for a mechanism which would ensure that the problem is simply not shifted elsewhere? I remind him that his government would then also be responsible for the illegal cigarette trade outside Quebec. His government would then have to take measures that would be applied everywhere in Canada.

In conclusion, I would simply like to say that the Prime Minister's action plan will have a limited effect. First, only Quebec has agreed so far to come on board. Second, the plan would drive away well paid jobs in the tobacco manufacturing sector. Third, it is not likely that the RCMP will succeed in properly controlling the contraband tobacco trade which is taking place mainly on native reserves. I remind you that thus far, the RCMP's success rate in this area is one per cent. Fourth, I want to say that the opposition supports the anti-smoking measures which have been announced.

We are pleased to see that the questions we raised in this House and the work we have done on this side to compel the Minister of Health to assume her responsibilities have prompted the Prime Minister to include a health promotion component in

his action plan. This concludes our comments at this time. However, we will very likely come back to this subject because in our opinion, the government has been trying for three weeks to hide the truth. Now that it has its back against the wall, it proposes solutions that are a long way from being the most effective. A more comprehensive analysis of the situation would have been in order.

(1040)

*[English]*

**Mr. Preston Manning (Calgary Southwest):** Mr. Speaker, I would like to begin by commending the government for its response to, as the Prime Minister said, a very complex problem and also to thank the government for the briefing provided to us earlier today on the details.

Our understanding of the government's program is that it consists really of four components: first, a stronger enforcement of the laws against smuggling; second, a stronger anti-smoking educational campaign to be financed by a surtax on tobacco company profits; third, an export tax on tobacco exports; and, fourth, the reduction of federal taxes on cigarettes consumed in Canada.

Our initial response to this program is this. First, we commend the government on its program but want to point out one missing element in the presentation the Prime Minister made this morning and in the briefing package presented to us. That is a detailed estimate of the cost of the program. How much is it going to cost? Who is going to pick up the tab?

Our understanding in going through the material is that the net impact of the tax changes is in the vicinity of about \$300 million a year. It is my understanding that the implementation of the other parts of the package are probably in the vicinity of about \$150 million per year. Therefore we are talking about a package of about half a billion dollars net cost per year.

I would like to encourage the Prime Minister and the finance minister that when these programs are presented to the House, no matter what their merits, that they be accompanied by a more detailed presentation of the cost implications because of the financial situation that the government is in.

We find ourselves in support of about three-quarters of the government's program, three of the four major items. We find ourselves supportive of stronger enforcement of the laws against smuggling, supportive of the stronger anti-smoking educational campaign and supportive of the concept of reinstating the export tax on tobacco exports.

I do have to tell the government that the majority of our members believe the majority of their constituents are not convinced at this point in time of the wisdom and viability of the

*Routine Proceedings*

fourth point in the government's program, namely the reduction in federal taxes on cigarettes consumed in Canada.

We share the concern of many of the health groups that tax reduction will encourage smoking. We recognize this proposal is not yet supported by a majority of the provinces which is necessary to affect the differential between the price of cigarettes in the United States and in Canada.

We question the reduction is really sufficient, particularly without full provincial co-operation to deter smuggling activity. We assume the revenues lost through the tax reduction will be compensated through tax increases in other areas. We would very much like to know what those tax increases are and who will be paying them.

We recognize that the tobacco tax issue is becoming, as the Prime Minister said, more than a tax issue. It is becoming a justice issue. It is becoming a social issue. It is becoming an aboriginal issue. It is becoming an issue of interprovincial relations, but at the root of it is overspending that leads to overtaxation in the first place and all these side issues.

We believe the House and the government have yet to deal with the root of the problem which is the overspending. We expect and hope that will be dealt with in the budget presentation in a couple of weeks.

The Reform caucus will be reviewing the government's program in detail tomorrow morning and we hope to have further contributions in the days ahead.

(1045)

**Hon. Audrey McLaughlin (Yukon):** Mr. Speaker, I rise on a point of order. I wonder if I might seek unanimous consent of the House to make a very brief response to the Prime Minister's statement on behalf of my party.

**Some hon. members:** Agreed.

[*Translation*]

**Ms. McLaughlin:** The New Democratic Party knows that smuggling is a very complicated problem. It is not a very effective way of solving the problem, but I have a few comments concerning the government's plan.

[*English*]

The first point I would like to make in response to the statement of the Prime Minister is that while we recognize this is a very complicated problem, we think it is based on several assumptions.

One assumption is that this is a problem related only to cigarettes and tobacco products. It is clear, as we heard from the alcohol manufacturers, that they are gearing up their campaign for similar treatment. It seems to me this is a very slippery slope, reducing the tax on cigarettes, the government has embarked

upon without a full framework of all the ramifications on other products as well.

The assumption that this issue will be dealt with is a major assumption indeed since there are other products, other manufacturers, other issues that are going to be affected very quickly. The government should in my view have brought in a plan which would deal with the whole issue and all the products that might be included.

Second, this was not a plan developed in conjunction with the provinces and the territories in a way that there could be a coherent plan across the country. Clearly, if provinces set different tax rates, we are going to see that there will be a similar problem between and among provinces.

I want to say that we are very much in favour of the export tax and the surtax proposed by the government. We are not in favour of lowering taxes on cigarette products. However, it is based on the assumption that the cigarette manufacturers will not raise their prices to compensate for the increased tax. I just raise that as a problem.

The third point I would like to make is on enforcement. Our party very strongly believes there needs to be increased enforcement both for those who buy contraband products and those who sell them. However, the government will know there has been a significant reduction in financial resources both to the RCMP and to customs officers. The question this raises is: What is the capacity of the RCMP and customs officers with the reductions in their own budgets that they have felt over the last few years? What is their capacity?

We oppose the reduction of taxes on cigarettes because this is not within the framework of a full plan. Clearly the statistics on health and, as the Prime Minister mentioned, young people are clear. The higher cost has resulted in a reduction of the use of tobacco products. There are over 37,000 Canadians a year who die from the use of tobacco products. I believe this plan will be very detrimental to health care in Canada.

Finally, this morning we heard many provincial commentators saying that they are concerned that the unilateral plan of the government without full consultation and a joint plan with the provinces may undermine the national health forum. The government has undertaken an attempt to solve a very difficult problem. However I believe it is on a slippery slope when it simply sees the reduction of the cigarette tax doing this.

The other areas are very important and I hope the government will not, as the previous government did, back down on the export tax when manufacturers start to complain about it.

I would say that we in Canada are left with a very serious problem regarding smuggling of a number of products not included in this plan. We are still left with a significant health

care problem that I believe we had found a way to address but now that way is being undermined by the government's plan.

(1050)

**Mr. Bob Speller (Haldimand—Norfolk):** Mr. Speaker, I know we allowed unanimous consent to allow the leader to give a statement. I am wondering if there might be unanimous consent for me to also give a brief statement.

**The Speaker:** Of course the Chair is always in the hands of the House. Unanimous consent has been sought by the member for Haldimand—Norfolk to intervene in a minister's statement. Is there unanimous consent?

**An hon. member:** Agreed.

**Mr. Speller:** Mr. Speaker, I will be brief. I want to thank hon. members on all sides of the House. Many members realize the work I have put into this issue over the past number of years.

My riding has the majority of the tobacco farmers in the country. They are farmers who are looking very intently at this policy. They tried for a number of years to push the previous government actually to crack down on this issue.

I also have the Six Nations Reserve in my riding, which is the largest native reserve in the country, one whose communities have been fraught with a number of smugglers in this country.

In my riding alone I have 200 smoke huts on the reserve. I have had many people including the band council and most people on the Six Nations say: "Mr. Speller, would you please do something about this problem. This problem is hurting our community. We are getting a bad name across this country because people are blaming this problem on natives". I was glad that the Prime Minister today pointed out that 95 per cent of this problem is organized crime and it is not with natives in the country.

I was also pleased to learn that the Solicitor General had sought to have the head of the RCMP to sit down with my community of the Six Nations and discuss ways in which this problem could be resolved. I commend the Solicitor General for that.

In terms of my tobacco farmers who have a large concern with this because of the problems that they have been having in the tobacco communities and the surrounding infrastructure, we have a number of people within my community and the surrounding ridings who consider this to be a very important issue. I know they will be pleased today to learn that the government has finally taken the initiative to come forward and has given a commitment to work with these communities in order to resolve the problems of adjustment that may occur because of some of the policies that have come forward today.

### *Routine Proceedings*

**Hon. Fernand Robichaud (Secretary of State (Parliamentary Affairs)):** Mr. Speaker, I rise to seek unanimous consent to permit the Minister of Human Resources Development to introduce a bill to provide for the maintenance of west coast operations.

**The Speaker:** Is there unanimous consent?

**Some hon. members:** Agreed.

**The Speaker:** Agreed and so ordered.

\* \* \*

### WEST COAST PORTS OPERATIONS ACT, 1994

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification)** moved for leave to introduce Bill C-10, an act to provide for the maintenance of west coast port operations.

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

(1055)

**Mr. Riis:** Mr. Speaker, on the matter that we just agreed to in terms of enabling the legislation to be introduced at first reading, is my understanding correct that the debate on this legislation will not occur until after Question Period this afternoon?

**Mr. Milliken:** Mr. Speaker, it is my expectation that the debate on Bill C-3, which is scheduled to start this morning, will occupy all of the time until Question Period and so the debate on this bill will not start until later.

Of course there will be discussions with the other parties to accommodate everyone to ensure that we have a suitable time for the commencement of the debate. I am sure this will not happen until after Question Period.

\* \* \*

### NATIONAL SPORT ACT

**Mr. Nelson Riis (Kamloops)** moved for leave to introduce Bill C-212, an act to recognize hockey as a national sport.

He said: Mr. Speaker, it is my pleasure to join my colleague from Winnipeg Transcona to introduce a bill entitled an act to recognize hockey as a national sport. We all recognize that no sport has ever been designated by the Parliament of Canada as our official national sport. I think we would all have to agree that if there is anything that is as Canadian as Canadian can be it is Mounties, beavers, maple syrup and perhaps hockey as a sport.

I would also urge colleagues from all sides of the House to feel free to second this motion if they wish to be part of the process. Hopefully one day soon we will declare hockey as our official sport here in Canada.



*Government Orders*

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

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**PETITIONS**

THE SENATE

**Mrs. Jane Stewart (Brant):** Mr. Speaker, I would like to present a petition on behalf of some constituents from the riding of Brant encouraging the government to look at the role and responsibilities of the Senate.

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**QUESTIONS ON THE ORDER PAPER**

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons):** Mr. Speaker, I would ask that all questions be allowed to stand.

**The Deputy Speaker:** Shall all questions stand?

**Some hon. members:** Agreed.

**GOVERNMENT ORDERS**

[*English*]

**FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS AND FEDERAL POST-SECONDARY EDUCATION AND HEALTH CONTRIBUTIONS ACT**

**Hon. Fernand Robichaud (for the Minister of Finance)** moved that Bill C-3, an act to amend the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, be read the second time and referred to a committee.

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons):** Mr. Speaker, I am pleased to have the opportunity to debate Bill C-3 at second reading. It amends the Federal-Provincial Fiscal Arrangements Act and Federal Post-Secondary Education and Health Contributions Act.

(1100)

[*Translation*]

Bill C-3 is centred on the renewal of the equalization program, which is in fact the cornerstone of fiscal federalism in Canada. The objective of equalization, whose principle is enshrined in the Canadian Constitution, is to enable provincial governments to offer to the Canadian people fairly comparable public service levels at fairly comparable tax levels.

[*English*]

Equalization has a long tradition. It was established as a program in 1957. Even here the wartime and post-war tax rental

agreements implicitly equalized provincial revenues. Indeed in 1867 higher statutory subsidies were paid to Nova Scotia and New Brunswick than Ontario and Quebec in recognition of their disproportionate loss of customs duties and excise taxes upon entry into Confederation.

Because equalization is paid only to the less wealthy provinces, it is the most progressive of the major federal transfers to the provinces. In 1994-95 it is anticipated that the government will provide about \$8.5 billion in equalization to receiving provinces. This means that a provincial government along with its local governments that levies average rates of tax will have per capita revenues of \$5,000 from taxes and equalization to fund public services.

However as we all know the context for this year's renewal of equalization is unprecedented. The federal government's fiscal situation is worse today than in 1992 and much worse than in 1987 and 1982, previous times of equalization renewal.

In our deliberations on renewing equalization we have balanced the need to be fiscally responsible with the singular role of equalization in underpinning the unique sense of Canadian sharing.

[*Translation*]

I think the bill is moving in that direction. It calls for an increase in equalization payments of 5.5 per cent a year for the next five years. It also provides for several changes to the tax base in order to update and improve the measurement of provincial tax capacity, which is essential to maintain the equity of the program. For the provinces these tax base updates will translate into gains of about \$165 million next year and some \$900 million in the next five years.

In addition, the government has promised the provinces not to amend this formula in the next five years. The provinces will then be able to plan their budgets in a stable climate.

[*English*]

Clearly the renewal package has to be affordable. This is why we have retained a ceiling on equalization, one that will be effective in providing protection to the federal government's ability to finance the program. The ceiling limits the cumulative growth in equalization to no more than the growth of the economy from a base year. This means for example if the economy grows 5 per cent from the base in the first year, equalization can grow no more than 5 per cent. If in the second year the economy grows a further 5 per cent, the cumulative or total two-year growth of equalization is 10 per cent.

The year 1992-93 has been retained as the base. It is a year of relatively modest equalization payout. Unlike previous equalization renewals where the first year of the term was not subject to a ceiling constraint and in fact set the base year, we have put a limit on the payout for the first year. In current fiscal circumstances it is simply not appropriate to have an open-ended first year. Having 1992-93 as the base year uses a year where the data

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are close to final, that is to say subject to little revision. This will provide more certainty on payments for both the federal government and the provinces.

(1105)

Now let me go into some details of the bill.

*[Translation]*

First, equalization will be renewed for the next five years. Given the commitment to maintain the structure of the formula, this will give more stability to the provinces receiving equalization payments.

Second, the level of the five provinces, namely Quebec, Ontario, Manitoba, Saskatchewan and British Columbia, whose provincial fiscal capacity is being raised will be maintained.

Third, as I said earlier, the ceiling based on the 1992–93 fiscal year will stay in place.

*[English]*

Fourth, the program floors will remain unchanged. The floors provide protection to provinces against large year to year declines in equalization.

Fifth, certain tax base changes to update the measurement of the provinces' fiscal capacity will be introduced. This is essential to maintain the integrity of the program.

Sixth, the legislation will contain a means to alleviate excessive reductions in equalization for provinces with specific and exceptionally large proportions of the tax base for certain natural resources. This will remove a longstanding irritant to the provinces on this so-called tax back issue.

Finally it is important to note the base for the ceiling will be adjusted so that the provinces can benefit from the tax base updates and tax back even if the ceiling applies.

In closing, passage of this bill will have beneficial effects for Canadians and the provincial governments, providing essential services to them. It will provide for the next five years a stable funding regime for equalization. It will provide substantial support for the less wealthy provinces, underscoring the priority the government puts on equalization. It maintains the fairness and equity of the program and it is fiscally responsible. It is fully consistent with the government's deficit target.

I commend the bill for the consideration of the House. I hope with co-operation from all sides we can obtain second reading of the bill promptly this day so that it can be studied in detail in the standing committee.

*[Translation]*

**The Deputy Speaker:** I wish to inform the House that because of the ministerial statement, Government Orders will be extended by 39 minutes, pursuant to Standing Order 33(2)(b).

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot):** Mr. Speaker, I am pleased to share with you the Bloc Québécois's opinion on Bill C-3, to renew the Canadian equalization program.

First of all, we cannot properly appreciate this bill and its impact and propose amendments to it and deletions from it without considering equalization among the other kinds of transfers made by the Government of Canada to the provinces. Besides equalization, these federal transfers are established programs financing, which is the federal contribution to provincial health and post-secondary education programs, and shared cost programs, of which the Canada Assistance Plan is the most important.

Nor is it desirable to analyze this bill without looking at the reason behind equalization, which was entrenched in the 1982 Constitution, a Constitution that Quebec has not approved, by the way. By reviewing these two aspects of federal transfers, we will be able to demonstrate clearly that from the time ceilings were imposed in 1982, this equalization program no longer meets the objectives for which it was established. An examination of the other transfers will complete our analysis and show the need for a complete review of federal transfers. It will show the bankruptcy of fiscal federalism as designed on the basis of the Rowell-Sirois report of 1941, which I had an opportunity to analyze in my youth at university.

The spirit of the Rowell-Sirois report is mocked by the doings of this government and the previous one. For example, transfers help provinces which need them least. Is it any surprise that the gap between rich and poor provinces has been growing in the last ten years or so?

(1110)

Indeed a close examination of the way federal transfers work reveals that since the mid-eighties transfers have increased more rapidly in the well-to-do provinces, namely Ontario, Alberta and British Columbia, than in the poor provinces, which should logically be the ones benefitting from such transfers. For example, between 1984 and 1991, total federal transfers have, on average, increased by 6.9 per cent per year for Ontario, and by 3.1 per cent only for Quebec. And Quebec is considered a not so well-to-do province.

Why do we have this situation, which I find absurd? Simply because of the very nature of federal programs, because of the federal withdrawal and, more specifically, because of the failure of Canadian fiscal federalism.

Let us take a closer look at the situation; let us examine each program, one at a time, starting with equalization. As the hon. member opposite said, the purpose of federal equalization is to reduce disparities between provincial governments regarding their ability to collect taxes and to impose taxes on their

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territory, so that they can provide uniform services among them, such as regular public services. This capacity is measured by using various provincial and municipal taxes. And, as the document prepared by the federal Department of Finance says, equalization payments are calculated by using a formula established in the federal legislation. First, revenues which each province could draw from a typical, and therefore theoretical, tax base are calculated. Then, the overall ability of each province, on a per capita basis, to draw revenues from these sources is compared to a "representative standard", which is based on the fiscal capacity of the five provinces—this standard is currently estimated at \$4,800 per capita, or roughly \$5,000. If the total per capita capacity of a province is below that standard, federal equalization payments are used to bring revenues to that standard, so as to standardize the ability to provide public services.

In theory, based on this calculation, the average fiscal capacity of the seven poorest provinces should be more similar after making equalization payments to enable those provinces to provide comparable public services. In fact however, this is not the case at all.

Since 1988–89, because of the ceilings set, payments made to provinces do not enable them to reach that representative standard. According to the terms of these ceiling provisions, equalization entitlements of all the beneficiary provinces can no longer increase more rapidly than the economy, as measured by the gross national product. The ceiling for equalization was used twice in recent years: once in 1988–89, and again in 1990–91, in the middle of a recession that hit hard the economy of Canadian provinces, and especially that of Quebec.

During those two periods, this ceiling translated into a loss of revenue of more than \$2.9 billion for the beneficiary provinces. I might add that Quebec, because of its distinctive features, especially from a demographic point of view, absorbed more than 60 per cent of that loss, including \$1.8 billion for 1992–93 alone.

Mr. Speaker, you will remember, as will the members who are here, that this situation is what triggered the famous retroactive tax of the previous Minister of Finance in Quebec, the late Gérard D. Lévesque. So, by extending this ceiling on equalization, the federal government is once again putting Canadian provinces in a difficult position.

Moreover, this ceiling reduced the transfers that provinces should have received to maintain their fiscal capacity standard, so much so in fact that this capacity currently varies by as much as 12 per cent between have and have-not provinces. That finding is not mine, nor that of my colleagues from the Bloc Québécois. This statement was made by a great federalist from Quebec, the present Minister of Finance of that province,

Mr. Bourbeau, who, when it was announced that the equalization agreement was being extended, made some veiled criticisms, since a great federalist does not lash out at one of his colleagues, but he nevertheless criticized the government for extending the application of this ceiling.

(1115)

This ceiling deals a blow to fiscal federalism as well as the Rowell–Sirois principles. Equalization has not been reaching the federative goal set originally, especially since the end of the Second World War.

Let us now examine established programs financing, another main element of the federal transfer program. Established programs financing represent the federal health and post-secondary education contributions to the provinces. Yet, the federal withdrawal from this area has been quite obvious. Since 1982, the federal government has been gradually opting out of established programs financing. For example, in 1990–91, basic contribution per capita was frozen to the 1989–90 level for fiscal years 1990–91 to 1994–95.

This freeze and the equal per capita cuts arising from this overall reduction program hit the have-not provinces more harshly. Again, not only is equalization not aiming for the goals originally set when the system was created, but even the other transfer programs are not as fair to the have-not provinces as they are to the have provinces.

In fact, since the average income of taxpayers is lower in the have-not provinces than in the rich provinces, the poorer provinces are less able to levy taxes even after equalization, with a current difference of 12 per cent, as we saw earlier.

Thus the have-not provinces must raise their tax rate more than the others to be able to maintain the health care and post-secondary education they offer their own people through the established programs financing.

The situation gets even worse when the equalization ceiling is reached as is the case since 1988–89, that is, when needs exceed the nominal GNP growth. Indeed, the additional revenues levied by the provinces do not bring additional equalization and the poorer provinces must make a greater effort than the others to levy even one dollar more per capita. In Quebec, for example, the loss in revenues resulting from all the changes made to the established programs financing since 1982 amounts to \$1.8 billion for fiscal year 1993–94.

Since established programs financing provides for equal per capita transfers, another kind of unfairness has developed over the years in that 59 per cent of the funds are handed to the three richest provinces in Canada. As we have seen earlier, all of the transfer programs were originally meant to help the have-not provinces.

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As for the shared cost programs, their operation raises the same kind of problems. The majority of existing programs do not do enough to reduce economic disparities in Canada since they favour the provinces that have a greater fiscal capacity and can afford a higher level of services. Again, the richer provinces are favoured by cost-shared programs.

Second type of problem, the fact that the federal government uses its spending power in various areas—and Quebec is well aware of this situation—leads to overlap, duplication and conflicting priorities which, in turn, unquestionably lead to a waste of public funds.

Third type of problem, here again, as was the case with the two previous programs, we are witnessing the progressive withdrawal of the federal government from several areas in which it had encouraged the provinces to make commitments. The circumstances are always the same. Because of its spending power, the federal government gets involved in areas that should be under provincial jurisdiction. Then, it decides that it does not want to be involved any more or that it cannot afford to be involved any more. Since its involvement has created a need over the years, its withdrawal forces the provinces to honour the commitment previously shared with the federal government.

Among cost shared programs, the Canada Assistance Plan is the most important of all federal transfer programs. If my memory serves me correctly, transfers under this program totalled \$7.8 billion this year.

(1120)

The Canada Assistance Plan, commonly known as CAP or the federal contribution to social assistance, is a good illustration of the problems associated with shared costs programs: first, the lack of explicit consideration of the gaps in needs and financial resources between provinces; second, the obligation for provinces to spend in accordance with the rules set under the plan, known otherwise as national standards that we traditionally have disliked in Quebec; third, inefficient management; and fourth, high administrative costs. Here again we have an absurd situation as far as shared cost programs are concerned, a situation that makes one question the value and strength of Canadian fiscal federalism.

Between 1984–1985 and 1989–1990, for example, federal transfer payments under the Canada Assistance Plan have grown at an annual rate of 11 per cent in the more advantaged provinces. Over the same period the less advantaged provinces showed an annual growth rate of 4.3 per cent only. As for Quebec, the growth rate was even less than the general average for the less advantaged provinces, amounting to 3.3 per cent over the same period.

In the budget speech for 1990–1991, the federal government announced that it was also setting a 5 per cent cap on the growth

of its transfer payments under the Canada Assistance Plan. This capping contributed to reducing the share received by the more advantaged provinces—thank goodness for that ceiling—which decreased from 55.1 per cent in 1989–1990 to 50.2 per cent in 1992–1993. But we are talking about a lot of money. A shared cost program such as the Canada Assistance Plan provides more than half the funds to provinces that need them the least, that is the richest provinces in Canada. That is why the federal transfer payment system is flawed.

The shared cost programs include many other programs besides the Canada Assistance Plan. In 1992–93, there were more than 60 federal–provincial agreements under which Quebec, as well as all the other Canadian provinces, were getting transfer payments. Since the early 1980s, the federal government has opted out from many of these programs, as it did with previous programs, so that provincial governments, including Quebec, are now in a very difficult position which is also forcing them to raise taxes, while the federal government washes its hands of the matter.

What are we doing with Bill C-3? What we are doing is carrying on with all the problems that I mentioned to you, the almost absurd problems in transfers to rich provinces as opposed to poor provinces. So we carry on with this nonsense by attacking only one type of these transfers which is called equalization. The government sticks to the same absurd position by keeping the ceiling previously established, a position which misrepresents the role that equalization payments should play.

The Bloc Québécois is opposed to Bill C-3, because it simply renews the ceiling on equalization payments. This Bill is contrary to the goal of equalization payments which is to reduce the differences in the ability to raise taxes between the better-off provinces and the less well-off provinces .

If the government is unwilling to remove the ceiling it should, like the previous government, acknowledge the fact that it is putting into question the goal of equalization payments and the principle of fiscal federalism expressed in the 1941 Rowell–Si- rois report.

The ceiling, when it applies, reduces the transfer payments that a province would have received otherwise to maintain the same standard of fiscal capacity as the other provinces. I will quote the Quebec Minister of Finance, although it is not very often that I refer to Mr. Bourbeau. Mr. Bourbeau said, in referring to the ceiling, that today there was a difference in fiscal capacity of about 12 per cent between the wealthier provinces and the poorer provinces, after equalization. The question therefore arises whether the poorer provinces are really in a position to provide public services comparable in quality to those offered in the wealthier provinces, and at comparable tax rates.

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(1125)

For a committed federalist to raise this issue, which goes to the very heart of Canadian federalism, is a clear indication that it is a problem that must be dealt with quickly, as soon as it reaches the Finance Committee with Bill C-3.

We must not forget that, as I said before, the ceiling applied from 1988-89 to 1990-91 caused recipient provinces to suffer a potential loss of over \$2.9 billion. In this case, recipient provinces means those that are least able to absorb these tax losses. Quebec absorbed 60 per cent of this potential loss and thus suffered a loss of \$1.8 billion in revenue.

Assuming that the GDP annual growth rate will be between 5 per cent and 6 per cent per fiscal year, the federal Department of Finance expects that applying the current ceiling provided in Bill C-3 will cause the recipient and thus poorer provinces to lose nearly \$1.5 billion over the next five years. Quebec will again absorb 60 per cent or nearly \$900 million.

Earlier, I had to smile when I heard the hon. member say that a change in the reference tax base used to establish equalization amounts for each province would give another \$300 million to the poorest provinces and about \$70 million to the province of Quebec. The mere fact of extending the ceiling for the next five years will cause Quebec alone to lose \$900 million. If we take this loss of \$900 million and subtract about \$300 million gained over the next five years as a result of redefining the tax base, the result is still a net loss of \$600 million for Quebec alone.

This will only happen if the forecast growth of nominal GDP over the next five years—the optimistic forecast made by the federal Department of Finance—is accurate. Recently I have seen figures of 5 to 6 per cent. In particular, a number of organizations in Quebec were talking about growth of around 4 per cent, so if we have 4 per cent growth and if there is a 4 per cent ceiling on equalization payments, losses may be well in excess of the figures I just mentioned.

The federal government, by tabling Bill C-3 and ignoring all the problems, incongruities and even absurdities found in other federal transfer payments, has made it clear that, like the previous government, it intends to shift the burden of the deficit onto the provinces and, by the same token, undermine the grand design of federal equalization. Like the Conservatives, this government will let the provincial governments take the blame for tax increases and wash its hands like Pontius Pilate.

**An hon. member:** Blameless.

**Mr. Loubier:** Absolutely. Like Pontius Pilate.

If I were a federalist, I would recommend a complete overhaul of the transfer payment system and go back to the position taken

in 1941 as expressed so well in the Rowell-Sirois report. However, I am not. And even the most committed federalists are starting to have doubts about the effectiveness of the tax system and Canadian fiscal federalism.

I am a sovereigntist, like the Bloc Québécois. To us, the best reform would be to give Quebec its sovereignty, and we cannot repeat this often enough.

(1130)

If one looks at the mix-up there is in standards, federal transfer payments, the necessity to respect national standards, duplications, overlapping, et cetera, only one solution comes to mind and that is the redefining of the relationship between Quebec and Canada, the establishment of a new relationship which would allow a sovereign Quebec to adopt consistent policies on income security, policies combining income security with education programs and manpower training; a new relationship where there would be only one stakeholder and not two who sometimes implement contradictory measures which cancel one another.

Just think how much we could reduce disparities between regions, income levels and generations that constitute a major problem in developed countries today. Think of all the possibilities we could have in Quebec and in Canada if we would only review the federal transfer programs, of all the opportunities there would be for us to face today's great modern challenges like globalization and job creation—jobs, jobs, jobs. We are also concerned about jobs considering all the measures that have been on our mind for almost two decades if not three.

We will contribute nevertheless, as we have said since the beginning, since we have taken on our role as Official Opposition in a responsible and efficient manner; we will continue to play that role and when Bill C-3 is referred to the finance committee, we will propose, among other things, that the equalization ceiling be removed.

In conclusion, I would like to add a few elements to the evaluation of equalization and other federal transfer payments. A word of warning for my colleagues from other parties. Let no one come and tell us, during the debate on equalization in this House or during the finance committee proceedings, that Quebec receives more than its share of equalization and transfer payments, that Quebec receives more than its share of the Canada Assistance Plan and therefore of social assistance. Quebec does not need equalization payments nor does it need CAP, and it definitely does not need equalization payments rendered useless since being capped. What Quebec needs is a strong, well structured and vibrant economy providing it with the necessary tax revenues. That is what Quebec needs. It is jobs we want in Quebec, not the Canada Assistance Plan.

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Let us consider the surplus Quebec gets from the Canada Assistance Plan and the supposed surplus from equalization payments, since there are losses and shortfalls in that area, and let us compare them with the losses Quebec incurs because of unfair distribution of federal funds in terms of productive investments, that is to say federal investments in, for instance, research and development. In the past 30 years, Quebec has been receiving between 13 and 18 per cent of all federal R and D funding, both intra and extramuros. Let us figure what this loss of revenue means, not so much in accounting terms, but in terms of lost opportunities.

What would the situation be today in Quebec if it were not for this unfair distribution of R and D transfer payments? Would Quebec be one of the have-not provinces now, supposedly being helped by a sham of an equalization system, or would it be able to have sufficient tax revenues, just like Ontario does? For the last 30 years, Ontario has been receiving around 50 per cent of all federal funding. And you would have us believe that it has nothing to do with a weaker economy in Quebec?

Having said this, we will do our best to defeat or amend Bill C-3 when it goes to the finance committee, and as I mentioned a little bit earlier, we will fight against the continued capping of equalization payments. We will strive to bring about changes to help our Canadian friends to take better advantage of a system that might have been excellent at the start but which now borders on the absurd.

**The Deputy Speaker:** Since there are no questions or comments following what the spokesman for the Official Opposition said, I recognize the Reform Party. The hon. member for Calgary West.

(1135)

[*English*]

**Mr. Stephen Harper (Calgary West):** Mr. Speaker, I rise to lead off our party's contribution to this debate on amendments to the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act. In Bill C-3 we are discussing amendments or renewal of the equalization program.

As I understand it this bill does several things. The parliamentary secretary alluded to these and I will repeat them. It renews the current equalization program to the end of fiscal 1999. It retains the GDP ceiling on equalization transfers. It makes some changes to tax base calculations in the formula tax base updates. It provides relief on tax back of some unique resource capacities in certain provinces.

Under this bill equalization payments are projected to grow from \$8.4 billion this year to about \$10.4 billion by the end of the century. That will be an annual growth rate of about 5 per cent per year. It includes about 2 per cent additional growth that is being added by the measures in the bill. Because of the cost of

the program, rather than the particulars of the formula or some of the elements of the bill, our finance committee within the Reform caucus has recommended to Reform MPs that they oppose this bill at second reading.

During the past election our party campaigned—and I have made reference to this several times—on the need to undertake a dramatic program of expenditure reduction to get us on the path to long run financial sustainability of all our most valuable programs. It was the zero in three plan to balance the budget within the life of this Parliament.

In that plan we have projected and continue to maintain that spending at the national level is at least 15 per cent above our long run ability to sustain it. We have attempted to examine categories of spending and we will continue to do so, including spending on social programs and within that transfer programs to the provinces.

The zero in three program proposed relatively small cuts in these areas. That was the feedback we received through consultation with the public. In fact we had proposed only reducing federal transfers to the provinces by about 5 per cent of the total from this level of government or about \$1.5 billion. Another way to put it would be about 1 per cent of provincial tax revenues.

Let me review what we are talking about in this particular envelope of spending. I am quoting from a recent publication of the Department of Finance. It states that in fiscal year 1992-93 this category of spending would include such things as established programs financing in the health care field, \$8.3 billion; the equalization program discussed in this bill, \$7.4 billion; Canada Assistance Plan transfers, \$6.7 billion; established programs financing transfers for post-secondary education, \$2.9 billion; and various other transfers, the so-called minor transfers.

Things become minor when they are less than \$1 billion. That includes significant transfers to territorial governments, all of which total according to the documents roughly \$28 billion that fiscal year. That does not include tax point transfers which add considerably to the total. We are talking about one-quarter of all program spending and more than that if we take into account the tax points.

(1140)

As I indicated, people did not want to target the area of social programs and transfers generally for reductions. However given that these are now two-thirds of all current spending, it is hard to avoid some kind of action in these areas.

In developing our program we found that what people wanted to preserve most strongly were the funds dedicated specifically to the maintenance of health and post-secondary education programs. The public felt there was some room to reduce

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transfer payments toward such things as equalization and the Canada assistance plan.

I suspect the reason for the less strong support for those programs as compared to the others was not just the nature of the programs but the fact that these two programs have strong discriminatory elements that are funded more favourably in some provinces than in others.

I do not want to say that the bill costs too much but I would specifically suggest to the government this alternative. We have proposed that equalization payments should be reduced by about 10 per cent at some point and that these reductions should focus on middle income rather than on the poorest provinces. Something like this could be achieved by reducing the equalization standard to less than 100 per cent of the average fiscal capacity. If one says in the range of 98 per cent to 99 per cent that would achieve the objective.

More important, it would retain the principle of equalization which is not only something we support but which is embedded in the Constitution Act, 1982, which our party recognizes and which other parties do not necessarily recognize. Under our proposal one would retain inflation protection in the growth of formulas over the long term.

I would also suggest that other elements of the equalization formula and calculation should be examined both on grounds of fairness as well as some of the incentive issues in these various programs.

We will be voting on this later this afternoon. We will be voting on looking at fairness and incentive issues in the structure of transfer programs, largely the transfers to individuals such as welfare and unemployment insurance. We will be looking at those kinds of programs.

I would suggest a similar study is warranted in this area. My colleagues will be commenting at greater length later today on some of these problems. Let me give a couple of examples.

The formula used now assigns Alberta, which is not a recipient province, a 25 per cent higher fiscal capacity than the province of Ontario. While this obviously is not going to have a direct impact this year as neither are recipient provinces, I would suggest it clearly indicates some bizarre functioning in the calculations. Alberta does not have a 25 per cent higher fiscal capacity than the province of Ontario.

I would also note that the way this program has increasingly operated, the costs are now linked to economic growth. In other words there is a tendency for the payments under this formula to be limited at precisely the time that provinces are having difficulty with their revenues.

During boom times the ceiling operates in a way that would allow provinces to collect greater revenue in federal transfers.

That would seem to me to be something that should be examined in terms of the efficacy of the equalization program.

Maybe I could spend a few minutes commenting on the bill in a little more detail in light of the Liberal position. I have found it somewhat strange that the Minister of Finance would announce he is going ahead with a guarantee on this program and these sets of funds when he has indicated he is reviewing other major transfer programs to the provinces and there is no necessary guarantee at this moment they would be renewed in their current form. That is a series of priorities I have trouble understanding. It is obviously not consistent with our party's priorities. It seems particularly inconsistent with the fact that we are waiting for a budget and most of these issues are soon to be addressed. I do not understand why this particular program has been guaranteed in advance before the budget consultations have been completed.

(1145)

I can say some things on the positive side, though, in terms of the specific elements. I would like to commend some of the smaller changes, in particular the excessive tax back provision element of this bill. That at least conceptually will move us toward a somewhat fairer system, even if the dollars involved immediately are not terribly significant.

I also would like to urge the government to continue what the previous government did in 1982, that is retain the GDP ceiling. Obviously we would like to see stronger reductions in that, but it is necessary for the federal government to protect itself against a situation in which it would be liable for open ended transfers.

Maybe I could also take a minute to comment briefly on the position of the Bloc Quebecois and on some of the comments that were made by the critic from that party. It is important that we say these things. I do not want to get into these regional kinds of debate at great lengths, but we should be really clear here. I am sure members of the government will agree with me. We are discussing here a very major transfer program of Confederation, and one that is mandated under the Constitution Act, 1982.

Regardless of our differences with the government on the cost, what we are talking about is a program that is going to cost \$8.4 billion in the upcoming fiscal year. Of that \$8.4 billion, \$3.7 billion or 45 per cent of those funds is targeted for the province of Quebec.

My constituents pay into this and our provincial government receives nothing. Surely the appropriate response is not to say it is not enough, but we have serious problems in the country, not just with our annual deficit but with the \$500 billion of debt that we have accumulated. Whether we have a major constitutional reform or even the sovereignty of Quebec as the Bloc Quebecois would like, surely we recognize we are going to be stuck managing this debt for decades to come. I would anticipate that

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at some point we will get some realistic discussion of how to deal with that and the impact of that from all the parties in this House.

I am floored by some of the comments that I have heard. I would urge the government to consider something that we asked for in the previous Parliament. Our caucus had asked that the government publish regularly the regional and provincial distributions of its tax expenditure and transfer policies so that those things are on paper and clear, so that we can see the impact of changes on provinces and so that we can have this kind of discussion in a rational atmosphere rather than it becoming simply a matter of scoring points in a particular province.

We have done considerable work in this area to get a greater understanding of these kinds of considerations. Let us be clear about it once again. To assist in the running of the government in the province of Quebec \$3.7 billion is being voted here. It is a principle we share, an equalization payment, because there is a lower fiscal capacity in that province. Let us be clear that this is what this bill does. I am also looking for some realistic discussion of this in the next couple of years. Let us be clear that the option the Bloc Québécois is proposing to deal with this, the sovereignty of Quebec, would result in the province of Quebec receiving zero.

I am really looking forward to the day we begin to discuss both sides of the argument and, in a much more realistic fashion, these kinds of considerations.

(1150)

In concluding my remarks I would urge the House to reconsider Bill C-3 and to reconsider at this point committing to a growth in our financial commitments that will amount to \$2 billion over the next five years before we have even had presented a financial framework.

I am under no particular illusion that our colleagues on either side of the House are going to support such reduction proposals. I do not think the time has come yet when all parties are willing to bite the bullet. I would at least suggest that the Liberals give this some consideration as in the upcoming months and year they have to grapple more seriously with the financial mess of the country.

We will be discussing the bill in committee and at third reading. In the meantime there will be a budget. We also will be examining our position on this matter in light of the budget, in light of the data we get out of that, and in light of proposals we have and we are expecting in areas of other fiscal transfers.

Once again, we will examine this in light of our deteriorating financial situation. In the meantime I believe my colleagues will be opposing this extended financial commitment.

**Mr. Benoît Tremblay (Rosemont):** Mr. Speaker, I have a question concerning the speech made by the member for Calgary West. What would be the fiscal capability of the western provinces if the federal government did not pay \$2 million to \$3 million for the wheat?

**Mr. Harper (Calgary West):** Mr. Speaker, I am not sure precisely what the question is driving at. I think the member is asking me what would be the effect on the western provinces if there were not bridge payments in the event of the kind of agricultural crises that have occurred in the prairies.

In the context of the current equalization program Saskatchewan and Manitoba are recipients of this particular program. Other provinces and individuals are also recipients of other transfer payments.

The member alluded to one in particular. There are contributions that all governments and individuals make to certain agricultural stabilization programs. There are also periodically payments under those, an emergency payment under those. Obviously if those things did not come to pass in a timely fashion the impact would be negative. Nobody doubts that and nobody is debating the principle of there being fiscal sharing when that is appropriate.

I have suggested today to the government, and I will reassert that particular suggestion, that we begin to publish in an objective manner the comprehensive effects of these things on all provinces, not just individual programs. We can all point to programs in which we are short changed or there is a special consideration. Let us officially, through the Department of Finance, begin to regularly have this kind of analysis so that we can discuss these issues in a rational manner.

In short response to the member's question, there is absolutely no doubt that the impact of not receiving some of these programs would impact western provinces as well.

[*Translation*]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot):** Mr. Speaker, I listened carefully to the statement by my colleague from the Reform Party. I particularly noticed a remark which I found rather biased and uncomplimentary, I would say, towards Quebec, namely that Quebec received 45 per cent of equalization and suggesting that Quebec was the spoiled child of Canadian Confederation. If he did not understand, probably there are problems with the simultaneous translation. Maybe he did not get my message just now, which was that equalization is meant to raise the revenue of provinces and that Quebec is a have not province. If Quebec is less well off, they should ask by looking at it objectively, since they seem to be objective once in a while when their ridings or home provinces are concerned what



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Quebec has had in terms of research and development, federal purchases of goods and services, transportation and agriculture in the past 30 years. Do not tell me that when it comes to agriculture, the three prairie provinces, with payments of about \$1.5 billion a year since 1986, in addition to regular programs, are not favoured provinces in the Canadian Confederation.

(1155)

Before throwing figures around left and right, I would ask for a real debate in this House on the federal government's contribution to Quebec, if they want such a debate, and I will be pleased to answer all their pernicious arguments.

[English]

**Mr. Harper (Calgary West):** Mr. Speaker, I certainly appreciate the question.

The point I was trying to make was not that other provinces do not receive payments. I was not even suggesting that Quebec receives too much. I was merely suggesting that an \$8.4 billion program, of which \$3.7 billion is going to the province of Quebec, is not something to sneeze at. It is not a drop in the bucket. It is not something to deny the importance of. The thrust of the member's remarks, as I heard it, was to dispute the workings of the ceiling that has been in effect more or less since 1982 and about how much had been lost through the ceiling.

It was the intention of the member to give to members of the House, other Canadians and Quebecers who may be watching the impression that they are not getting anything out of this program or that they are experiencing tremendous losses from this program, none of which is the case.

Our party is suggesting that we make major reductions in spending and is willing to look at all these categories and at the impact on our region as well as Quebec and Ontario. This is an important exercise and is why I suggest we have this open debate.

However, it is important because the time is going to come when these things have to be looked at realistically. We have studied with some comprehensiveness the overall workings of the federal finances for various provinces over the period of the last generation, and we know the kind of negative effect it has had on our particular province.

Let me just mention equalization, for example. Alberta received no equalization at the height of its recession in the early 1980s, a recession brought about largely by federal government policy. Albertans have never quarrelled with the concept of sharing and contributing to the pot. These things have to be addressed realistically.

It is my view and the view of many Canadians and many Quebecers that Quebec does experience some significant economic gain from its participation in Confederation. There are some problems, but there are significant economic gains in being tied to the stronger economic units of Ontario and the west.

In my view that is not the reason or the only reason to stay in Confederation, but it is a reason Quebecers are going to have to consider and the Bloc Quebecois is going to have to address realistically at some point.

**Mr. George Proud (Hillsborough):** Mr. Speaker, just prior to making my comments I would like to inform the House that members on this side of the House will now share their speaking time at 10 minutes each.

I rise to speak about a topic which goes to the very heart of Canadianism and it goes to the very centre of the reason for our being as a nation, the subject of equalization.

At the outset I would like to congratulate the Minister of Finance for the announcement he made in Montreal on January 21 of this year when he told the provincial and territorial finance ministers that the equalization program would be renewed for the next five years. This gives them the opportunity to realistically plan for the future while we at the same time fulfil a major campaign promise made by our party to bring about stability to federal-provincial financial relations.

(1200)

As hon. members know the equalization program remains the most important federal program for reducing disparities in this country. After equalization transfers the fiscal capacity of the less wealthy provinces is raised to about 93 per cent of the national average compared to about 85 per cent before equalization. This means that any province which levies average rates of taxation will be assured about \$4,800 per capita with which to finance public services.

As hon. members also know equalization is an unconditional transfer to the provinces. The payments under the program are determined by an established formula which calculates each province's capacity to raise revenues and then compares its fiscal capacity to a standard level. The payments then raise the less wealthy provinces to the standard level and the payments are made in per capita terms.

As a person who comes from one of the smallest and one of the poorest provinces in Canada, I can assure hon. members how important equalization payments are to our province. I can also assure hon. members how upsetting it was for our provincial government on those occasions when it received less in equalization than had been anticipated.

This five-year equalization renewal will allow our smaller and poorer provinces to provide consistent levels of service in

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the future. In looking at the estimated equalization entitlements over the next five years, I see a projected increase from \$8 billion in 1993-94 to approximately \$10.4 billion in 1998-99. This represents an average growth of approximately 5 per cent.

Looking at my own province I see it is estimated that Prince Edward Island's entitlement is projected to increase by some \$16 million in the next fiscal year and in increments of \$10 million per year for each of the following years until the end of the agreement.

The equalization program allows people in all regions of the country to enjoy roughly an equal level of service from our governments at reasonably equal levels of taxation. Looking back through history it is easy to see the historical precedents for making things equal across the country.

This country, Canada, was brought together by the railway in defiance of economic and geographic factors which would have pulled us toward the United States. However, because the Fathers of Confederation felt it was important to establish an east-west axis in the country, great efforts were made to make the colonies unified from sea to sea by the railroad.

That same philosophy applies to equalization. Canadians are united by a common level of service no matter where they live. The richer give part of their wealth to aid the poorer. If and when the economic patterns of the nation change, those areas which now receive these transfers would only be too happy to share their good fortune.

Tariffs which were designed to protect industries in central Canada were an accepted part of the economic policies of the country and were of great benefit to Ontario. Preferential freight rates were of great assistance to the farmers of the Canadian prairies. Even projects like the St. Lawrence seaway are examples of the whole of Canada participating in programs which benefit one particular region.

In the years since Confederation prosperity has moved from one part of Canada to the other. Canadians have responded to the changes by aiding and assisting those areas which are down on their luck.

At the time of Confederation my region of Canada was the most prosperous. Later prosperity moved west, first to Ontario and then to the western provinces. The western provinces which suffered the worst in the great depression came to a time of great prosperity in the seventies and eighties. Now Atlantic Canada is the poorest region of Canada and we receive help from our fellow citizens.

When we examine the documents released by the Minister of Finance we can see that Newfoundland, Prince Edward Island, New Brunswick and Nova Scotia in that order are the highest per capita recipients of equalization. The last few years have not been good in Atlantic Canada. We have suffered through the lengthy recession like the rest of the country. Now we are faced

with the collapse of the ground fishery which was once part of our economic salvation.

We all realize things are tough but we are optimistic that better days lie ahead. I can assure hon. members that we in Atlantic Canada are not terminal welfare cases. We are proud Canadians who through a combination of factors need this assistance at the present time. I would venture to say there is not one politician in Atlantic Canada today who would not willingly see funds from our region go forward to help poorer regions of the country if and when the economic basis were to change.

(1205)

Right across the region governments are cutting back becoming leaner and more efficient. People are being encouraged to generate more economic activity. We must and we will develop the resources we have in Atlantic Canada and we will return to the prosperity we once enjoyed. What we need now is the level and stable assistance of the federal government to get us through these tough times.

I must also say that we are living in a time of increasing optimism in my province. The fixed link project, the biggest construction project in Canada today, is bringing a new wave of confidence into Prince Edward Island and New Brunswick, a confidence which our people will carry forward into the next century. I look forward to the day not many years from now when people from all over the world flock to Atlantic Canada to see this engineering wonder and when Atlantic Canadians who have constructed this massive project are in demand for similar projects around the world.

The equalization program marks our compassion as a nation. Because of equalization no citizen of Canada is a second class citizen regardless of where they live. The citizens of Cape Race, Newfoundland, of York, P.E.I., of Montmagny, Quebec, of Watrous, Saskatchewan and of Vancouver, B.C. are all entitled to roughly the same level of service in the government. That is the essence of Canada. That is why this country remains united.

As I noted earlier, that is why we have equalization, the levelling of service, just another manifestation of the Canadian way of doing things.

**Hon. Roger Simmons (Burin—St. George's):** Mr. Speaker, I too have a few words to say on Bill C-3. I am rather pleased with the provisions of the bill. It does introduce a bit more certainty into the process of federal-provincial fiscal relations and avoids the excessive tax backs that have become not only an aggravation but such a big problem in real terms for several provincial governments, including the Government of Newfoundland and Labrador

I share at least what my friend from Calgary West was saying in so far as that issue is concerned. There are other things I do not particularly share, but he is not in sight at the moment so at another time I am sure we will have an opportunity to pursue that

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debate, not to give the impression that he and I are poles apart on this, but there are one or two points that need some discussion.

The issue of transfer payments generally gets characterized in several ways as handouts, as assistance of some sort and I suppose in the general broad term it is assistance. I completely reject the notion of the handout context that some people want to talk about from time to time.

The best way to illustrate my point is to go back in history just a bit to what Newfoundlanders and Labradorians call Confederation. To most in this Chamber and in this country Confederation conjures up the period of 1867. But for Newfoundlanders, when we talk about Confederation we refer to the great Confederation debates of 1946 to 1948, the two referenda of 1948 and the actual becoming part of Canada or, as we like to say, when the two dominions became one, because that is in effect what happened and what technically happened on March 31, 1949. Therefore when we talk of Confederation we mean that particular period.

At that time we entered into a partnership. We did not apply to go on a welfare role. We entered into a partnership. In the process we gave up certain things.

We stood by and had our small but rather vital and vibrant manufacturing base destroyed. We had a heavy trade going with what we called the Boston states, the New England states. We had a particularly lively trade going in fish and fish products, for example. It was a trade that was essentially wiped out by the coming of Confederation in 1949. We had some other manufactured commodities which had to take second place to the new central Canadian reality, the Ontario and Quebec reality, in terms of manufacturing prerequisites.

(1210)

Therefore we have always seen transfer payments not in the context of some kind of handout but rather as part of a partnership that was entered into in 1949. As Newfoundlanders we have never made any apologies for the fact that we have a system of established programs financing and equalization payments.

I see my friend from Calgary West has taken his seat again. We have to choose our words well around here. We are not allowed to draw attention to the absence of a member, but we can draw attention to his presence.

This is the theme on which I was speaking last week. I understand the member for Calgary West speaks from a somewhat different perspective and so he should. We only have to look at the average family incomes of the ridings that he and I respectively represent.

I represent a riding where the average family income is \$24,900 and my friend from Hillsborough who spoke a moment ago represents a riding where the average family income is \$24,220. Of course the gentleman from Calgary West represents

a riding where the average family income is of the order of \$41,000.

If one looks to his colleague, who was there a moment ago and who has now joined us at least temporarily, the gentleman from Capilano—Howe Sound, he represents a riding where the average family income is \$52,500. That is quite a difference. He is sitting with the gentleman from Scarborough East where the average family income is \$44,800. I can see why they are talking; they have a fair amount in common. I say to my friend from Scarborough East that I hope he will persuade the gentleman from Capilano—Howe Sound to stay on. We could use his talent on this side of the House.

We represent very different perspectives. The gentleman from Lethbridge and I have a fair amount in common because the kind of average family income in that riding would be of the order of \$35,000 which is a bit higher than in my riding.

It is not a bad indicator. If one looks at average family incomes in various parts of this country, one will very often understand why the delegates, the MPs from those areas, are saying very different things.

That is why I have special compassion for my friend from Lethbridge. I wonder how he is managing in that caucus where all the high priced discussion is going on when he does not represent a very high priced riding, not in dollar terms at least. However I wish him the best. I know he is equal to the task. He has been in politics long enough not to need very much advice from me on the subject.

Let us come back very briefly to Bill C-3, the equalization bill. It does two or three things I am rather happy about. Transfer payments generally help ensure that a province will have the means to provide a certain basic level of service. Surely that is the whole principle of equalization. That is what it is all about. What the Minister of Finance is doing here today is ensuring by building a little more certainty into the program that we can continue to discharge that mandate which is the principle under equalization.

The whole business of transfer payments does something else. It provides for the mobility of people across the country. Those who have been here before have heard me talk about how people from my province literally have gone to the four corners of the earth, but particularly to the four corners of Canada to work.

There are of the order of 10,000 or so in Fort McMurray in the riding of Athabasca. There are many thousands and tens of thousands in southern Ontario and all over the country working on the CP rail lines, including in Saskatchewan and in British Columbia. We in Canada are contributing to the economic stability of the country by having that mobility of people. If we have labour skills then they are accessible not only in terms of the province of origin but right across the country. That is a good thing. It flies in the face of all the myths we hear about people from Newfoundland and from Atlantic Canada generally being too lazy to get up and go where the jobs are. That is a theme you

will hear me talk on very often because it is one that needs to be rejected at every possible opportunity.

(1215)

As I think I said in this House on Thursday, there are more native born people from my province living outside the province today than living inside. That is the best indication I can give that they are there where the labour activity and economic activity is.

Transfer payments do something else, have traditionally done so, and continue to do so. They help to stabilize the economic situation in the seven provinces which are recipients of equalization. Surely it is the goal in the Canadian national interest to ensure that each of the provinces no matter how poor—poor in the context of fiscal yardsticks, certainly not poor in terms of human resources but poor in the first context—each province in the confederation, each of the 10 provinces and territories, is in an economically stable situation.

It is easy to support Bill C-3. I invite members of the House on all sides not to confuse this debate with some other axes they want to grind later. This is a good bill. It brings them certainly to the old issue of transfer payments and it introduces a rate of growth of around 5 per cent. That is legitimate in the context of the demands of those particular provinces.

I would hope that in this debate we would put our other axes which we have to grind aside and focus on the merit which is contained in the bill and give it the support of the entire House if possible.

**Mr. Stephen Harper (Calgary West):** Mr. Speaker, I would like to thank the hon. member for Burin—St. George's for his remarks. I know him by name. I have known him for a number of years but I can never remember the riding, which is why I am not Speaker, and unlike the hon. member was not even qualified to run for the post. We all know about the hon. member's legendary memory for the ridings and details of the ridings of every single member in this House.

I want to ask a question of the member, maybe a little off the topic of his remarks, but I think would nevertheless be interesting for the House. He spoke about some of the economic problems that Newfoundland experienced after Confederation, some of the unfavourable restructuring of the Newfoundland economy that occurred, in his view, because of Confederation.

He has talked about some of the benefits of Confederation, obviously this particular program which I reiterate we support the principle of, equalization and the benefits of transfers. He

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talked about the benefits of the mobility of the Newfoundland work force leaving the province.

I think he would agree that if we look at the sum of that it is not a pretty picture, the loss of economic capacity in exchange for out-migration and transfer payments.

I wonder if that is really how he would characterize Newfoundland's experience in Confederation. Whether he would or would not characterize it that way, would he share with us some of the options he sees for Newfoundland in terms of a greater economic participation in Confederation and what alternatives there are to long run dependence on programs like equalization or on developments like out-migration of population.

(1220)

**Mr. Simmons:** Mr. Speaker, I thank my friend from Calgary West. I would not characterize it that way. That is not the tradeoff at all.

The point I was wanting to make at the beginning of my few remarks was with regard to those who talk condescendingly about transfer payments, as though somehow we are helping those poor people down there who are trying to keep body and soul together. I do not subscribe to that notion. I am saying that part of the tradeoff that we entered into in 1949 was the one that I described. In the interest of time I will not repeat that.

I want to come to the second part of the member's question about what opportunities I see. One does not need to be a nuclear specialist to realize a couple of things. By the way in 1949 when we agreed to take on Canada as part of a larger nation, we were in the black in Newfoundland, don't forget.

I did not hear the heckle so I do not what was said. Enjoy it anyway.

We came in with a balance in 1949. That is not quite the case right now. There were a couple of reasons. We had a very thriving post-war economy based largely on the military. When I say "the military" I mean the very large presence of American forces in St. John's, many thousands in my riding of Stephenville and many thousands in Argentina and so on. That was a part of it. The strategic realities of the last few years have changed, hence the need for deployment of forces in Newfoundland. American forces have drastically altered over the last few years.

We had a thriving fishing economy as well. I do not need to take the House through what has happened to that, particularly in the last two or three years. When I came to the House for the first time federally in 1979 I used to brag that my riding had the same unemployment rate as the province of Alberta at that particular time which was 3.8 per cent or 4 per cent. That was the unemployment rate in the riding of Burin—St. George's. The south coast of Newfoundland is essentially ice-free year round

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so people work there eleven to eleven and a half months a year. They do what all smart Newfoundlanders do: they take two weeks off at Christmas and have a party and then go right back at it in January. That was the unemployment rate.

It has changed considerably since then. There is a factor that the downturn in the fishery has caused problems for us. The opportunity, to respond to his question, is to crank the fishery back up.

In closing, I am sure I will rile my friends from Quebec but this is not the intention. If we were getting the economic value for hydro power we would not be one of those seven provinces today. We would be in the other column. We would not be getting any equalization payments, thank you very much, at all. If we were getting the economic value for our resource, Churchill Falls Power, we would not be needing one cent of equalization from the federal government.

The opportunities are somewhat constrained by some of the political realities at the moment.

[*Translation*]

**Mr. Pierre Brien (Témiscamingue):** Mr. Speaker, Bill C-3, an act to amend the federal-provincial fiscal arrangements and more precisely the equalization system in place, is not a very exciting subject. If invited to give a lecture somewhere, one would certainly choose another topic to grab the public's attention.

However, even if it represents a somewhat boring task, we must have debates like this one, especially in this House. Today we must examine closely the bill on equalization payments. Of course there are precise measures we must look at because they come to term at the beginning of April, but equalization is a measure which is part of the complete transfer program.

Members will know that transfers are crucial for the provinces. These payments represent a very important part of their revenues, a share which has decreased over the recent years, particularly in Quebec we look at the province's situation as a whole.

We examine the equalization system today, but soon, next year, there will be other obligations, we will have to examine other transfers, particularly as regards established programs financing. Even if it looks like transfers are being increased in that area, we must be very careful and follow closely any future developments. We cannot have this debate and disregard the present state of government finances. The finance minister cannot but take it into account when reviewing transfer payments to the provinces. It is probably his main concern, which explains his drifting away from the initial objectives of the equalization system.

(1225)

We do not want to disregard the present state of government finance, however, we cannot ask others to make choices for us. In the past few years, it has been a concern and a trend which could very well continue.

Let us not forget that, during the election campaign, it was very difficult to pinpoint the position of the Liberal Party in this respect. The position of the Conservative Party was much clearer: transfer payments to the provinces would be cut. Among the Liberal ranks, they did not talk a lot about that; they skirted the issue and talked instead about the infrastructure program; they kept on pointing at the infrastructure program as a means of creating jobs, but we never got to the bottom of things regarding what the Liberal Party really intended to do with the whole issue of transfer payments to the provinces.

At the very beginning of their mandate, they came out with the first part of their plan, saying: "Look, we are not going to cut transfer payments to the provinces," since it appears that we are going to have a 5 per cent increase in equalization payments this year. And they gave us projections. But we have to be careful regarding this 5 per cent, especially compared with the objectives of the equalization system; I will get back to that later on.

Let us look at what transfer payments comprise. They are made up of four parts, for a total of \$40.5 billion a year in federal expenditures.

First, there is established programs financing, mainly in the education and health care fields; it is a very important part. Then, there is the Canada Assistance Plan, which deals more with social assistance, and accounts for around \$7.8 billion; it is indeed a lot of money. The third part is the equalization payments which total approximately \$8 billion. There is also cost-shared program financing which is one of the central elements, with \$12 billion.

There has been much pulling out in this regard in the last few years. What causes a major problem is that the government attaches so-called common objectives to these shared costs and then pulls out, leaving the provinces to shoulder the burden of these programs by themselves or to pay the political price when they are axed.

It is not always easy to explain this to taxpayers who, understandably, cannot follow closely what goes on every day. But we recently went through a gradual transfer that started here and ended up with the municipalities. It is not easy for a mayor or a city councillor to explain that budget cuts in federal transfers to provinces led provincial governments to make more difficult choices that ended up in the municipalities' court. It is obvious that, from a political standpoint, efforts are being made to soften the blow.

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All this was done to make users more aware of costs. It is not necessarily a bad thing, but we must be careful: objectives and cutbacks are not always defined in the same terms as we do not always agree.

The equalization system is special in the sense that it transfers money to provincial governments, which have much more flexibility to do with it what they want.

It is these four elements that define transfer payments. Let us now look at the basic objective of the equalization system, which is one of these elements.

The basic objective of equalization is to ensure horizontal or vertical redistribution. This can seem very theoretical but the objective is to ensure that, in the end, each province has the same capacity to provide an adequate level of service.

Equalization measures the provinces' capacity to collect revenue according to various factors and a 31-element tax base. This is all very complex. Equalization is a mathematical system that would give nightmares to any professor having to teach it in a maths course, even an advanced maths course. Not many people are looking at this closely to try to understand how the system works, but it is important. These very serious matters affect our daily decisions and actions. And these links are not easy to establish.

(1230)

So, after assessing the capacity of the provinces to generate revenues, you compare it to a sample of five provinces, make some adjustments, and translate the result in dollars per capita. That gives you the amount of money to be given to the provinces. There are seven provinces which actually get some money under this program, including Quebec, which will receive, yes, \$3.7 billion out of the \$8.4 billion set out for next year. There are reasons for this, and I will get back to them, because I heard the hon. member for Calgary West refer to them earlier, and I will address this issue in a little while.

This whole issue is important for the Bloc Québécois, but there is one thing we have to remember. Soon, Quebecers will have collective choices to make. At that time, it is true that we will not have to deal with this equalization system. We may have to create another one within our own country. Nevertheless, this system will not be affecting us, not anymore. Meanwhile, the Bloc Québécois has to protect Quebec's interests here and play its role as the Official Opposition. That is what we are going to do, and that is what we are doing. We will try to improve the whole principle behind the transfers to the provinces. There is room for a lot of improvement.

The bill before us has two major flaws. The first one is the ceiling, which affects the basic principle of the equalization system, since transfers are subject to a maximum level of 5 per cent if economic growth is higher. Given the situation, some of

the richer provinces will be able to get even richer, and if the poorer provinces have trouble generating revenues, the gap will widen. At the present time, in spite of the equalization system, there is a 12 per cent difference in the capacity to generate revenues between the have provinces and the have-not provinces. You should remember that that capacity is what differentiates the richer provinces from the poorer provinces.

A previous ceiling was set at the end of the 1980s, and another one for the 1993-94 fiscal year. Of course, during the recession, when economic growth was slower, the ceiling had less severe consequences, but still resulted in a decrease of \$2.9 billion in transfers. Of the additional \$2.9 billion in transfers, \$1.8 billion would have gone to Quebec. These lost revenues forced Quebec to make the difficult choices I was telling you about a moment ago. They forced Quebec to gradually pass the burden on to the municipalities and, increasingly, to the taxpayers.

We will not be able to say forever that the principle of equalization justifies the measures now being taken. It is not the principle, it is the fiscal constraints that justify these measures. Let us not mince words. We have to say it because it is the truth. That is the reason for this provision. As I was saying at the beginning of my remarks, the fact that the government wants to increase transfer payments does not mean that we will not have to examine the whole issue of transfers to the provinces. We have to look at what is going on to realize that there is an election looming in Quebec. I can hardly imagine the present premier, Mr. Daniel Johnson, campaigning with cuts in equalization payments pending, on top of all the other problems he has to face. This would be very difficult for him since he will have to demonstrate the effectiveness of federalism, including from a fiscal point of view. It will be a real challenge for him, and I can tell you that we will be there to take part in this debate and he will have to prove his point. So, this will be very difficult for him.

But what will happen next year, when the election is over and other programs have to be renewed? It is something that we will have to watch. Maybe this is just a smokescreen to hide the Minister of Finance's real intentions, and this is why we heard him say that it would be a tough budget this year, that he would reduce the deficit to perhaps \$38 billion. We will know soon. But watch what will happen next year, watch where the money is going to come from.

(1235)

The other principle contained in the bill is that there will be changes—and that is even more technical—in tax bases as such and in their composition. It would be interesting if the committee could review the regulations in order to evaluate their impact more precisely. We already have an idea of that impact but they really should be made available to the committee.

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In that regard the Quebec government has some demands of its own, especially in the field of property taxation, that may seem legitimate in certain respects and that deserve to be examined. The finance committee could take a look at it. That would add to its workload but that committee does not have a reputation for idleness. We will give it a look.

I would now like to speak about the results of equalization because one day we might have to question the way transfers are made to provinces. I repeat, despite equalization, there is a 12 per cent gap between the fiscal capacity of the richest and the poorest provinces, even though equalization has been paid all these years. The principle of transfers to the provinces has existed since after World War II. Inequities are still visible across Canada; all regions have not reached the same level of development. That can be explained and I will do that while commenting a bit on the speech of my colleague, the hon. member from Calgary West, who said that what counts is not the amounts spent but the quality of the spending.

In this regard, we fail to understand why the federal government has spent so little on research and development in Quebec compared to Ontario which does not get equalization payments. But then one cannot have it both ways. One cannot get 50 per cent of all research and development expenditures and, at the same time, equalization payments that are often used to finance shared cost programs, welfare programs and so forth.

We would very much prefer a better dollar. We would be quite proud to contribute to equalization rather than benefit from it. It would be a sure sign that we have greater fiscal capacity and are in a better financial situation.

We do not need to be geniuses to understand that provinces who do not benefit from our equalization system are in a relatively good financial situation. Ontario, as we shall see, experienced numerous problems in the last few years. But British Columbia, Alberta and Ontario get by pretty well.

Things do not look as good in Quebec, because of a lack of vision or all kinds of reasons. Expenditures and investments there have been ill advised. Spending was done more on structures than on research and development. It would be interesting to look at other programs too. Those issues are being discussed. During the election campaign, we talk about them to a certain extent, and even quite a bit. In the next few years, this House will have to look at them because the political context will leave us no other choice. We will prove our point, and we will be delighted to hold the debate the hon. member for Calgary West mentioned earlier.

A little while ago, I skimmed through a fascinating magazine called *Options politiques* in which an article by Gilles Godbout lists a number of points in his assessment of the equalization system of federal transfers to provinces. He points out a number of contradictions. He says, and I will quote his five points, starting with the following: The importance of the redistribution

function played by transfer payments to provinces has been recognized in the 1982 Constitution Act. The purpose of equalization, which is to guarantee that provinces have enough revenues to ensure comparable levels of public services at comparable levels of taxation, was even spelled out in the Constitution.

The same year, the federal government placed a ceiling on equalization payments, thus reducing the redistributive effect of the program. This is the first contradiction in the first year.

Moreover, the federal government made repeated cuts to the other transfer programs, regardless of regional disparities, particularly in the funding of health and post-secondary education. When we look at the data on the system's funding, for health as well as post-secondary education, when we look at the contributions that are made, and I have looked only at those made for Quebec, I can tell you that the situation is tragic because payments are going down instead of going up.

In spite of its financial withdrawal, the government has reaffirmed its commitment to maintain national standards in the health sector. These standards significantly limit the provinces' capacity to better manage essential public services.

(1240)

That is not new. Because of its spending power, the federal government always wanted to set the standards, although when it reduces financing, they stay the same. We soon discovered the problems that caused for the provinces. It is very hard to maintain standards, requiring funds, when there is no money available.

Finally, it is said that the federal government is interfering in several sectors with its shared cost programs, a fact advantageous to provinces with a high spending power. Of course, it is often a question of money per capita. This way, the provinces which are well off are managing quite well. Members who are interested in equalization and transfers to provinces could find that article very revealing.

Now, let us examine the situation as a whole, in the few minutes left. The Bloc Québécois is sensitive to public finance issues and that is why we suggested alternatives. We said we wanted to look at expenditures item by item. We would like a review of the tax system which is generating a lot of unfair and unjust privileges. We are ready to work towards this end. A lot of work is being done, but a lot more could be done to make this into something very positive. This is very important for the economy of Quebec and the Canadian economy.

I am afraid that the whole problem of public spending will be passed on to the provinces and that they will have to pay the price and make some difficult choices, the choices we have trouble making here, or that the government will try to make them start sooner. It may be tempting to look at items like transfer payments to the provinces, which total \$40.5 billion and are a major share of the federal budget, and say that we will

start cutting there. This would force the provinces to go the same route. It is risky to take the lead and impose certain standards. Federal spending powers mean that the government remains involved in a lot of areas where there is overlap, because of joint standards. We must also realize that taxes raised at both levels are used for the same purpose. The system is not exactly a model of efficiency.

We must be vigilant in this respect, and we intend to monitor this very closely. As I said earlier, I am mainly concerned about the fact that this year, equalization payments will be increased, but with a ceiling, which in our opinion is inefficient. Wait and see what happens next year to the rest of the transfer payments to the provinces, and watch the announcements in the next budget.

I intend to keep today's speech and take it out again and look at it after next year's budget. I am sure there will be some drastic cuts in transfer payments to the provinces. That is an easy prediction to make. It is understandable in the current political climate that we should want to wish to help our federalist friends from Quebec on the other side of the House and support a one-year postponement of cutbacks in transfer payments to the provinces.

In concluding, there are a number of measures that would be appropriate to improve equalization and the system of transfer payments to the provinces, and I will mention a few. Reforms should be carried out in accordance with certain principles. Criticism should be constructive.

First of all, there should be no cuts in transfer payments to the provinces, either in real terms or per capita, to ensure that fairness remains a part of the equation and that the provinces are able to offer quality services to their residents. There is also the question of national standards which do not reflect Quebec's specific needs. National standards have always been a problem. The hon. member for Saint-Hyacinthe—Bagot referred to this earlier, and we often hear people talking about problems generated by national or joint standards and the time it takes to solve these problems.

My next point concerns federal interference, especially in matters of provincial jurisdiction, which is another source of inefficiency. Reforms should aim at improved redistribution of revenues among the various provinces, especially in the case of equalization payments. The ceiling on such payments should be removed, since it contradicts the very principles of the system. Reforms should provide incentives for more effective financial management. This measure concerns shared cost programs such as the Canada Assistance Plan.

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These are the principles that would guide us if we had a choice and if the government were willing to change the transfer payments system. Of course, there will be choices to make in Quebec so that eventually we may be ahead of the game. Nevertheless, these principles would be useful for all Canadians. The situation is serious because of the inequities in the system. I will now conclude my speech, Mr. Speaker.

(1245)

Injustice is often the root cause of disobedience, civil or otherwise, as we have seen in the smuggling issue. People must feel there is fairness in the system. It is not enough to talk about fairness and justice. We must practise what we preach. And we could start right now by removing the ceiling in this bill. It would certainly be an improvement.

For the reasons I mentioned earlier, we cannot support this bill and intend to vote against it.

**Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services):** Mr. Speaker, I appreciated some of the comments made by my hon. colleague. I would, however, like to ask him a question. With respect to national standards, it seems to me that the Bloc is truly unaware of what it going on in the world today.

In Europe, for instance, a number of countries have established national standards that go way beyond what had long been in existence as far as different cultures, languages and so forth were concerned. Why this hesitation to go along with national standards? Why can we not sit down together and agree on reasonable national standards and give the provinces the chance to decide how they will meet these standards? Why dismiss or simply ignore what is going on in a number of other countries in the world, not to mention the benefits of having national standards?

There seems to be a feeling that national standards are a bad thing. This is not the case and I would like the hon. member to comment on this point.

**Mr. Brien:** One should not believe that the Bloc is alone in taking this stand. There is a fairly broad consensus in Quebec on the issue of national standards. One need only look at manpower training to realize how difficult it is to have common programs.

I think that the principle here is not being grasped. When the Meech Lake agreement was signed, there was a willingness to recognize the principle of two nations. Language and culture are not the only things that set a nation apart. Often it is the way things are done. We have different aims and we go about solving certain problems differently. National standards prevent us from achieving our goals since they are defined and often imposed



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even by virtue of the sums of money allocated. This is very difficult to accept.

If each side were able to set its own standards, this would not preclude, for example, that at the international level—and this is a very specific example and I would hope that this would be the case in the future, even though it would prove very difficult—there would be general agreement on minimum environmental standards to be met. This would be desirable.

Which is not to say that minimum standards should be set to instruct each community on the training of its workers. Each economic milieu has its own specific characteristics, its own special niches, therefore, it can adapt more quickly. National or broad measures or standards are often cumbersome or slow to respond. The closer one is to that milieu, the more one is grounded in reality and the quicker one is to react.

The constraints we now face in terms of international economic development, namely the opening up of markets and the free movement of goods, capital and people, mean that those who have the ability to respond the fastest will be the ones who are best able to cope in the future. We have to avoid getting bogged down in national standards that are not to our liking, often do not correspond to our needs and create a great deal of friction between Canadians and Quebecers because they cannot agree on their definition.

When Quebec is a sovereign country, and I hope this comes to pass, we will set our own standards, while Canadians will set theirs. I think that it will be much easier for both sides to set their own standards and if we were to agree eventually on common standards in specific areas such as the environment, well then so much the better. But first, we have to start with the basics, with our own milieu. This is the preferred approach of the Bloc Québécois and of a good many Quebecers.

**Mr. Nic Leblanc (Longueuil):** Mr. Speaker, I want to thank the hon. member for Témiscamingue for his excellent speech. He talked a lot about equity and I would like to make a few comments in this regard. When we talk about equity, we are talking about a fairer redistribution of wealth among the provinces. What we should be asking ourselves is why some provinces are poorer than others. We could look at the problem before distribution and ask why Ontario is a wealthy province while Quebec is not so well off. I do not like to hear that my province is poor or not so wealthy.

(1250)

When we are making every effort to succeed in life and some higher authority, the federal government for instance, keeps us from developing to our full potential, I do not like to be seen as poor. I would like to use every opportunity to develop to my full potential, as the hon. member said earlier. For example: why did Ontario receive research and development contracts worth \$1.2

billion more, in 1989, than Quebec. Would research and development not enable us to make money and to help our businesses grow? Is this not the reason why Quebec is a little poorer than Ontario? I do not like to be seen as poor. I would like to be able to give money to other provinces, as the hon. member said earlier. But it is not the fault of Quebecers if their province is poorer, it is the fault of the federal government that does not give Quebec the means to develop to its full potential. It is for these very reasons that we want to leave.

Here is a flagrant example of the other reason: in 1989, I asked the head of Statistics Canada how their employees were distributed across Canada. I was told that they were distributed very fairly, with about 180 employees in Ontario, 150 in Quebec, about 80 in the Maritimes and 80 in the West. I told the head of Statistics Canada that there was something wrong with his calculation since their total workforce is about 4,000. He said yes, but 3,500 people work here in Ottawa. But where is Ottawa? Ottawa is in Ontario. These people pay taxes in Ontario. They are fuelling the Ontario machine. They are helping Ontario to prosper. It is for these reasons that Ontario is better developed and richer than Quebec. For all these reasons. One does not have to look very far to see that Ontario is richer and more successful because the federal government treats it better.

The hon. member for St. Boniface should pay more attention so he can understand all this. He would then realize that he, too, is being penalized. He should react a little more, too.

I would like to say, once again, that the hon. member for Témiscamingue has delivered an excellent speech. He did an excellent job of outlining the problems we, in Quebec, are facing. I totally agree with what he said in his speech.

**Mr. Brien:** Mr. Speaker, I appreciated the comments of the hon. member for Longueuil whose example of Statistics Canada illustrated the situation well. A little over a year ago, I did some work, a study on research and development expenditures. As it were, almost all the money spent within the federal government, the intramuros expenditures as we call them were made here, in Ottawa and the National Capital region. So, by force of circumstance, most of the R and D investments are made in this region.

In some cases, the determining factor is the fact that the National Research Council is located here, but that does not explain everything and even then, the rest of the R and D funds should be distributed more equitably. That is why, as the hon. member said, we must look at the causes and the root of problems if we want to have a clear understanding.

I would like to mention a point that is coming back to me regarding the definition of the standards mentioned earlier. We would not be too happy in some ways—and I do not know what the hon. member for St. Boniface thinks of this—if we were to have common standards and that standards set by the Americans would apply to Quebec and Canada. It would not always be

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pleasant to have models that are far from our reality, especially in the area of health, where we have a completely different system here, although the Americans are starting to lean in our direction now.

In that regard we must be careful. This does not mean that we cannot agree eventually to standards in very specific areas like the environment, as I pointed out earlier. But for the rest, we must be very careful with regard to standards and that is why we have this plan.

[English]

**Mr. George S. Rideout (Parliamentary Secretary to Minister of Natural Resources):** Mr. Speaker, it is a pleasure to speak about this legislation and interesting to listen to the comments of others.

(1255)

We in New Brunswick would like to be a have province. As we continue working toward improving our economy and improving our lot, we feel we ultimately will be a have province and will be able to contribute to those provinces which are less fortunate. Right now we have the problem where our resource base and our economy do not generate as much wealth as we would like. Therefore this legislation and the program that is contemplated by the changes recommended by the Minister of Finance are vitally important to New Brunswickers.

For those who are not aware of exactly what the bill contains, we are talking about equalization and making things fair. Each province has its own complaints. I have listened to members opposite talk about the different things that bother them, that they do not feel they are getting a fair shake. From time to time all provinces have complaints and feel they are hard done by. Most of the rest of the people in the world would like to be as hard done by as we are, with the resources, wealth and opportunities that exist for us.

Over the years the Liberal Party has stood for many things. One thing it has stood for is the principle of equality for all Canadians. This has been under attack by some. It is a difficult situation to maintain but it is a goal and an objective to which we should aspire. The changes this legislation puts forward will go some way to help the situation.

The purpose of equalization is to enable provincial governments to provide their residents with comparable levels of public service at reasonably comparable levels of taxation. It could not be achieved in the country without the principle of equalization.

Right now we face a situation in which approximately seven provinces qualify for equalization payments. I imagine that each one of those seven provinces is hoping it will be out of that situation and will be contributing rather than taking.

It is important to realize that in this legislation not only is some additional money going to the provinces. The legislation is also going to make changes which are also being made to help the natural resource based provinces of Atlantic Canada and in the west. What happens is a tax back because of the resource based economies. In part I a change is contemplated that will alter the formulas that are being applied so that it will not be a detriment to those provinces that have large natural resource contributions to their GNP. I imagine the members from Alberta and British Columbia are very pleased with this legislation and what it will do to assist them. Obviously Saskatchewan and Manitoba will see great benefits.

As well we have to look at what we are trying to equalize. We are not talking about frivolous things. We are talking about basic public services that are rendered to all Canadians. With that in mind this legislation goes a long way toward correcting some of the anomalies that have developed.

In 1991 the former Conservative government cut \$100 million in support to the province of New Brunswick just by changing the formula. The government in New Brunswick had already prepared a balanced budget and all of a sudden with a change in the formula and support the federal government was going to provide, the province of New Brunswick lost \$110 million in equalization payments. For a province like New Brunswick it blew the whole budget process out of whack. As Premier McKenna said at the time New Brunswick was being penalized for being better off: "The better off we are the worse we do".

(1300)

The net effect of that was to take a province which probably has one of the most dynamic economies in the country right now and to penalize it when we should be trying to assist it. This legislation and the changes that are contemplated here will go in some measure toward getting a certainty back into the system. It will change the ceilings on the formulas so that they are applied more equally and better to all of the provinces in the country. It will allow provinces like New Brunswick to expand their economy, make things happen, but at the same time not penalize them when they are successful.

It reminds me of the situation with UI, which is another program that this government is finally going to deal with. It seems that any person who is on UI and tries to better themselves or tries to take advantage of educational retraining programs is automatically penalized as far as their UI program is concerned.

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They stand to lose their UI support while they are trying to retrain themselves.

We see in that circumstance an anomaly which is applicable here. A province which starts to pull itself up by the bootstraps, starts to make its economy function better, is being penalized so that it is going to lose rather than gain. Those are the types of things we have to change and this program goes a long way toward that.

I am not sure whether people understand exactly how the program works, but the payments are determined by a formula. You probably have the formula committed to memory, Mr. Speaker. It does calculate each province's capacity to raise revenue, compares the fiscal capacity to a standard level, and then raises less wealthy provinces to that standard level. The payments are calculated on a per capita basis.

What we see is that after equalization transfers the fiscal capacity of the seven less wealthy provinces in Canada will be about 93 per cent of the national average, compared with 85 per cent before equalization.

That is an obvious benefit to those provinces. It will allow them to continue to maintain the basic services that each province offers. It will help curtail the trickle down effect of what the federal government does as it relates to municipalities, and that too should have some benefit.

What was happening, and we saw it in all provinces, particularly in mine, was that the provinces were taking some of the cuts that were hitting them from the federal government and passing those down to the municipalities. We all know that municipalities have the least amount of resources available to them to raise taxes and to provide services to their citizens. In that sense we should see some benefit by arresting this process of trickle down cuts.

In conclusion, I want to thank the Chair for the opportunity to address this particular issue. We are going to see \$8 billion spent. We are going to see it equally spent on the basis of per capita and on the basis of the formula throughout the country.

Over the long term we are going to see a huge expenditure of money. I think the total when the program is over is quite substantial, I believe up to about \$900 million in additional expenditure, with \$160-odd million in the ensuing year. All of that is again going to assist governments in maintaining a basic level of service. It is also going to see money being put back into the economy. Hopefully we will see us start to move forward rather than stay in the recession mired economy that has existed for the total period of time that the Tories were in power.

I realize my time is over and I thank the Chair for the opportunity.

(1305)

*[Translation]*

**Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services):** Mr. Speaker, I am pleased to speak on the renewal of the equalization program for the next five years, starting April 1, 1994, because I believe that this transfer program is among the most important. In a way, it makes our country unique, in that we are ready to share, albeit imperfectly, the wealth of all this great country.

According to the current provisions, equalization payments will grow from \$8 billion in 1993-94 to \$10.4 billion in 1998-99, that is, within five years. This is an average annual growth rate of more than 5 per cent. It is a very large growth rate, considering the financial situation we are in now.

What are we trying to do with this program? Well, quite simply, we are trying to establish a level of funding within Canada to provide services of comparable quality for all citizens. As I just said, it is an important program, although less than perfect, but it still succeeds in giving more to the provinces that have less.

We were just talking about national standards. I accept them provided that they are established with elected officials who meet and discuss possible objectives. Then the provinces should be allowed, not just allowed but asked, because some of them have a constitutional responsibility, to decide how they will achieve these objectives that were established in discussion, dialogue and co-operation with one another.

I find the following fact interesting. Are agreements like GATT or NAFTA not bilateral or multilateral standards? If I understood correctly, the program between the province of Quebec and the federal government was just being criticized. There is a flagrant contradiction in that. Clearly they are prepared to enter agreements with other countries involving dialogue, discussion and co-operation, but here, because we belong to the same country, they are not prepared to do so. I find that unfortunate and even unhealthy.

I believe that all Canadians, including Quebecers—note that I do not say Canadians and Quebecers; I say “all Canadians, including Quebecers”—derive significant benefit from this transfer program.

*[English]*

I was just indicating that this is one of the very important transfer programs because it attempts to ensure that all Canadians, whether they live in the territories, in Quebec, in my home province of Manitoba or wherever in this grand nation, receive comparable levels of service so that the quality of life for each Canadian is as even as possible and as like one another as possible.

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It is not perfect but let us remember that it is an attempt to redistribute wealth so that we can have from our provincial governments and from other levels of government services that compare favourably with one another and that we do not have one part of the country so terribly disadvantaged that the basic essentials of life such as health, education and other services do not exist or have for all intents and purposes disappeared.

We want to remind each other that there are three provinces which give. That is often forgotten. The provinces of Alberta, British Columbia and Ontario redistribute some of their wealth to the seven other provinces. It is unfortunately something that is forgotten and probably something that is resented by certain citizens of those provinces on occasion. I would say generally speaking it is reasonably well accepted that those with more, even though it has been difficult, will share some of that extra.

It must be remembered as well that this is an unconditional transfer payment. In other words we do not really put conditions that it must be spent on such and such a program.

(1310)

However it must be spent in such a way that the essential programs or those basic programs to citizens are maintained so that they enjoy as much as possible a quality of life as similar as possible to that of others in other jurisdictions.

I have heard today the ceiling and the floor criticized. Surely if we are going to be responsible we need to have a ceiling and a floor. We cannot simply pay out without any restrictions. We cannot simply let the bottom fall out without any restrictions.

I was really surprised that no one got up and applauded the government or said thanks for having come to its senses unlike the previous government. Five years of this particular program has been given so we can plan. We know what the ceiling is. We know what the floor is. Now we can make decisions much more easily on those programs that are under our jurisdiction, our responsibility. Perhaps that will happen before the debate is over. I am hoping it does.

Finally, we need to remind ourselves that if we did not have the program there would be a lot less equity, a lot less fairness. Some provinces would have a lot less than others. This gives us a sort of efficiency capacity, in other words being like one another in terms of providing basic essential services, of roughly 93 per cent as opposed to roughly 85 per cent if we did not have this.

It makes up a significant contribution to equalization of services to bring additional equity into the country in the services we offer our citizenry.

Let me make two final comments before I invite remarks. I want to read to Canadians and my colleagues here the kinds of moneys being transferred through this particular program during fiscal 1993–1994.

[*Translation*]

For example, we transferred \$910 million to the Northwest Territories, \$164 million to Prince Edward Island, \$880 million to Nova Scotia, \$895 million to New Brunswick, \$3.739 billion to Quebec, \$854 million to Manitoba and \$522 million to Saskatchewan, for a total of nearly \$8 billion in 1993–94.

[*English*]

This is a lot of dollars being redistributed for the benefit of citizens who happen to live in those particular provinces and in those two territories.

I believe this is the kind of program that makes Canada unique. It is the kind of program that takes, even in very difficult times such as the ones we are experiencing right now, from those who have more—the provinces of Alberta, British Columbia and Ontario—and redistributes to those other seven provinces and the territories that have considerably less, relatively speaking.

I applaud the government for the five-year program, for the limitations that it has put in place, because it is good for long-term planning. It is wise management. I would hope we would put aside our political differences which need to exist for a moment at least to see how the program can serve Canadians and perhaps be improved.

[*Translation*]

I think that is what we should aim for today, tomorrow and beyond.

**Mrs. Madeleine Dalphond–Guiral (Laval–Centre):** Mr. Speaker, I was impressed by how the hon. member for St. Boniface paid close attention when my colleague from the Bloc Québécois made his speech.

I myself listened very carefully to his own speech, which the hon. member was kind enough to make in the two official languages, since he is fluent in both, and I thank him for doing that.

However, I would like to point out to him some nuances. For example, when the hon. member compares standards related to Canada's signing of an economic treaty such as NAFTA, it must be stressed that those are international standards. It seems to me that, in French, national and international standards are two different things.

(1315)

NAFTA standards apply specifically to agreements on the economy, the environment and labour relations, among others things. I must admit here that I am not an expert on this treaty.

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National standards, to the extent that they apply to this large country, aim at somehow putting all the provinces on an equal footing. It so happens that, out of the ten provinces in Canada, one claims to be different. What makes people and nations different is precisely their differences. You will understand, as will all the members in this House, I am sure, that when the federal government tries to impose standards in the education sector to Quebecers, our province, which defines itself as a state, and which will soon officially become one, must reject such national standards. I might add that the federal government has been trying to impose those standards for several decades.

**Mr. Duhamel:** Mr. Speaker, first I want to say that I appreciate the comments made by the hon. member. I agree with her first comment. Indeed there are major differences between national and international standards. However, the process is quite similar in that elected representatives sit down together to discuss issues and reach some agreement. The agreement is not imposed: it is negotiated. I do hope that the hon. member will recognize that other side of the coin. Of course, nothing can be perfect but this is not to say that there is no similarity, because there is some similarity.

The hon. member also said that the Canadian government imposes its decisions, but the Quebec government has also done the same on occasion, as well as the government for the Northwest Territories. It may be that we impose our views too often. But to claim that Canada constantly does that is unfair, insensitive and totally inappropriate.

I would like to make another comment. If, some day, Quebec does become an independent nation, then that new nation will decide how it will negotiate and decide whether it wants to deal with Canada. But this is not a *fait accompli*. Why not work within the existing structure? Why not consider that your party, which forms the Official Opposition, is there to represent all Canadians? I deplore the fact that this is often overlooked. We only talk about Quebec, Quebec and Quebec. I truly love Quebec. My ancestors came from Quebec. I have not forgotten my language nor my culture, but I have a responsibility, as the member for St. Boniface, to represent not only my constituents but also the rest of Canada. And that includes Quebec.

[*English*]

**Mr. Ray Speaker (Lethbridge):** Mr. Speaker, in entering this debate on Bill C-3, an act to amend the federal-provincial fiscal arrangements, I want to focus on two things. First, I will make some comments on the bill and equalization and, second, look at equalization in other areas of governments in reference to the formula that we are establishing today.

The bill has two basic purposes. The first purpose is certainly to try to eliminate the disparities that may exist among the provinces. The second is to design a formula for the redistribution of federal taxes to these seven provinces; some \$8 billion in the early stages and as we move to 1999 some \$10.4 billion.

There are some positive aspects of the bill as I examined it. First, the bill does have the support of the provinces of Canada and that is significant in itself.

(1320)

Those who have worked at official levels and at ministerial levels have worked it through. They have reached agreement with the provinces and the provinces support the equalization formula that is here and the basic concept. That is important as we as legislators pass this piece of legislation.

The bill is an attempt to reduce fiscal disparities among provinces. As my colleague from Calgary said earlier in the House, basically we as the Reform Party support that objective.

I look back at my own history as a legislator and think back to the 1960s when I entered the legislative assembly of Alberta. This program, as we all recognize, came into effect in 1957. It was in its early stages of maturity and understanding in the mid-1960s. I remember raising the question when I came into the legislature with the premier of the day, the Hon. Ernest Manning. I asked about the resources and the revenue of Alberta being distributed to the other provinces and on what basis we made that decision.

I recall the premier's comments very clearly at that time. He indicated to me that as a have province which has been blessed with natural resources, oil, gas, water and forestry, we have an obligation to help others not blessed with some of the same types of resources. That was the thinking of the fathers of fiscal arrangements with regard to equalization. I see in this bill the same type of thinking.

Another aspect that is positive about this bill is that the formula has a ceiling and a floor to protect the provinces from major revenue reductions and to protect the federal government at the same time from open ended growth in payments. There is also the tax back problem that is dealt with here in this legislation. That is positive in itself.

Still another aspect that is significant is that the payments are unconditional. When we transfer payments from the federal government to the provincial governments, and we expect it to bring about the most amount of equity possible, those dollars cannot have conditions on them. If they are targeted and have conditions on them, what we are going to do is build in another interface that will not allow for flexibility, priority setting and certainly the ability of the provinces to reflect the wishes and the needs of their respective electors.

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On the other hand, as I look at this bill there are some concerns and questions I would raise. There are two questions. Can the federal government, under our present fiscal circumstances, afford to continue the current level of equalization transfers to the seven provinces? This House must answer that question.

It is more incumbent upon us than previous houses because we are faced with an upcoming budget. We are faced with a deficit, most likely in this new budget, of at least \$38 billion dollars as I understand. In the current budget we are faced with \$44 billion to \$46 billion of deficit. We have an accumulated deficit of \$500 billion and most likely if things continue as they are by the end of this 35th session the accumulated deficit could be \$600 billion.

We must show respect for that. Our concern, as pointed out well by my colleague, is that we feel this is one of the areas where we should have reduced the cost of government and we called for a 10 per cent cut. That is a question that I raise in the House. The rest of the members should raise the very same one as we raise in the Reform Party.

The second question I want to raise is equally significant. Is there equality in the federal transfer payments to provinces beyond Bill C-3 which we are facing today? Is there equity built into other programs beyond Bill C-3?

(1325)

I would again like to remind hon. members of the objectives of Bill C-3. The first objective is to transfer federal funds to the seven provinces to raise their per capita income to a representative sample of \$4,800 on a per capita basis. The second objective, and this is from the material given to us in our briefing, set out by the government, is to enable provincial governments to provide their residents reasonable, comparable levels of public services at reasonable levels of taxation.

In other words, Bill C-3 is to create a level playing field across Canada. Every province has a somewhat equal opportunity to serve its electors with services that they need in terms of health, education and social services, supporting their highway structures, their infrastructures and so on.

It is to build in that level playing field. That is what we are doing with Bill C-3. I want to raise a point to put the government on notice, that when it moves into new program areas it keeps that understanding in mind. It is very important.

Government often forgets. I can give some personal experiences which I will in my remarks. We must think of the infrastructure program that we just announced to Canadians. We said in that infrastructure program that we would have a factor in there in terms of employment or unemployment that would allow some provinces to get more of the infrastructure dollars than others.

If we create equalization by Bill C-3, why then do we build that into the infrastructure program if it is not already there? We could look at retraining programs. One will find the very same thing.

I would like to look at a document that I received from the Privy Council just a few days ago. It is a good reference when I examine the question that I raised in this Parliament. This document is called "Federal-Provincial Programs and Activities: A Descriptive Inventory 1992-93". The Privy Council put it out as of November 1993. It is an up to date, current document that should be referenced.

How does one recommend it to all the members of Parliament? It is a document that I used many times as a leader of the opposition in the Alberta legislature to raise the question with the government at that time. I asked if it were receiving a fair share as Albertans from various federal programs. If one looks through the document one will find the answer to that question.

I would like to raise a couple of points. First there is the Canada Mortgage and Housing Corporation. I was one of the ministers from Alberta who negotiated Alberta's share of the moneys available through that program for housing in Alberta.

I remember sitting around the table and walking through those negotiations. I remember my attitude and it reflects on the question I raise here. My attitude at that time was that if some of the other provinces, the maritime provinces, Saskatchewan, or the Northwest Territories, required more funding to meet some of its social housing needs, I was prepared to be flexible, move on that and to give a portion of Alberta's moneys to them.

In other words I was saying because Alberta should have  $x$  per cent or whatever it is, 10 per cent or 11 per cent of the federal funding relative to our population, I was willing to give on that. I saw that there may be a need out there that needed to be met. There were less fortunate in terms of revenue than we were in the province of Alberta. I was willing to give.

As I look at this today relative to Bill C-3 and equalization, as a minister at that time I could have sat at the table and said equalization has occurred. We had a formula in place. Today we are putting through Bill C-3 hopefully to become legislation. We are going to put that in place.

(1330)

Perhaps Alberta at that point in time should have received a percentage of the grant relative to its percentage of the Canadian population. Looking at the structure it does not quite work that way.

For example under the RRAP Newfoundland received \$12 per capita, Alberta received \$2.10 per capita, and Ontario received \$1.85 per capita. The question is: After equity, should there have

*Government Orders*

been a \$10 differential between Alberta and Newfoundland? Should the numbers have been skewed in that direction?

A second example is under transportation looking through the report I mentioned a few moments ago. Even under transportation there is disparity. For instance as noted in this report New Brunswick received \$131.3 million under a program negotiated between 1987 to 1996 to do highway and transportation work. Nova Scotia, Prince Edward Island, Quebec and Newfoundland received millions of dollars to improve their highways. Yet when we look at Alberta, British Columbia and Ontario on the list there are no dollars for those respective programs.

The question is: Did we create equity by the formula to begin with or not? If we did, should we be allocating special funding over and above? Should not all provinces and all residents of Canada be able to receive the same type of treatment if equalization is real and that we do not have to keep shoring it up by giving political funds or other kinds of funds at a later date?

Another example cited in the document is that some provinces receive additional money for health and education. Special dollars are allocated. Around \$1 billion is provided for what are called the seven less prosperous provinces, the same seven provinces that are receiving moneys through equalization.

As legislators and as people who want to create fairness, we want fairness. When Alberta, Ontario and British Columbia say that the formula is fine and that they are receiving no benefits, they should raise the question: Are the benefits after that of other government programs allocated fairly across this nation? We should ask that question.

Looking back at my own political experience provincially I raised this once in a while but not in the same context. I often look at provincial treasurers and those who negotiate at the table as to whether they ask the same question. If we created equality with Bill C-3, why are the other funds not allocated from the Government of Canada done equally for all Canadians no matter where they live?

We should think about that in this assembly as we proceed to the budget in the third week of February and look at the new programs and raise the question: Are all Canadians no matter where they live going to receive equal treatment, have equal access? Will each province have some equality in the distribution of the funds of that budget? If that is so, then we have improved the circumstances and we have made a contribution.

I am not always sure going back in history whether parliamentarians or governments look at it on that basis. It was often allocated for political reasons. Often there was this misconception that equalization had not occurred so some more would be

added to some of the provinces that are called the have not provinces of Canada.

With those remarks, we in the Reform Party in general support the concept of equalization. We are concerned about the dollar amount of \$8 billion and that there was not some kind of reduction. Because of that we are not going to be voting for the bill. The other concern I have is the one I raised about continued equalization and fairness in other moneys that become available for us to distribute as parliamentarians.

(1335)

**Mr. John Harvard (Winnipeg St. James):** Mr. Speaker, I have a couple of observations and a question. Maybe I can allude to the question and then go on to the observation.

I appreciated the remarks of the previous speaker with respect to this matter and especially Bill C-3. I want him to elaborate a little with respect to his comments on programs outside of the equalization program.

Perhaps I misunderstood him but the message I got was that the hon. member supported the notion of equalization within the ambit of what we call the equalization program. Then he began to raise questions about the notion of equalization as a principle as it pertains to other programs and he specifically mentioned a couple of programs. One in particular was the RRAP. If I recall correctly he pointed out that on a per capita basis Newfoundland was getting about \$12, Alberta about \$2, and Ontario even less.

It makes me wonder if he is saying that equalization is fine insofar as the large equalization program is concerned, but when it comes to specific programs, RRAP for example, that we should not consider equalization at all, that we should just throw it out the window. Also, if we use population as a basis Alberta will get whatever its share is according to population and Ontario the same and Manitoba the same. That is what I am beginning to wonder.

I do think that equalization as we understand it embodies the highest ideals of this country. It reflects our society, that being a caring and sharing one. It says we are one country. We are not two countries; we are one and everyone is going to be treated equally in so far as some of these basic programs are concerned.

As I listened to the previous speaker from the Bloc a few minutes ago I thought that it must be embarrassing for a separatist in this House to be participating in this kind of a debate. Embarrassing. In fact to participate would suggest that the participants are almost shameless because when we talk about equalization we are talking about the benefits of Canada, the benefits of the citizenship of the country. That is what equalization is about: As Canadians they are treated by their federal government with a particular standard of respect. It does not matter where they live, in Newfoundland, Alberta, Quebec or wherever, they are going to be treated with respect and with a certain touch of equality. Imagine the kind of embarrassment

those people must be feeling right now because they want to shove that all aside.

I want to get back to the previous speaker from the Reform Party because I want a little more clarity. I think the member understood my question. Is he suggesting more or less disregarding equalization outside of this program called equalization?

**Mr. Speaker (Lethbridge):** I want to make the statement I have made very clear to the hon. member who raises the question. The purpose of Bill C-3, and I read this verbatim out of notes from our briefing, "is to enable provincial governments to provide their residents reasonably comparable levels of public service at reasonable levels of taxation".

In other words Bill C-3 creates a level playing field across Canada. This bill provides that we will bring the per capita payment up to the standard of \$4,800. Now that does not bring it up to 100 per cent but it brings it from 85 per cent to 93 per cent in terms of comparability. A group of factors have been taken into consideration to bring about this standard and to do the best in comparability.

If we have equalized the opportunity for Canadians in whatever community they live, whether it is Quebec, Newfoundland, Nova Scotia or Alberta or wherever it is, we have equalized it by Bill C-3. That is the starting point. Any programs allocated after that should not require an equalization consideration.

(1340)

For example, housing through RRAP and if everything is equal, if it is \$10 per capita in Newfoundland, then it should be \$10 per capita in Alberta and \$10 per capita in British Columbia or Saskatchewan or Quebec so that we should not have to consider it as much. However as we observe the distribution of federal funds in a variety of programs, and we even note it in the infrastructure program, we built a factor into that program that said it was still not quite equal in some of the provinces and that we had to consider the unemployment factor so those provinces receive more per capita.

That is really saying that our equity considerations were not working and that we still have to work on them and shore them up. I am saying let us be careful so we do not overdo that in the programs we design from this period of time on and in the programs which will be introduced in the budget which is coming up in February 1994 as well.

**The Acting Speaker (Mr. Kilger):** It being 1.40 p.m. I do now leave the chair until 2 p.m., pursuant to Standing Order 24(2).

(The House recessed at 1.40 p.m.)

*S. O. 31*

## AFTER RECESS

The House resumed at 2 p.m.

## STATEMENTS BY MEMBERS

[*Translation*]

### VOYAGEUR FESTIVAL

**Mr. Ronald J. Duhamel (St. Boniface):** Mr. Speaker, from February 11 to 20, this year, the members of the community of St. Boniface will don their voyageur garb and welcome you to a great winter festival, one of the biggest in the world.

This year, the Voyageur Festival will celebrate its 25th anniversary and feature well-known Franco-Manitoban artists like Daniel Lavoie and Gérald Laroche, and also Marie-Denise Pelletier, Richard Séguin, La Bottine Souriante and many more.

There will be a host of popular shows and events featuring performers from all over the world. Come and see Voyageur Park, Fort Gibraltar, winter promenades and La Fourche, a historic park that showcases artifacts reflecting the rich heritage of the founding nations of Manitoba.

This year, more than ever, I am giving an open invitation to all my colleagues. I would like them to come to the Voyageur Festival and see that we have a dynamic and proud French-speaking community which knows how to celebrate its traditions and its contribution as well as those of the other founding peoples.

\* \* \*

### STARMANIA

**Mrs. Suzanne Tremblay (Rimouski—Témiscouata):** Mr. Speaker, in the name of all Quebecers and Canadians, I would like to congratulate Mr. Luc Plamondon and all those who made possible the remarkable success of *Starmania*, the rock musical.

At the ninth Victoires de la Musique award ceremony yesterday in Paris, the third Paris version of *Starmania* received the Victoire award for the best musical of the year. Most performers in that rock musical are Quebecers. Therefore, I think it would be appropriate to thank them most sincerely, in everybody's name, for the honour they bring us and for their contribution to the promotion of French language song.

This recognition by the large French public is reason enough to be proud of our artists and to increase our support of all cultural industries which contribute to Quebec's uniqueness.



*S. O. 31*

[English]

### CANADIAN EMBASSY IN CHINA

**Mr. Bob Ringma (Nanaimo—Cowichan):** Mr. Speaker, a number of journalists have recently chronicled the financial boondoggle associated with the new Canadian embassy in Beijing, China.

From the lease of 1.3 hectares of prime swamp land in 1978 to the purchase of imported Utah grass and Canadian maple trees at a cost of \$5 million in more recent times, Canadian taxpayers have seen this project go from \$18 million to \$79 million.

Now we all know the current government was not responsible for this spending nor should we believe it condones it. However Canadian taxpayers, like Roger Napier on Thetis Island in my constituency, would like some assurance that this type of chaotic spending will not occur again.

My constituents simply ask that the current government learn from the mistakes of past governments to prevent a repeat performance which we surely cannot afford.

\* \* \*

(1405)

### ABORIGINAL AFFAIRS

**Mr. Elijah Harper (Churchill):** Mr. Speaker, like many other First Nations people I was pleased to hear aboriginal self-government addressed in the throne speech.

The inherent right to self-government is a unique and special relationship between Canada's First Nations and the crown. The formal acknowledgement of self-government is a historic occasion even though it is just an acknowledgement of this right which has never been surrendered or extinguished.

In acknowledging the inherent right to self-government the Minister of Indian Affairs and Northern Development has announced to move to implement self-government.

I believe the government is finally honouring and respecting the unique positions of First Nations within Canada. I hope the first peoples will join me in saying yes to this renewed partnership.

\* \* \*

### THE 1994 TANKARD

**Mr. Gar Knutson (Elgin—Norfolk):** Mr. Speaker, today the city of St. Thomas in my riding of Elgin—Norfolk will have the honour and privilege of hosting the Ontario 1994 provincial men's curling championships.

Known as the Tankard, this prestigious event brings together the very best curlers in Ontario and I am sure, the world. The Tankard runs until February 14 and I encourage all in the southern Ontario region to come to St. Thomas and witness this excellent event.

To the players: Great curling and may the best team win.

\* \* \*

### MONCTON DEPOT

**Mr. George S. Rideout (Moncton):** Mr. Speaker, I rise today to speak about the closure of the depot in my riding.

I want to thank the Minister of National Defence for giving the group from Moncton a chance to make their pitch to keep the depot.

Moncton has been hard hit with the closure of the CNR shops, the base and the loss of thousands of jobs. Therefore it is important that we maintain the depot in Moncton.

I believe the group got its points across. There is economic value in having the depot maintained in Moncton with its strategic location between Halifax and Gagetown.

I am sure the minister will take cognizance of all the information that was given to him, particularly the hard working labour force, the bilingual labour force and the efficient labour force that exists at that depot.

\* \* \*

[Translation]

### FISHING INDUSTRY

**Mr. Gilbert Fillion (Chicoutimi):** Mr. Speaker, like many Canadians, I was shocked when I read in this morning's paper that the fisheries and oceans department is approving some travel expenditures in excess of \$175,000 for two of its senior officials while the fisheries industry is battling very serious economic difficulties and lack of financial resources.

Since the application of the moratorium on northern cod fishing by the Fisheries and Oceans Department, thousands of workers and fishermen have no more job in the Atlantic region.

In such circumstances, some senior officials of the Department dare to organise a northern cod celebration and spend taxpayers' money when coastal communities have no idea yet what amount of financial assistance they will receive once the northern cod adjustment and recovery program ends on May 15, 1994.

That kind of unforgivable waste—

**The Speaker:** I am sorry to interrupt the hon. member, but his time is up. The hon. member for Macleod has the floor.

[English]

### INTERNATIONAL GAY AND LESBIAN ASSOCIATION

**Mr. Grant Hill (MacLeod):** Mr. Speaker, last July the International Gay and Lesbian Association was endorsed by Canadian diplomats and granted consultative status in the UN. This group included North American Man Boy Love Association representatives who openly promote adult-child sexual relations.

In response to questions directed to Canada's foreign affairs department as to how this could happen, it said that groups applying for consultative status do not have to identify the nature or purpose of their organization.

Now that we know who our diplomats voted for, I call on the department to reverse this consultative status forthwith and to ensure that anyone promoting adult-child sex does not receive any endorsement whatsoever from the Government of Canada.

\* \* \*

### THE BUDGET

**Mr. Bob Wood (Nipissing):** Mr. Speaker, I would like to relay to the finance minister a few of the concerns regarding the possible content of the upcoming budget which have been expressed to me by many of my constituents.

(1410)

Many people in Nipissing feel it would be unfair for this government to lower the maximum contribution which individuals may place in registered retirement savings plans. Many of these people are self-employed with no access to corporate pension plans, making RRSPs their primary retirement investment mechanism.

Furthermore, I would like to encourage the finance minister to extend the RRSP home buyers plan which will expire this month. Approximately 200,000 homes across Canada have been purchased through this plan, contributing of course millions of dollars to local economies.

I realize the minister faces many difficult choices in making his budget, but it is my hope that he considers some of the suggestions which have been brought forward today when doing so.

\* \* \*

### CHILD SUPPORT PAYMENTS

**Mr. Morris Bodnar (Saskatoon—Dundurn):** Mr. Speaker, several of my constituents have brought to my attention their concerns that there is a grave problem with the taxation of child support payments.

*S. O. 31*

Child support is paid for the benefit of the children, not the custodial parent. According to statistics, 60 per cent of single parent families live below the poverty line. Child support does not cover the cost of raising a child. However, for income tax purposes child support is considered part of the income of the custodial parent as opposed to the income of the contributing parent.

Therefore, I call upon the ministers of finance and national revenue to review this problem, to find a solution that will create greater equity between the custodial and contributing parents.

\* \* \*

### SMALL BUSINESS

**Mr. Harbance Singh Dhaliwal (Vancouver South):** Mr. Speaker, as our government is demonstrating the interests of small businesses are central to the Liberal strategy for economic revitalization. I commend the Minister of National Revenue for the work his department has done with Bill C-2. Once enacted this initiative will go far to reduce the excess paper burden on small business owners.

In keeping with our concern for small businesses, I would make one further recommendation for the consideration of members of this House on another small business concern.

Under the last government, remittance of payroll deductions for small and medium sized businesses were increased from once a month to twice a month. The result of this change in the process of payroll deductions has been to place an extra and unnecessary burden of time and paperwork on an already overburdened small business sector.

I am confident that with initiatives like Bill C-2 and a review of the frequency of payroll remittance we will be able to free small and medium sized business owners from the burden of paperwork which will allow them to spend more time doing what they do best, running their businesses.

\* \* \*

[Translation]

### TV VIOLENCE

**Mr. Louis Plamondon (Richelieu):** Mr. Speaker, this morning, we heard that the president of the Canadian Radio-Television and Telecommunications Commission had met several officials to discuss the issue of violence on television.

We of the Bloc support this kind of initiative since we can all witness the shameful show of pointless violence, especially on popular American TV series.

The Bloc members support all incentives to producers, aimed at reducing the level of violence in TV programs, as well as stricter regulation of the broadcasting industry.

*Oral Questions*

[English]

**CHALLENGER FLEET**

**Mr. Myron Thompson (Wild Rose):** Mr. Speaker, I read in the newspaper yesterday that the government is considering selling most of its fleet of 16 Challenger jets. I certainly want to encourage the government to follow through on this positive impulse.

The article said that the Challenger fleet cost taxpayers \$54 million last year, and the selling of these jets is a move that would certainly be applauded by Canadian taxpayers.

I applaud the Prime Minister for this decision. I am very glad to see the government is prepared to respond positively to constructive public pressure and to constructive input from this side of the House.

Canadian taxpayers eagerly await the official announcement that the Challengers will be sold.

\* \* \*

**TRADE**

**Mr. Wayne Easter (Malpeque):** Mr. Speaker, I rise to raise concerns with respect to the free trade agreement with the United States. That is the continued use by the United States of its export enhancement program, specifically with respect to agricultural exports impacting on Canadian farmers and Canadian markets.

The U.S. is currently providing an export subsidy under the EEP of \$3 to \$40 per tonne into Mexico and of \$65 per tonne into China.

(1415)

Article 701(4) of the CUSFTA states the United States is obligated to take into consideration the negative impact its export subsidies will have upon Canadian exporters of agricultural products into a third country.

The United States is failing now and has failed repeatedly to respect this provision. This is unacceptable.

It is time for the federal government to call for a formal binational dispute settlement panel to examine the issue and determine the extent of the injury caused to Canadian farmers and force the U.S. to cease the use of EEP.

\* \* \*

**VYRT SISSON**

**Mrs. Jane Stewart (Brant):** Mr. Speaker, everyone knows that a volunteer helps others, but Vyrt Sisson, a new retiree with an impressive record of service in the Brantford area has turned the tables and is helping volunteers.

Mr. Sisson has opened The Office at the YM-YWCA. This provides a place where retired or displaced business people have an office environment available to them to facilitate their work for volunteer organizations. So much more can be accomplished with the right equipment and atmosphere. Networking, co-operation, camaraderie; that is a great combination.

Leading by example has always been Mr. Sisson's style but this novel idea shows the impact one individual can have on a community.

I am bringing this to your attention because Mr. Sisson is a fine example of volunteerism in Brant.

\* \* \*

**SHERRI MCLAUGHLIN**

**Mr. Nelson Riis (Kamloops):** Mr. Speaker, in the early evening of September 13, 1993 a young woman, Miss Sherri McLaughlin, went missing in a Kamloops, British Columbia suburb. The only evidence of foul play was discovered within hours and included a bicycle which had been run over by a vehicle along with her abandoned backpack.

Since then in spite of a comprehensive and thorough investigation virtually no useful evidence has been uncovered regarding her whereabouts and what happened that fateful evening.

What happened that evening remains a mystery. She disappeared and the authorities are desperately seeking for new clues.

The people of Kamloops ask the people of Canada to join with them and assist them in any way to find out what happened to Sherri McLaughlin on that fateful evening. They ask the Government of Canada to take whatever steps necessary to make our communities safer.

**ORAL QUESTION PERIOD**

[Translation]

**LOWERING OF TAXES ON CIGARETTES**

**Mr. Michel Gauthier (Roberval):** Mr. Speaker, my question is for the Prime Minister.

On January 20 last, the Prime Minister said: "If both levels of government cannot co-operate, if one acts and the other does not, then we will not get the hoped-for results".

Fifteen days later, does the Prime Minister still agree with what he said and can he tell us whether he believes his plan to roll back cigarette taxes to combat smuggling could prove ineffective given that no other provincial government, aside from Quebec, has agreed to come on board?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, certain provincial governments have not yet reacted. They are studying the proposal which is being extended equally to all provinces.

*Oral Questions*

In my opinion, the Government of Quebec is facing a much more serious situation, which explains why it has decided to accept the offer we made very seriously. I am pleased that it did so.

As for the other provincial governments, we will see what they will do. We however have not backed away from our responsibilities. We began discussions with the provinces, and specifically with Ontario in December. Eventually they will have to make a decision and that is what we have done.

**Mr. Michel Gauthier (Roberval):** Mr. Speaker, in spite of some vigorous opposition from Ontario members within his own caucus, the Prime Minister has decided to move on this plan anyway and to roll back cigarette taxes. Is he not concerned that Ontario's refusal to come on board with his plan could turn that province into the next centre of smuggling in Canada?

[English]

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, as Prime Minister of Canada I took my responsibilities. If others do not want to act that is their responsibility.

To pretend there is not a problem when one-third of the market of cigarettes is sold under the table is an opinion I do not share.

(1420)

[Translation]

**Mr. Michel Gauthier (Roberval):** Mr. Speaker, this morning the Prime Minister said in his statement here in the House, and I quote: "Along with these resources are new strategies to crack down on organized smuggling groups and to increase surveillance of these groups".

Could the Prime Minister tell us whether other strategies will include providing the RCMP with new equipment or action plans appropriate to this particular situation?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, we have told the RCMP officers we would support them in this difficult endeavour. We intend to do what has to be done to help them. As far as day to day strategy is concerned, that is the RCMP's responsibility, and in situations like this, it is no use giving away the game plan to the other side. It is better to keep it quiet until we are ready to use it.

\* \* \*

### CIGARETTE SMUGGLING

**Mr. Michel Bellehumeur (Berthier—Montcalm):** Mr. Speaker, my question is also for the Prime Minister. As the RCMP itself admits, cigarette seizures by police forces last year amounted to only 1 per cent of all the contraband. It is a real sieve! Nevertheless, the government repeated again today in this

House that it intends to enforce the law throughout Canadian territory.

Can we take the government seriously today when it promises to enforce the law throughout Canada, without exception, while smuggling is going on with the knowledge and in full view of the police authorities, who have not made any move to stop the smugglers?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, I think that the figures given by the Solicitor General in this House in recent days prove that a tremendous amount has been seized and that there will be much more now that we have given them everything they need to do so, and we have also helped the personnel of the Department of National Revenue do a better job. Given the size of the problem, they needed reinforcements and the government has given both the RCMP and the Department of National Revenue the necessary reinforcements.

**Mr. Michel Bellehumeur (Berthier—Montcalm):** Mr. Speaker, I wish to ask the Prime Minister a supplementary question.

Does the Prime Minister make the commitment that the federal government will end the activities of some 500 smugglers in the Akwesasne region, identified yesterday by his colleague from Sault Ste. Marie, the Minister of Indian Affairs?

[English]

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, I think that I said very clearly that the law will apply everywhere in Canada. The notion of some people trying to make this just a problem of the natives of Canada is not correct. It is not true at all. There are problems across the nation. What the member is trying to do is create the impression that the problem is a native problem when, as I said today in the House, there are two million people in Canada who are buying illegal cigarettes. So there are two million people involved. That does not mean it is just an Indian problem. It is very unfair to try to create that impression.

**Mr. Preston Manning (Calgary Southwest):** Mr. Speaker, my question is also for the Prime Minister. The Prime Minister announced today the government's action plan on smuggling but the plan was not accompanied by a detailed breakdown of the costs of this program to the Canadian taxpayer.

Can the Prime Minister tell us what the net cost of this program will be on an annual basis and is he willing to table in the House the detailed cost breakdown of this program?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, there will be a budget in a couple of weeks and all the expenditures of the government will be listed on the balance sheet for the whole nation. This is a problem we are tackling at the moment. I said this morning that it will cost some money. However if we do not act now it will cost a lot more in the medium term.

*Oral Questions*

We think that over a period of one year or a year and a half not only will this program be effective but we will gain more revenues than we have right now if we are successful and we intend to be successful.

**Mr. Preston Manning (Calgary Southwest):** Mr. Speaker, I have a supplementary for the Prime Minister on the revenue side.

(1425)

The Prime Minister said that the proposed tax cuts in connection with the action plan on smuggling will reduce federal revenues in the fiscal year 1994–95 by approximately \$300 million. This figure is obviously based on certain assumptions about provincial participation.

Could the Prime Minister tell the House what the total loss in federal and provincial tax revenue would be if all provinces participated in the plan to the same extent as Quebec?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec):** Mr. Speaker, from the federal government's point of view, the fact is that the more provinces that participate, the greater the legal sales that will occur and therefore the less the hit on the federal government.

The numbers that we have, and these are really based on an average, show that in the first year, as the Prime Minister has said, there would be a \$300 million hit coupled with an approximately \$150 million inventory rebate. That will very quickly decline to \$25 million in the second year. In fact by the third year the nation's fisc begins to show a substantial improvement, rising to \$150 million to \$275 million.

In addition to the costs that I outlined at the beginning, it would appear that there would be approximately \$150 million to \$160 million of enforcement costs arising out of RCMP, customs, justice and health.

That does not lead to very substantial government revenues that are going to occur immediately as a result of the tax measures that the Prime Minister announced in his speech this morning relative to the companies themselves.

**Mr. Preston Manning (Calgary Southwest):** Mr. Speaker, I thank the minister for that answer. I have a further supplementary for the Prime Minister.

The Prime Minister's announcement today was not quite clear on all of the additional costs that will be incurred by the RCMP, the customs branch, the ministry of health, the justice department and so on to implement the various aspects of the government's action plan on smuggling.

Can the Prime Minister tell the House what the total implementation costs will be on an annual basis and can he table a detailed breakdown of that cost?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, it would be about \$150 million to enforce that, but we have to keep in mind that if we are very successful we will gain more revenues from stopping the smuggling of liquor, which is not mentioned at this time. A lot of Canadian citizens who are making money under the table now will have to pay income taxes. There will be an offset that cannot be measured with a spoon. We have to see what exactly will be the effect of the program.

However, when the people of Canada respect the law and pay all of their taxes we will be in a very positive position.

\* \* \*

[Translation]

**INDIAN AFFAIRS**

**Mr. Gilles Duceppe (Laurier—Sainte-Marie):** Mr. Speaker, my question is for the Prime Minister.

Yesterday, in the house, the Minister of Indian Affairs said that he did not want to force another Oka. He was in a way explaining why his government is reluctant to take action on the reserves of Akwesasne, Kanesatake and Kahnawake in order to put an end to smuggling.

Why is it that the Prime Minister refused to meet, on an urgent basis, the Mohawk leaders of Akwesasne, Kanesatake and Kahnawake?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, the chiefs of the three reserves had the opportunity to meet with officers of the RCMP last Friday and they will meet with the Solicitor General tomorrow morning.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie):** Mr. Speaker, the Minister of Transport is having a hard time keeping his cool, but I will try to put my question anyway.

**Some hon. members:** Hear, hear!

**Mr. Duceppe:** I am trying to take part in a civilized debate. May I speak, Mr. Speaker?

**Some hon. members:** Oh, oh.

**The Speaker:** Order, please put your question.

(1430)

**Mr. Duceppe:** Will the Prime Minister commit himself to meet with Mohawk leaders in order to defuse tensions and to reaffirm his determination to enforce the law everywhere on the territory, while demonstrating clearly that he will not be swayed by threats of armed reprisals?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, I have nothing to add to what I said. Indian chiefs met with the

*Oral Questions*

RCMP on Friday and they will meet the Solicitor General tomorrow. I repeat we intend to enforce the law in all regions of Canada.

\* \* \*

[English]

**HEALTH**

**Mr. Keith Martin (Esquimalt—Juan de Fuca):** Mr. Speaker, my question is for the acting minister of health.

It is known that any reduction in the price of cigarettes will lead to increased consumption, especially among the youth. In fact it is predicted that a 10 per cent decrease in price will result in an 8 per cent in the overall consumption, especially a 15 per cent increase among adolescents and youth.

It is also estimated that these cuts that are proposed today will result in 800,000 new smokers of which a quarter of a million will be the youth.

Is it the official position of the ministry of health to support a bill that jeopardizes the health of Canadians, especially the youth?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, obviously it is the position of the Government of Canada to help stop young people from smoking.

Smoking is a killer. It is a killer of young people and it is a killer of all Canadians.

Right now there are two million Canadians smoking smuggled cigarettes. To extrapolate the statistics of the Cancer Society, between 600,000 and one million of those Canadians smoking smuggled cigarettes can expect to die from cancer.

It is our intention to cut down on smoking by making sure that every effort is taken including the abolition of kiddie packs, including raising the age of smokers, including charging fines of up to \$50,000 for retail outlets that sell to minors.

We have an attack and a plan that is going to safeguard the health of Canadians, not a plan that will hide its head in the sand by doing nothing when two million Canadians right now are smoking smuggled cigarettes.

**Mr. Keith Martin (Esquimalt—Juan de Fuca):** Mr. Speaker, my question is for the Deputy Prime Minister.

The minister should know that 40,000 Canadians die each year of smoking related illnesses and that billions of dollars are already spent every year on health care problems related to smoking.

Does the Deputy Prime Minister have any idea of how much this is going to cost our already overburdened health care system?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, the Government of Canada recognizes the fact that almost 40,000 Canadians die every year from smoking.

The Government of Canada also recognizes the fact that for the first time last year cigarette smoking in Canada increased as opposed to decreased.

The Government of Canada also recognizes the unfortunate fact that young women in particular have continued to smoke despite the general decline in smoking of the population. That is why the Government of Canada is introducing a four-pronged strategy to make sure that we have a strategy that encourages every single Canadian to stop smoking by ensuring that the base price level for cigarettes is at a level that is out of reach of young Canadians and hopefully very soon out of the wish of most Canadians.

\* \* \*

[Translation]

**INDIAN AFFAIRS**

**Mr. André Caron (Jonquière):** Mr. Speaker, my question is for the Prime Minister. What the native people do not agree with are the provisions concerning the reserves which the Prime Minister implemented at the beginning of the 1970s, when he was minister of Indian Affairs, and which keep them in a state of dependence. Chief Mercredi admitted yesterday he no longer has control over the situation on the reserves.

His request for an amendment to the Indian Act which would recognize Indian self-government is fundamental but has not been answered yet.

Is it the intention of the Prime Minister to initiate, in the near future, a negotiating process with the First Nations in order to review those clauses of the Indian Act that are now obsolete?

(1435)

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, that is exactly what the Minister of Indian Affairs and Northern Development is doing right now.

**Mr. André Caron (Jonquière):** Mr. Speaker, I have a supplementary question. If he does not want the Oka situation to repeat itself, will the Prime Minister recognize that he must, in co-operation with the provinces and I insist on that point, enter very shortly into a process that will lead to the official recognition of Indian self-government?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, we have clearly explained our policy concerning the possibility of increasing native self-government so that the First Nations can manage their own problems on their own reserves and that is precisely the subject of discussions going on right now between

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the Minister for Indian Affairs and Northern Development and the Indian chiefs of Canada.

\* \* \*

[English]

**CANADIAN BROADCASTING CORPORATION**

**Mr. Randy White (Fraser Valley West):** Mr. Speaker, my question is for the finance minister in the absence of the Minister of Canadian Heritage.

The CBC recently issued a \$380 million bond to finance the new broadcast centre in Toronto. This financing will cost almost \$4 million a year for the next 30 years because the bond is being issued at a rate higher than a regular government bond would be. This \$120 million is excess interest costs.

Can the minister tell the House if his government has had the opportunity to mitigate the loss by cancelling the bond issue and issuing a normal government bond?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec):** Mr. Speaker, I will take the member's question under advisement and when I have the details I will be glad to respond.

**Mr. Randy White (Fraser Valley West):** Mr. Speaker, my supplementary question is to the minister. Did the government give away crown land to the developer in the deal?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec):** Mr. Speaker, my response to the second question is the same as the first.

\* \* \*

[Translation]

**INDIAN AFFAIRS**

**Mr. Claude Bachand (Saint-Jean):** Mr. Speaker, the Prime Minister declared on many occasions, and said it again today in the House, The law applies to everybody and everywhere. Everyone agrees, as mentioned by the Mohawk leader in Akwesasne, that one of the major problems faced by the three reserves is the unrestricted circulation of a high number of firearms. The presence of such firearms has contributed to the creation of a climate of terror; in the last seven years, 70 of the 7,000 people living in the Akwesasne reserve have been killed; the circumstances of their death remain a mystery.

My question to the Prime Minister is as follows: Will he recognize that one of the major problems in the Akwesasne, Kanasatake and Kanawake reserves stems mainly from the proliferation of firearms in the hands of a few individuals allowed to terrorize the people?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, that is the reason why we have asked the RCMP to do its job on the reserves just as anywhere else.

**Mr. Claude Bachand (Saint-Jean):** Mr. Speaker, to put an end to this slaughter, what kind of concrete measures does the Prime Minister intend to take to enforce the provisions of the Criminal Code regarding the control of firearms, more precisely on these reserves?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, they consistently give the impression that the problem of contraband cigarettes is partly or completely located on Indian reserves; which is not true.

I said earlier that the law will apply on Indian reserves as anywhere else, but I find totally deplorable that this constant line of questioning involving natives gives the impression that they are to be blamed for everything happening in this country.

\* \* \*

[English]

**ROYAL CANADIAN MOUNTED POLICE**

**Mr. George Proud (Hillsborough):** Mr. Speaker, my question is for the Solicitor General. Since the death of Michael Scott Miller in 1991 there has been great concern with the issue of the RCMP messes, most particularly in regard to the consumption of alcohol in these messes.

Can the Solicitor General inform the House what measures the RCMP will take with respect to the consumption of alcohol in these RCMP messes?

**Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada):** Mr. Speaker, the RCMP has completed a comprehensive review of its mess structure. A new national constitution governing the activities of messes will be implemented. One result will be that the serving of alcoholic beverages will no longer be available in RCMP messes without the explicit approval of the commanding officer and this approval will be governed by the definitions of special events described in the national mess constitution. I hope this will give reassurance to people in Prince Edward Island and elsewhere who are concerned about this serious matter.

\* \* \*

(1440)

**CROWN CORPORATIONS**

**Mr. Jim Hart (Okanagan—Similkameen—Merritt):** Mr. Speaker, my question is for the Minister of Finance.

The Auditor General has repeatedly expressed concern that eight crown corporations are exempt from the provisions of the Financial Administration Act which mandate good management

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and accountability. The exempt crown corporations include the Canada Council, the National Film Board, the National Arts Centre Corporation among others.

At a time when Canadians are demanding that governments spend their tax dollars wisely, can the minister explain why these crown corporations are exempt from part X of the Financial Administration Act?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec):** Mr. Speaker, the exemptions are perfectly in accordance with generally accepted accounting principles. They are principles that have been followed by the government for quite some time and they in no way imply that proper supervision of crown corporations is not taking place.

**Mr. Jim Hart (Okanagan—Similkameen—Merritt):** A supplementary question, Mr. Speaker. Will the minister act on the Auditor General's recommendation to make these crown corporations responsible under part X of the act so they are properly accountable to this House and therefore to the people of Canada and subject to examination by the Auditor General?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec):** Mr. Speaker, the nature of these corporations is that they are responsible to their boards first and ultimately, as in all other things, they are responsible to the Government of Canada and therefore to the House.

The position of the government on most of these issues is that we agree with the Auditor General. We intend to put into effect the Auditor General's recommendations. There are some exceptions and this is one of them.

\* \* \*

[Translation]

#### USE OF TOBACCO PRODUCTS

**Mrs. Pauline Picard (Drummond):** Mr. Speaker, my question is directed to the Prime Minister. All stakeholders agree on the need for an anti-smoking campaign to make young people aware of the harmful effects of smoking, and the government's action plan makes provision for such a campaign.

Does the Prime Minister agree that no anti-smoking campaign can be conducted without the co-operation of the provinces? Can he give us the assurance that the provinces will follow his lead with the tax reduction or, failing that, at least support the health component of his action plan?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, I think that the provinces will examine the proposals we have put forward today and I am sure that they will be prepared to cooperate and contribute to the success of our campaign to

discourage young Canadians in particular from using tobacco products. We have said that we were embarking upon a campaign the likes of which have never been seen in Canada. I am positive that, even if some provinces are not too pleased with certain aspects of our plan right now, they will nonetheless try to help us.

**Mrs. Pauline Picard (Drummond):** Mr. Speaker, I have a supplementary question. Does the Prime Minister not agree that, beyond the proposed awareness program, further efforts must be made to control the movement of cigarettes among young people, especially at school?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, that is exactly why the plan we have tabled today contains specific measures with regard to teenage smoking. For instance, for the first time, those who sell tobacco products to young people under 18 years of age will be fined up to \$50,000. We will also take action to ban the sale of so-called "kiddie packs" to young buyers. And we have other specific measures to combat smoking among the young. This is all part of the health component of our plan, to prevent smoking from causing more harm to our young people.

\* \* \*

[English]

#### MEMBERS OF PARLIAMENT RETIRING ALLOWANCES

**Mr. Jim Silye (Calgary Centre):** Mr. Speaker, my question is for the Prime Minister. On January 24 in this House the Prime Minister promised to accommodate any MP who chooses to opt out of the current MP pension plan.

How soon can we expect these administrative changes to be made?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, I have said we want to give the option to all members not to participate.

(1445)

We will look at finding a way to do this under the Financial Administration Act. We are working on it at the moment, but I want to make sure that when a member opts out he or she cannot come back in when the controversy is over.

**Mr. Jim Silye (Calgary Centre):** Mr. Speaker, I can assure the Prime Minister that we will not want to have that double option. I have a supplementary question.

As Reformers we want to save the taxpayers' money.

**Mr. Nault:** One term wouldn't get it anyway.

**Mr. Silye:** I hope the members who are yelling can hear me. The sooner we can opt out of this plan the sooner the government will not have to match the members' payments of 11 per cent.



*Oral Questions*

Does the Prime Minister believe this 11 per cent saving or spending cut would be too savage for the Canadian taxpayer?

**Right Hon. Jean Chrétien (Prime Minister):** Mr. Speaker, the hon. member does not understand the system. There is no payment by the federal government. It is part of the general obligations of the government.

The fact you are not contributing is not adding anything to the expenditures of the government at this time. If you want to have your cash, we will pay you back with interest.

**The Speaker:** I know the right hon. Prime Minister was saying “you” looking toward me.

\* \* \*

[Translation]

**JUDICIAL APPOINTMENTS**

**Mr. Eugène Bellemare (Carleton—Gloucester):** Mr. Speaker, I want to congratulate the Minister of Justice for appointing 19 new judges, including five in Ontario, in January and February. Even with these appointments, there are not enough judges able to hear cases in both official languages used in Ontario courts. In Ottawa, for example, over 1,400 civil cases are still waiting to be heard, many since 1988.

Does the minister intend to appoint more bilingual judges in Ontario, especially in Eastern Ontario, to improve access to the courts in both official languages?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada):** Mr. Speaker, I want to assure the hon. member that I am very aware of the government’s responsibility to appoint judges able to hear cases in French. By the way, I should point out that two of the five Ontario judges appointed by this government on January 28 can work in French here in Ontario and hear cases in both official languages used in the courts.

I am committed to appointing more judges who will not only make a valid contribution to our legal system but also meet the linguistic needs and expectations of Canadians. Finally, I want to assure the hon. member that, as Minister of Justice, one of my priorities will be to ensure that the Ontario courts have the required linguistic capability.

\* \* \*

**CIGARETTE TAXES**

**Mr. Pierre Brien (Témiscamingue):** Mr. Speaker, in its action plan against cigarette smuggling, the government announces that it will introduce an \$8 export tax on each carton. However, the last export tax on cigarettes was a total fiasco and had to be withdrawn in April 1992, after being applied for only two months.

Has the Prime Minister obtained assurances from tobacco manufacturers to the effect that they will not move their

operations and start exporting jobs to Puerto Rico and the United States to avoid the new tax, as they did in 1992?

**Hon. David Anderson (Minister of National Revenue):** Mr. Speaker, we have not heard from tobacco companies. We really do not think this is necessary. Export taxes are a rather short-term measure. We are well aware that if the other measures are successful, the federal government may not get a lot of revenue out of that tax, which is aimed at reducing exports of Canadian cigarettes intended to be smuggled back into the country later. This short-term tax will be in effect in the weeks to come; it is not a long-term measure.

(1450)

**Mr. Pierre Brien (Témiscamingue):** Mr. Speaker, my supplementary question is for the Prime Minister.

Has the government planned measures to stop smugglers if they go to sources other than Canadian manufacturers?

**Hon. David Anderson (Minister of National Revenue):** Mr. Speaker, if the measures taken by the government do not work, smuggling will continue, but if they work the problem will be solved. To ask a question on the premise that the measures will fail is really not very useful at this point.

\* \* \*

[English]

**THE ENVIRONMENT**

**Mr. Jack Frazer (Saanich—Gulf Islands):** Mr. Speaker, my question is for the Deputy Prime Minister in her capacity as Minister of the Environment.

My subject is oil spill precautions for Canada’s coasts. Last September the state of Washington brought in rules requiring oil tankers transiting the Washington coast to give details of their capacity to deal with a spill, their personnel training and their vessel structure and history. They require that an English speaking officer be on the bridge and that operators must meet local alcohol, drug and work hour requirements. Violations of these requirements carry fines of up to \$100,000.

Will the minister move to institute a similar policy for Canadian coastal waters?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, I want to thank the hon. member for advance notice of his question. Living as he does in Saanich—Gulf Islands, obviously his constituency is very concerned about this issue.

We are very concerned about it also. That is why on April 1 of this year we will be implementing legislation to include a federal contribution of \$100 million in funding to ensure that we have quick response when spills do occur. We are also looking at private sector funding of between \$80 million and \$100 million

*Oral Questions*

to ensure that those ships involved in oil spills are paying for the pollution they cause.

We are looking for co-operation with the provincial government of British Columbia to make sure that the coast line is clear. I know that my colleague the Minister of Transport has been working very hard on this issue. I intend to meet very shortly with the provincial minister of the environment for British Columbia to ensure we have a joint federal-provincial response on an issue that is of crucial concern to British Columbia.

**Mr. Jack Frazer (Saanich—Gulf Islands):** Mr. Speaker, a supplementary question.

Our studies show that the risks of an oil spill drop by 40 per cent when tankers have double hulls. The current time frame for requiring double hulls stretches into the next century.

Would the minister move to accelerate this requirement and reduce the risk of a disastrous oil spill in our coastal waters?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of the Environment):** Mr. Speaker, I did indicate to the hon. member that in implementing the recommendations of the public review panel on tanker safety and marine spills response capacity, one of the issues was double hulling. The federal government has set aside \$100 million specifically to try and accelerate the implementation of some of these issues.

If the hon. member and his colleagues are prepared to yield more money from the public treasury, we would be very happy to move in quicker fashion on these important issues.

\* \* \*

[*Translation*]

**EXCISE TAX ACT**

**Mr. Maurice Godin (Châteauguay):** Mr. Speaker, my question is for the Prime Minister.

Quebec law enforcement authorities want more powers to fight cigarette smuggling. Right now, an officer of the Sûreté du Québec cannot apprehend a smuggler, without calling on the Royal Canadian Mounted Police.

What does the Prime Minister intend to do to ensure that provincial police in Ontario and in Quebec can enforce the Excise Tax Act?

**Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada):** Mr. Speaker, we intend to propose amendments to the Excise Tax Act in order to give Quebec and Ontario police the authority they need to enforce the law in their jurisdiction. This was mentioned in the statement given today by the minister.

**Mr. Maurice Godin (Châteauguay):** How does the Prime Minister think he can improve co-ordination between the RCMP and the federal and provincial police forces, which has been, up to now, absolutely inefficient, especially in my own riding of Châteauguay?

(1455)

**Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada):** Mr. Speaker, I am personally in contact with my counterparts, Mr. Middlemiss, in Quebec, and Mr. Christopherson, in Ontario, and I have received assurances from the commissioner of the RCMP that he, himself, is in contact with his counterparts. I am convinced that we will have the co-operation we need to curb smuggling.

\* \* \*

[*English*]

**GOVERNMENT APPOINTMENTS**

**Mr. Jim Gouk (Kootenay West—Revelstoke):** Mr. Speaker, for nine years the Liberal Party complained, and rightly so, about patronage appointments of unqualified people by the Conservative government.

My question is for the Minister of Human Resources Development. What procedure has his department developed to ensure that all appointments in his department are based on merit, not patronage?

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification):** Mr. Speaker, I would request the hon. member to be a little bit more specific because the department has such extensive activities.

We are in the business, for example, of appointing arbitrators in the Department of Labour. We consult business and labour to get nominations in these areas. We also appoint people who act as referees under the Unemployment Insurance Act. Again we consult the stakeholders in those areas to get recommendations, as we do from the general public.

The hon. member will be glad to know that in many cases these openings are put forward for gazetting, where they involve people like the chairman or vice-chair of the Canada Labour Relations Board.

We are reviewing ways to make sure it is an open process. I would point out to the hon. member that we take great pride in the competence of our arbitrators, our UI board of referees and I think the record of the people serving in those posts bears out that confidence.

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**G-7 CONFERENCE**

**Ms. Shaughnessy Cohen (Windsor—St. Clair):** Mr. Speaker, my question is for the Minister of Foreign Affairs.

*Points of Order*

In view of the fact that the economic and employment ministers of the G-7 countries will be meeting in Detroit, Michigan on March 13 and 14, I would like to ask the minister if he can inform the House of any steps the government is taking to invite the G-7 ministers to travel the short distance across the border to Windsor, Canada.

I would also like to know if the Canadian delegation will be staying in American hotels in Detroit or in Canadian hotels in Windsor.

**Hon. André Ouellet (Minister of Foreign Affairs):** Mr. Speaker, my seatmate understood the question very well. If he does represent Canada at this job conference I am sure he will be staying in Windsor.

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**CANADIAN FORCES BASE CORNWALLIS**

**Mr. Svend J. Robinson (Burnaby—Kingsway):** Mr. Speaker, my question is for the Prime Minister. It is a question of great concern, not only to the people of Nova Scotia but to all Canadians concerning the establishment of a peacekeeping training centre at Canadian Forces Base Cornwallis.

The Prime Minister will recall the letter he wrote to the people of Cornwallis, and in particular Annapolis and Digby counties in which he strongly supported this peacekeeping training centre for both Canadian and non-Canadian troops.

When will the government act to meet its commitment to the people of Annapolis and Digby counties to establish a Canadian forces peacekeeping training centre in Cornwallis?

**Hon. David Michael Collenette (Minister of National Defence and Minister of Veterans Affairs):** Mr. Speaker, as the hon. member knows, we are reviewing all of the facilities that National Defence has and every aspect of the operations budget of the Department of National Defence in conformity with the promises outlined in the red book.

In the red book we talked about the establishment of peacekeeping centres, and that is actively under consideration. Canada takes second place to none in the world in the development of peacekeeping. We shall keep this in mind when we announce the changes to defence policy later this year and certainly with respect to expenditures over the next 60 days.

\* \* \*

[*Translation*]

**BEER INDUSTRY**

**Mr. Yves Rocheleau (Trois-Rivières):** Mr. Speaker, through the impetus given by the big American brewers, the United States are now trying to force the Canadian provinces to widely open their market to these brewers, despite the beer agreement that was signed by the two countries in August 1993. The

Americans are questioning the imposition by the Quebec government of a minimum price on any beer sold in Quebec, when British Columbia and Ontario have already imposed such floor prices.

(1500)

My question is for the Minister for International Trade. Could the minister tell us whether he supports the position taken by the Quebec government to impose a minimum price on beer sold on its territory with a view to reduce alcohol consumption by 20 per cent by the year 2000?

[*English*]

**Hon. Roy MacLaren (Minister for International Trade):** Mr. Speaker, there is nothing in the memorandum of understanding between Canada and the United States on beer which prevents a GATT-consistent minimal price practice. It is that policy that we have supported in three cases, British Columbia, Ontario, and Quebec.

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**PETRO-CANADA**

**Mr. Chuck Strahl (Fraser Valley East):** Mr. Speaker, my question is for the Prime Minister.

The new chief executive officer of Petro-Canada is quoted as saying that there is no longer a public policy mandate for Petro-Canada.

Will the Prime Minister take this advice and sell Petro-Canada and apply the proceeds of the sale to the federal deficit?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec):** Mr. Speaker, as you know the previous government did sell off a portion of the Petro-Canada shares. The matter is obviously under advisement.

There is a question of market judgment and at the time when the situation is propitious, we will take the decision that is required.

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**POINTS OF ORDER**

## QUESTION PERIOD

**Mr. Stephen Harper (Calgary West):** I rise on a point of order, Mr. Speaker. As a new member who perhaps is not clear on the rules, I would like to ask your judgment or guidance on a matter originating from Question Period.

We had today and we have had in the past situations where I have noticed ministers reading lengthy statements on government policy in reply to what I do not want to describe as leading questions from Liberal members but perhaps not the same kind

of probing questions that sometimes come from this side of the House.

In that we have provision in our rules, in our standing orders, for statements by ministers I am wondering whether that kind of matter would be best handled in that forum.

**The Speaker:** I am not sure that would constitute a point of order. I will look into that, but I am sure it would constitute a point of information.

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### WAYS AND MEANS

#### NOTICE OF MOTION

**Hon. Douglas Peters (Secretary of State (International Financial Institutions)):** Mr. Speaker, pursuant to Standing Order 83(1), I wish to table a notice of a ways and means motion to amend the Excise Tax Act, and I ask that an order of the day be designated for consideration of this motion.

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[Translation]

### BUSINESS OF THE HOUSE

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons):** Mr. Speaker, I believe that the House will agree now to start debating Bill C-10 at second reading and then refer it to committee of the whole, before third and final reading, thus completing all the necessary stages before adjournment tonight. I believe you will find unanimous consent to proceed through all three stages.

**Mr. Michel Gauthier (Roberval):** Mr. Speaker, before agreeing to that request, I would like to point out that we had to wait until the very last minute to receive the request just made by the hon. member to proceed with this bill.

(1505)

We are going to agree because of the interest we have in Western agriculture and because it is necessary to pass that legislation, but we object to being informed so late of a measure which disrupts the work schedule and upsets the planning of members who were to take part in the debate. However, we accept willingly on behalf of western farmers who really need our help.

[English]

**Mr. Nelson Riis (Kamloops):** I rise on the same point, Mr. Speaker. My understanding is that my hon. friend is asking for unanimous consent to consider all stages this afternoon. Considering the immense importance of this legislation, it would be more appropriate to take it one step at a time.

At the moment, I would like to say that on behalf of my colleagues in the New Democratic Party, we would certainly

### Government Orders

give unanimous consent to proceed to second reading debate and then we will see how things transpire for the rest of the day.

**Mr. Elwin Hermanson (Kindersley—Lloydminster):** Mr. Speaker, could we call for a vote on that on that matter to see if there is support in the House for that position?

**The Speaker:** Is there unanimous consent?

**Some hon. members:** Agreed.

**Mr. Riis:** Could I seek from you, Mr. Speaker and the Chair, clarification as to just what it is you are seeking unanimous consent for? Is it to proceed through all stages of the bill at the moment or is it just simply to proceed to second reading of the bill?

**Mr. Milliken:** Mr. Speaker, perhaps I can assist in the circumstances. I have heard the representations of the hon. member for Kamloops. I recognize that he may not wish to proceed with all stages today. He will want to see what happens.

I appreciate the comments of the hon. member for Roberval very much. I wonder if it would be possible to proceed with second reading now by unanimous consent with the motion to read that the bill be referred to a committee of the whole so that on conclusion of second reading the bill would be referred to a committee of the whole. If we are able to complete that on a timely basis we will seek unanimous consent to proceed to third reading. At least we can do second reading and committee stage today, the aim being that we would complete all stages by six o'clock if possible and see how the House progresses in the afternoon.

The unanimous consent that I would ask for now is that the bill be called for second reading debate and reference to a committee of the whole at the conclusion of that debate.

**The Speaker:** Is there unanimous consent under these conditions?

**Some hon. members:** Agreed.

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## GOVERNMENT ORDERS

[English]

### WEST COAST PORTS OPERATIONS ACT, 1994

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification)** moved that Bill C-10, an act to provide for the maintenance of west coast ports operations, be read the second time and, by unanimous consent, referred to committee of the whole.

[Translation]

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

*Government Orders*

**Some hon. members:** Agreed.

[*English*]

**The Speaker:** Accordingly, the bill stands referred to committee of the whole. Pursuant to Standing Order 100, I do now leave the chair for the House to go into committee of the whole.

**Mr. Blaikie:** Mr. Speaker, how can we be going into committee of the whole right now when we have second reading of the bill now?

**The Speaker:** I asked permission of the House. I did not see any members standing so I presumed that you had instructed me to go ahead with the second point. We can revert if there is unanimous agreement. Does the House wish to revert to second reading?

(1510)

**Some hon. members:** Agreed.

**Some hon. members:** No.

**The Speaker:** Agreed. Did I hear no?

**Mr. Blaikie:** Mr. Speaker, on a point of order.

**The Speaker:** Order. Does the House wish to revert to the second reading of the bill? Is that agreed?

**Some hon. members:** Agreed.

**The Speaker:** Agreed.

[*Translation*]

**Mr. Louis Plamondon (Richelieu):** Mr. Speaker, I rise on the same point of order. I would like to know whether reverting to second reading means that all members who wish to speak will be able to do so or whether this is just to allow the member who so requested to make his speech, and we then go into committee of the whole.

**The Speaker:** This is to give any other members who wish to speak an opportunity to do so.

**Mr. Gauthier (Roberval):** Mr. Speaker, if the government had made its intentions clear, there would be less confusion. If I understood correctly, consent was given for proceeding with second reading, with speeches from all sides of the House, then into committee of the whole followed by third reading, so that we would finish this evening at about 6 p.m. That was our understanding, but this does not seem to be quite clear, even on the government side. Could they decide one way or another? Then we will give our consent.

**The Speaker:** One moment please. Could the hon. member for Kingston and the Islands explain exactly what he intends to do?

**Mr. Milliken:** Mr. Speaker, I suggested to the House, and I thought we had agreed, that the motion for second reading we would propose to the House would be for second reading and referral to committee of the whole instead of to a Standing

Committee of the House. That is all. There will be a debate on second reading: first the minister, then the opposition, the Reform Party, and perhaps a few other members, and after the motion for second reading is passed, the bill would be referred to a committee of the whole, according to the motion. That is all. And perhaps afterwards we can have unanimous consent for other business, but not now.

**The Speaker:** Is that clearer now?

**Mr. Gauthier (Roberval):** Mr. Speaker, there is another point I would like to make. We understand the procedure, but there was a motion before the House to the effect that voting on Bill C-3 would take place this evening. However the proceedings on this bill have been suspended. Would it be possible by some procedure of the House to continue the proceedings tomorrow on Bill C-3, contrary to the initial order of the House? If there had not been any changes, we would have finished this afternoon, but now, of course, that is not the case.

**The Speaker:** One moment. It would be possible if we had unanimous consent.

[*English*]

I will re-read the motion. Is there unanimous consent to the motion by Mr. Axworthy (Winnipeg South Centre), seconded by Mr. MacLaren, that Bill C-10 an act to provide for the maintenance of west coast ports operations be now read a second time and, by unanimous consent, referred to a committee of the whole?

Is it the pleasure of the House to adopt this motion? We are going to have debate.

**Mr. Blaikie:** Mr. Speaker, I rise on a point of order. With respect you asked if there was unanimous consent to do that and it was granted. Therefore there is no need for the motion at this point. It is just a question of allowing the debate to take place. We did not rise in our place nor did others because normally the minister rises in his place to give the first speech on second reading. That is what we were waiting for when you stood up to go into committee of the whole.

We agreed to go into second reading and then have committee of the whole. That is what unanimous consent was given to and now we wait upon the minister to justify the bill before us.

**The Speaker:** Order. Understood and so ordered then. There is unanimous agreement for having second reading. We are going to go to debate and then we are going to come back to the committee of the whole. Compris?

**Some hon. members:** Agreed.

(1515)

**Mr. Axworthy (Winnipeg South Centre):** Mr. Speaker, I rise today to introduce the West Coast Ports Operations Act. It is legislation aimed at bringing about the resumption of longshore operations in the west coast ports. I should say in introducing this bill that I feel a sense of real regret and some frustration in

having to once again intervene in the collective bargaining process.

I am certain that hon. members will comprehend why the decision is necessary once I lay out in very brief fashion the details of the dispute and the extensive efforts that went into trying to resolve it.

The dispute which gave rise to the introduction of this legislation involves the British Columbia Maritime Employers Association which represents ship owners, stevedoring firms and agents, the longshore industry on the west coast of Canada, and the International Longshoremen's and Warehousemen's Union, involving some 2,300 full time workers and about 1,300 casual workers. They were covered by a collective agreement which expired December 31, 1992.

During that period we offered very extensive conciliation services to the parties and progress was made in a number of areas, but there were still some outstanding areas, particularly those relating to wage differentials and some degree of security.

The parties were advised of a decision I took on January 19 not to provide further conciliation procedure and to let the parties resume honest bargaining between themselves. I did so because the issues were not complex in nature. The two sides should have been able to achieve a complete resolution of the contract dispute. However in direct negotiations that were held on January 22 and January 26 the parties failed to resolve their differences.

Members of the longshoremen's union commenced legal strike activity at the port of Chemainus on Vancouver Island on January 27. The following day the employer indicated it would not request the union to supply labour at any of the west coast ports as of 8 a.m. on January 29. In response the union initiated strike action at other B.C. ports during the afternoon of January 28. On January 29 all longshoring operations ceased.

Indications from the parties at the time indicated that because there was not much dividing them, there could be an early resolution of the dispute. We believe there was a desire to settle this on an amicable basis.

I am fully aware, and I think all members are, of the enormous economic importance the Vancouver west coast ports carry. It is the major outlet of foreign export markets for this country. Its cessation as an active outlet has already brought a number of major impacts to the Canadian economy, in particular the grain economy of western Canada.

Some 25 grain ships are in west coast ports awaiting loading and a further 38 ships are due to arrive over the next two weeks. The major escalation in requirements to have our exports moved was one of the reasons for bringing in this legislation.

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The scheduled loadings represent approximately 2.1 million tonnes of grain or close to \$500 million in exports. In addition at least five container ships containing 5,000 containers have been diverted from the port of Vancouver. Other commodities such as lumber, potash, sugar and minerals have also been affected by the work stoppage and the diversion of other commodities to other ports.

The cessation of longshoring activity has had a chain reaction among many other workers. More than 170 grain handlers have been laid off, 200 rail employees and some 190 federal grain inspectors have been notified of lay-off status. Firms such as B.C. Sugar Refinery and Cominco have indicated they will be facing reduced operations or lay-offs in the very near future.

Given the impact which these early hours or days of the strike affected, we immediately appointed a mediator on February 1 to provide the parties with a further opportunity to deliver on their commitment to resolve the dispute. Mediation talks began on February 2 and carried on till the following morning. Talks resumed on the afternoon of February 3. Again, despite these extensive efforts the parties remained in a dispute on the issue of wages and the talks adjourned.

(1520)

As one who strongly believes in collective bargaining, including the rights and responsibilities it places on the parties, I was reluctant to allow the two parties to abdicate their responsibilities to the Canadian public.

On February 4 I requested again that the parties return to the negotiating table with the assistance of the mediator, as well as the director general of the Federal Mediation and Conciliation Service.

*[Translation]*

I have told the parties involved how disappointed I was that they had been unable to reach an agreement to date. I also indicated that I expected that they do their utmost to settle their differences without further delay so that grains and other Canadian goods might again be shipped abroad.

*[English]*

Mediation talks resumed in Vancouver on the afternoon of February 6. Unfortunately, even though we had applied both mediation and persuasive techniques, I must again report that the British Columbia Maritime Employers Association and the International Longshoremen's and Warehousemen's Union failed to arrive at a settlement of their contract dispute.

As a result the legislation brought in today calls for immediate resumption of longshoring operations on Canada's west coast on the coming into force of the act, which I hope will be soon.

It provides for a mechanism of settlement of the remaining issues in dispute through the process of final offer selection. The

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passage of the bill by hon. members will see import and export cargo moving to west coast ports and the contract dispute between the two parties referred to an arbitrator for the purposes of selecting the final offer of one of the parties on the items remaining in the dispute.

I have heard some members say we should begin to take action immediately to look at declaring grain handling and other aspects of our west coast port economy to be essential services. I resist these measures. I still believe strongly that the collective bargaining process provides the best protection of rights and obligations for both sides to end a dispute.

We have seen in this particular game that both sides played a very dangerous game of poker with very high stakes, putting in real risk not just their own livelihood but also the economic health of Canada.

The reputation of Canada as a reliable shipping partner has been put in some jeopardy and ongoing efforts by the port of Vancouver to attract new shipping lines in the face of stiff competition from U.S. ports has also been put at risk.

I would say, however, it is appropriate that we begin to look in a more broad and open way at some of the questions of industrial relations in Canada at the present time. It is important to recognize that as we try to re-gear our economy and come to grips with a number of new economic and competitive situations, the vital issue of labour relations is part of that examination. As I indicated in a speech to the House a week or so ago we have already taken actions in conjunction with the Canadian Labour Congress and others to set up a special group to look at the issue of work and its distribution.

We should begin to take a look, perhaps through House committees, at other aspects of our labour relations, to bring them into line with present day realities, especially when we look at many of the challenges facing the economy to ensure that we may provide better ways for parties in disputes to come together.

The parties involved in the west coast dispute failed to recognize the benefits of the various approaches that were offered to them and consequently have left the government with no recourse but to step in and bring about a resumption of longshoring activities. While the process of arbitration is not a new concept in resolving contract disputes, the concept of final offer selection has not previously been utilized in conjunction with federal legislation to settle strikes.

The bill before hon. members today provides the parties with seven days from the coming into force of the act to provide the minister with the name of a person who is mutually acceptable to each side to serve as an arbitrator for the final offer selection process. Failing agreements by the parties the bill provides for

the minister to appoint a person who he or she considers to be an appropriate arbitrator.

The proposed legislation provides for the arbitrator, within time limits which he or she establishes, to receive from the parties a list of those issues agreed upon, a list of those matters remaining in dispute, and the final offer in respect of those issues in dispute. The list of issues agreed on and the final offer on the remaining issues are to be submitted in contractual language.

(1525)

The arbitrator within 90 days of being appointed shall determine the matters on which the employers association and the union were in agreement, determine the matters which were in dispute and select a final offer of one of the parties on all of the issues in dispute. The arbitrator is required to issue an award to the parties in the form of a new collective agreement which will be binding on the parties until December 31, 1995.

The legislation provides enforcement procedures for any instance of non-compliance with the provisions contained therein. All the costs incurred by the crown relating to the appointment of the arbitrator and the carrying out his or her duties is recoverable on an equal basis from both parties.

Members may ask, why a final offer selection in this particular case? For the benefit of those members who are not familiar with the bargaining relationship, I would point out that these two parties, the BCMEA and the ILWU are no strangers to the introduction of legislation to terminate work stoppages and provide for the resolution of contract disputes. Although the last two rounds of bargaining have resulted in settlements without work stoppages, the parties have exhibited a sad record of labour relations in the past and have been subject to special legislation in Parliament on four previous occasions, 1972, 1975, 1982 and 1986.

In addition to relying on government to relieve them of their collective responsibility to settle their differences, the parties have become far too comfortable with the standard third party arbitration features of past legislation for the resolution of remaining issues in dispute.

The provision of final offer selection procedures in this legislation puts the onus back on the parties and once again requires them to make clear, economic, rational decisions on behalf of their members, their companies and the public interest at large. It does not take away the responsibility of coming to decisions themselves which so often in the past they have declined to do. They will have to make judgments about what they think is a proper settlement and what would be a proper accommodation.

To do otherwise in my opinion would curtail the responsibility and onus of each of the parties in this dispute. It would also provide a message to other parties who are now beginning to engage in collective bargaining or who have already reached strike deadlines that this government wants to have both parties

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in any dispute, in any port, in any transportation system or anything under federal jurisdiction, to rely on their own best efforts to resolve their differences and come to some conclusion. We will not provide a constant crutch for them to find an easy way out of their responsibilities which under our labour relations laws they have been expected to assume.

To summarize, the BCMEA and the ILWU have shown an inability to resolve the obstacles standing in the way of settlement and the resumption of longshoring operations. The legislation will restore port operations on the west coast, get the ships and export and import cargoes moving and at the same time allow the two sides to come back and assume responsibility and arrive at a resolution.

As I indicated at the outset of my remarks, the introduction of legislation of this kind is not a pleasant task for a minister responsible for labour matters in this government. However, as the minister I have a duty to intervene when the parties fail to make the system work and in so doing inflict considerable harm on those not directly involved in the dispute.

There had been reason to hope that labour and management at the port of Vancouver had moved away from the dismal patterns of the 1970s and the first half of the 1980s when Parliament was forced to provide for resolution of their disputes on a continual basis. The negotiation of settlements in the last two rounds gave some reason to believe that the pattern had changed and that the parties were entering a new era of constructive labour relations. Sadly once again it shows that old habits die hard. Therefore, we hope the legislation will provide a strong reminder, a wake up call if you like, that we want a new regime and a new set of labour relations in this country.

(1530)

My wish, and one which I am sure is shared by members of the House, is that the current difficulties do not represent a reversion to previous form. The parties will endeavour to find better ways of resolving their differences. They owe it to themselves, the competitive future of the west coast ports, and to the wider community of the country that relies on this vital gateway for world commerce.

In sending forth this legislation I want to express my appreciation to members on both sides who have given their unanimous consent that this legislation can proceed with dispatch and with the kind of urgency that many people in the economy would respect.

I recognize that there will be questions and we will certainly be prepared to entertain them once we get into committee of the whole. I would only add to my appreciation my request that members do consider strongly that once they have had the opportunity to express themselves in second reading that we

move on to consideration in committee of the whole and hopefully toward third reading.

I understand that our colleagues in the other place are quite prepared to deal with the legislation this evening so it can go into effect and we can then take the final step. I do so with the strong invitation and willingness to sit down with members opposite to talk about how we might at a future date, not too far in the future but reasonably so, come to grips with how we could have a broader examination of labour relations and use their wisdom and judgment of the past on how we might proceed with a different kind of regime and proposals and policies that might help avoid situations that we now face with this legislation.

With that, I urge all hon. members to provide for prompt passage of this legislation to allow for the immediate resumption of activities in the ports.

[*Translation*]

**Mrs. Francine Lalonde (Mercier):** Mr. Speaker, it is always a very sad moment when Parliament, any parliament for that matter, must legislate an end to a labour dispute. Having worked for many years in this field as a unionist and later as a teacher, I know that back to work legislation means failure, not only for the parties involved, and perhaps more so for one side than for the other, but also for the labour relations process.

I would just like to say that this dispute signals a singular failure. It is difficult to understand why with so little separating the parties, they were unable to settle their dispute within the time allowed. I realize the minister was feeling some pressure, but with all due respect, perhaps the announcement of pending legislation did not speed up the settlement process. I say perhaps it did not, since I am familiar with the labour relations environment.

May I remind you, Mr. Minister, that although this group of employers and these unions have had trouble getting going many times and have had some major disputes settled by special legislation, namely on four occasions, as you pointed out, in all fairness to the parties, I would also—

**The Acting Speaker (Mr. Kilger):** Order, please. I would simply like to remind all members of the House to direct their comments to the Chair and not to speak directly to a minister or to other members.

**Mrs. Lalonde:** Mr. Speaker, regarding the minister's comments to the effect that the two parties had a lengthy history of confrontation which could only be settled with legislation, in defence of the parties, one has to say that the last two agreements were reached by mutual consent. No doubt this is the reason why legislation was not introduced early on. To my understanding, all issues have been settled, except for the question of salaries. The last attempt at mediation brought the parties closer together than was reported in the newspapers



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where mention was made of a gap of 25 cents. Today I believe the spread is 10 cents.

(1535)

Yes, under these conditions, it is a failure. It is a failure because, as far as I could tell from a great distance, they had made efforts. I talked to the union side. Since the law was announced hastily, I did not have time to talk to management, but I understood that an effort had been made, perhaps on both sides, but at least on the union side, to change the relationship, as shown by the last two settlements which were achieved without a strike.

After this brief reminder, I would also like to say—and for me this is a major point that the minister should consider when I move an amendment—that the union several times, and even when the first strike in a port began, as far as I know, on January 27, the union always said that it was ready to help ship grain. This absolutely must be said because I think that what happens to the grain is the most important and most urgent. It is a busy period when the equipment cannot be used for storage; the system must operate in such a way that there is no loss either at the point of departure or at the port.

From the time the strike began, the union thus showed that it would ship the grain. I say that because in everything I have read, that is not said and my source is reliable; it is the same as the minister's. In keeping with the tradition of openness, he generously made it available to me. This source says that, faced with a rotating strike, the employer threatened a complete lock out, and the employer locked the workers out on January 29, thus stopping grain shipments. I think that must be taken into consideration.

Nevertheless, as we saw, the mediation which took place narrowed the gap separating the parties. For the benefit of hon. members, let me remind you that the employer added 5 cents an hour to his initial offer, taking it to 65 cents, and the union lowered its initial demand to 75 cents, which is a big effort on their part under the circumstances. That is where matters stand now.

One thing that this House must consider is that in labour relations, we must always seek to understand. It is easy when we are here, removed from what is happening in real life, not to consider the motives for which people act. If we want to move ahead as a Parliament, we must always try to consider the motives that drive people.

In British Columbia, as far as I know, there was no recession. All the figures available show that while Quebec, of which we often speak, perhaps too much for some hon. members, had a severe recession, Ontario, for which this was really the first shock, had a more severe recession in 1990 than in 1982–83, but that was not the case in British Columbia. We must therefore understand the union's demand in light of economic activity in

British Columbia and not of what is happening elsewhere. I think that, in the opinion of members, it is important.

(1540)

However, I understand how serious the situation is. I know how important the transport of grain and other products is for all of Western Canada. We have read in the newspapers that 26 shiploads of grain are stopped and that another 38 are expected to follow. We also know that, so far, the Canadian Wheat Board will have to pay around \$6 million in docking fees due to delays. It is a serious situation from an economic standpoint and I understand the anger of those who would like to see a quick solution to the problem. It is also important for Canada, for the reliability of Canadian ports.

If I may have the floor for one minute, I would like to say that I understand very well since my constituency includes the port of Montreal and I became very angry last year when I realized that the Canadian Coast Guard did not do everything it should have to ensure that the harsh winter—but there have been worse winters—did not close the port for more than three weeks. We thought then that the Canadian Coast Guard icebreakers were taking a long time to find their way to Montreal.

Whenever a port closes, it causes a lot of anxiety because it is like the heart of economic activity in the region, so I understand very well the anger of Western producers. But I remind you that British Columbia's prosperity can help us to understand how such a conflict happened, and I would like to add that I know, without having heard it, that the workers themselves are undoubtedly extremely disappointed given the effort they put into this and that their employers are anxiously waiting for a solution to this whole situation.

Let us go back to the bill itself. I intend to propose an amendment to the final offer process. I will return to it during the debate. But I would like to tell the House right now that the final offer process may appear fair in some cases but that, in other cases, it may put one of the parties at a disadvantage, especially if the parties had not planned on this process putting an end to their conflict.

I should say that labour law is the fastest-growing kind of law because once a bill becomes law, the parties go to great lengths to ensure that it is in their best interests and one must admit that they are acting very intelligently although some are more powerful than others.

Given the circumstances, I will propose an amendment so that the arbitrator chosen by the parties or appointed by the minister responsible pursuant to the law would not have to choose between the two offers but, since the minister is entrusting him with choosing one or the other, he can also entrust him to choose in the two offers the elements that seem the most equitable to him, on the understanding that he would be limited to the two offers.

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(1545)

In closing, I feel sad that we need to have this debate now but I think that, under the circumstances, Parliament can only recognize failure and hope that such failures will be as few as possible, by ensuring that this legislation will guarantee the best chances of equity under the circumstances.

*[English]*

**Mr. Darrel Stinson (Okanagan—Shuswap):** Mr. Speaker, all I want to praise the government for its sensitivity on the spreading economic impact on the labour dispute involving 3,500 west coast grain handlers.

The basic orientation of the Reform Party caucus to this proposed government legislation is that we support the imposition of the government settlement one last time due to the seriousness and widespread impact of this dispute.

At the same time we would like to make a suggestion that the government form as soon as practical a special joint committee among House standing committees on agriculture, labour and transportation in order to formulate legislation leading to the long-term resolution of this reoccurring national problem. The need for a long-term solution becomes apparent when one looks at the number of times labour disputes at the Canadian ports have been ended by government legislation.

For example, in 1972 there was the resumption of operations of ports on the St. Lawrence as well as the West Coast Ports Operations Act. There was the West Coast Grain Handling Operations Act of 1974, the West Coast Ports Operations Act again the following year, the St. Lawrence ports in 1975, the port of Halifax in 1976, the west coast again in 1982, Prince Rupert in 1988 and the British Columbia Grain Handling Operations Act of 1991. It is a long, sad history.

It is obvious that the seriousness of the underlying factors affecting labour and employment in the Canadian economy must be dealt with in a better fashion. One of those underlying factors is the steady improvement of productivity per person employed in handling grain or, to phrase it another way, the steady decrease in the number of people being hired to do the job.

According to figures supplied by Gordie Westrand, president of the Canadian area of the International Longshoremen's and Warehousemen's Union, in 1988 a total of 5.446 million man hours were required to move 54.591 million tonnes through the west coast ports of Vancouver, New Westminster, Victoria, Chemainus, Port Alberni, Port Simpson and Stewart.

In 1992, 4.648 million man hours moved 53.128 million tonnes in those same ports. Primary figures show 4.2 million man hours for 1993. Therefore, tonnes per man hour have

increased from 10.2 in 1988 to 11.43 in 1992 and there will be an increase again in this crop year.

Basically this means that fewer people are being employed to move more grain than ever. Mr. Westrand estimates his Canadian union membership dropping by 120 to 130 every year. Once again we are talking about Canadian jobs and their disappearance altogether. As I pointed out previously to this House, employers with their backs to the wall are often faced with cutting labour, one of the few options left, faced with increasing overhead such as the recent increase in premiums for unemployment insurance paid by both employees and employers.

At the same time the number of longshoremen is decreasing, productivity of wheat and demand for that wheat among Pacific Rim customers is growing. In part "Grain Matters", a letter from the Canadian Wheat Board, reads:

The Far East and Oceania, home to 3.2 billion consumers, could account for 40 per cent of world wheat trade by the end of the century.

Population and income growth, increased urbanization and the resulting dietary shift away from rice are expected to lead to greater use of the wheat based products. Canada could secure as much as 30 per cent of this market.

(1550)

We are all familiar with some of the major losses from the current dispute, losses which Canada's economy can ill afford, loss of wages for the 3,500 longshoremen and transportation employees primarily in the railroads, loss of income from grain sales for the farmers, and loss of income for all maritime employers. Perhaps the most serious loss of all may be the long-term loss of our Canadian international reputation as a reliable supplier of goods.

We must ask ourselves what happens in boardrooms around the Pacific Rim when executives see that a shipment expected from Canada was delayed for two weeks due to a labour dispute. According to figures supplied today by experts from both the Department of Agriculture and the Department of Human Resources the Japanese have already cancelled some of their barley orders for April.

The 26 ships currently in port, plus the 38 ships due to arrive this week and next if not filled with grain, cannot merely be shifted like some big steel cart. On the contrary, unfilled or seriously delayed orders profoundly damage the willingness of our customers to buy from us if they can possibly obtain adequate grain from Australia or the United States. Losing such orders would have obvious long-term ill effects on the entire economy of Canada, especially on western Canada.

It is apparent that major long term improvements are needed in labour relations in the Canadian ports, especially west coast ports which handle the majority of Canadian grain shipments for the hungry world.

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In the Reform Party tradition of consulting and trusting the common sense of ordinary Canadians, we also propose that the parties in this dispute should be called as witnesses by a new special joint committee such as I mentioned before.

Expert testimony should also be sought from working groups already functioning under the chairmanship of Mr. Warren Edmondson, director general of the Mediation and Conciliation Service. Any long-term solution must include from all these sources their insights, their full co-operation and the education of all concerned to the numerous interconnected facets of our changing Canadian economy.

In conclusion, the Reform Party supports immediate passage of the government legislation together with the strong suggestion that we provide a new special joint committee of the House standing committees on agriculture, labour and transportation as an appropriate channel for obtaining a long term solution to this persistent national problem.

**Mr. Bill Blaikie (Winnipeg Transcona):** Mr. Speaker, it is always a regrettable day when the House has to deal with back to work legislation. It has happened before and our view today is the same as it has been in the past, that it is regrettable when the government has to take such action.

Generally there are things that the government could have done before taking this action that might have, because nothing in this life is for sure, prevented the situation from developing to the point at which the government felt it had no option.

It is particularly regrettable in this case because it has already been said to some extent there is very little that separates the parties, although what may seem like very little to us may seem like a lot to those who are involved in the intimacy of collective bargaining and it is very hard to know the full story of that bargaining. We have to accept that what is left is significant to the respective parties.

In any event, I would like to say I listened very carefully to the minister who was careful to be measured in his remarks, critical of both parties for not coming to a negotiated settlement.

I put it to him that what he has brought in today plays, at least in the perception of the union involved, to the strategy of the employer and a strategy that the employer had as far as the union is concerned for some time. If I understand the situation correctly, it was the employer who called for a final offer selection mechanism to be used before the situation went to mediation.

In effect the employer has what it wanted out of the situation, out of allowing the strike to continue and creating a situation in which the government felt it had no choice.

(1555)

The government did have some choice. If the minister, as previous ministers have, feels that it is time for the government to sort of lay the law down literally and say get back to work, why is it that governments are not equally willing to lay the law down to companies and make sure they do what would be in the best interests of the situation?

I am referring here to the fact that the grain handlers were willing to continue to handle grain because grain is obviously one of the things that is a pressure point as far as the politics of this situation. There still would have been plenty to argue about and worry about. We would not have had to worry about grain if the longshoremen who offered to continue to handle grain were permitted to do so by the companies involved, but they were not.

This raises two questions. Why did the companies not allow them to do so? I think that is pretty obvious. If it was the strategy of the company in the first place to create a situation in which the government would eventually come in and provide through legislation what it had recommended earlier then that makes sense from the company point of view. However, it does not make any sense from the point of view of the government if the government was genuinely concerned about making sure that the flow of grain to port and offshore was uninterrupted.

Why could the minister not have been tough with those companies and said whatever strategy they have must be a strategy that does not include blackmailing the country with respect to the export of grain? Why could the minister not have done that? Maybe we will have a chance to ask him that when we get into committee of the whole.

It is also interesting that the minister, given that he is a Liberal from Manitoba, has brought in final offer selection as part of the package. I recall that it was the Liberal Party in Manitoba that voted against final offer selection when the NDP government of the day brought it in or, to be more precise, co-operated with the Conservative government in doing away with the final offer selection that the NDP government had brought in.

I hope this is a lesson to Mr. Edwards in Manitoba and to others that perhaps this is something that ought to be revisited by his cousins in Manitoba as something that may prove to be a useful device in labour management relations and in the settling of labour disputes.

Pursuing this theme that I started to some degree before, I want ask the question rhetorically at this point, but perhaps later on in committee of the whole in a practical way to the minister, why the onus is always on working people to serve the national interest or in this case in the interest of the country as it is represented by grain exports and all of the other exports that are tied up as a result of the strike.

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Every day in the country business people and corporations make decisions that are not necessarily in the national interest. They make investment decisions. They make all kinds of decisions that are not in the national interest but which are in their self-interests. When they do that people simply say that is the way the world works. These people act in their own self-interest and that is the invisible hand of Adam Smith working its wonderful way in the world and we just have to trust that this will all work out for the best. They are just showing good business sense when they look after themselves.

When working people try to look after themselves and try to put their self-interests forward in an aggressive way that says if you do not do this we are going to withdraw our services, this is sometimes regarded by some, not necessarily the minister, in the country as a heinous act.

People are doing this all of the time. We have had capital strikes in the country from time to time when people say: "I am sorry, if I cannot make the return I expect on this particular investment I am not going to make it. If I cannot do this I am not going to do this". This happens all the time. However, when it is done by the business community it is just called good business sense. When we respond to it we are just trying to create the right business climate.

(1600)

I just wanted to share the offence which I take not in anything the minister said, but in some of the comments which sometimes attend occasions like this when people comment on the actions of strikers and ask: "Why do they not do what is in the best interests of the country?" I would like to see everybody act in the best interests of the country. If that is what the minister has in mind in the coming reforms he spoke of, then I will be behind him, but we will wait and see.

With respect to the port of Vancouver, in a larger policy framework, decisions are made all the time in transportation policy particularly with deregulation, et cetera, which have caused more and more traffic to proceed on American rail lines and to proceed to American ports. All this has happened in the name of creating the right business climate for shippers, for the railways, for truckers and what not. This harms the port of Vancouver. This harms the Canadian national interest. But this is all taken like the weather: something we cannot do anything about.

Well something can be done about it. There could be a different macro policy framework in which it is ensured that people use the port of Vancouver and are not tempted in any way, or even permitted in some cases, to use the port of Seattle or any other American port when Canadian ports are waiting to provide services.

The minister mentioned he would like to see changes in how labour relations are dealt with. I am not sure exactly what he means but I have a suggestion or two. One of them is that he

could bring in anti-scab legislation in the appropriate areas. We have been calling for this for a long time. It is certainly one of the things which might prevent many labour disputes and many strikes from occurring in the first place, or certainly not to occur for the length of time they often do.

Although it is not in the federal jurisdiction I think of a strike at Northern Blower in my riding. They have been on strike for almost two years now. I see these poor guys out there every day when I drive to my constituency office. If we had had legislation to prevent the use of replacement workers that strike would have been over a long time ago. These people would not still be out of work and there would not be the acrimony. There would not be the situation which occurs there now and has put a lot of people in a very difficult position.

I am sure there are many other things the minister will be considering, but I would ask him to please consider instituting at the federal level that kind of legislation and perhaps other ways of making sure there are no strikes.

There are two kinds of strikes. There is this kind of strike which gets dealt with very quickly. Then there are the other kinds of strikes like the one at Northern Blower and many other places that drag on and on and on. They are very destructive of people's lives and in many cases their relationships with former workers and colleagues.

I know the minister has a great many tasks ahead of him in terms of social programs. Perhaps he has too many. I have a great deal of respect for the minister but I do not know that anybody could do everything that is on his plate. I hope at some time the government considers that and provides him with some relief, particularly in this respect because I know the minister is going to be preoccupied with the social program review and will not be able to give his full attention to this kind of thing.

Our position is that we regret this has happened. We are opposed to it, as we have always been opposed to any imposition on the collective bargaining process. We think this could have been avoided had the government acted sooner or had the government permitted those who wanted to continue handling grain to handle it. However, we are prepared to help the government get this particular bill through and we will have more to say on the matter as the day continues.

**Mr. Leon E. Benoit (Vegreville):** Mr. Speaker, I would like to start by congratulating the government for bringing the legislation to the House. Reformers are pleased that the government finally listened to our persistence in Question Period to settle this issue. I would also like to thank members of all parties for their co-operation in allowing the legislation to be dealt with quickly.

I want to speak on behalf of western Canadian grain farmers in making it very clear to the House that this disruption should never have happened. Legislation that provides a long-term solution to this problem should have been passed years ago. In this regard I would like to pledge leadership on behalf of Reform

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members of Parliament in reaching a long-term solution to this problem. Disruptions in grain handling must not continue.

(1605)

This legislation appears to provide for an adequate solution to this particular disruption. For example, the arbitration procedure proposed in this bill seems to be a fair one. I believe both sides will provide serious offers knowing that one offer will be fully accepted and the other fully rejected by the arbitrator. This bill should allow this House to legislate an immediate end to this particular problem.

There is however a more important consideration. That is a long-term solution to the problem of disruptions in grain transportation and handling. The following points illustrates this.

There have been nine disruptions which have ended in back to work legislation for longshoremen and management since 1956. They occurred in 1956, 1972, 1974, 1975, 1982, 1986, 1988, 1991 and again in 1994. There have been over a dozen other labour-management disputes involving grain handling and transportation which have ended in back to work legislation. Many other situations have been settled through normal labour-management negotiations but all have caused disruptions in grain transportation and grain movement.

Hundreds of millions of dollars in lost sales have been incurred through these disruptions, but it is very difficult to put an exact figure on the value of the loss of sales due to unreliable delivery to our customers. Let me demonstrate the damage that has been done to the Canadian economy, especially to grain farmers.

Agriculture Canada has estimated that this strike has cost between \$100 million and \$150 million. This figure however does not take into consideration the damage to Canada's reputation as a reliable supplier of grain.

The Canadian Wheat Board indicated that the Japanese food agency has cut its next order from 80,000 tonnes to 35,000 tonnes. This reduction amounts to a loss of \$6 million to Canadian grain farmers. Japanese buyers have indicated grave concern about depending on Canadian sources for future grain supplies. This is very serious.

The chief executive officer of a large grain company quoted a Japanese buyer as saying in these last couple of days that Canada should implement a strike month so we can get all of these strikes out of the way and have reliable grain deliveries for the other 11 months. It is a serious problem. The Japanese are complaining about these disruptions and we have to deal with them. It is truly an embarrassment that the Canadian government is allowing this to happen.

Lost shipment on the west coast amounts to 73,000 tonnes per day. However the losses go way beyond the two weeks of this strike. It will take several weeks for the system to operate at full capacity again. A catch up time is required. Demurrage costs alone will amount to \$6 million, again paid for out of the pockets of western Canadian grain farmers. No one else covers these costs.

Past strikes have cost tens of millions of dollars and the damage to long-term commitments has been severe. Direct losses, for example losses to grain companies, terminal operations and demurrage on ships waiting in port are losses that can be calculated. However, the losses are due to disruption in sales and therefore future lost markets cannot be easily calculated. All of these losses I emphasize again are to western Canadian grain farmers. I could continue with examples such as these but let us start talking about long-term solutions.

(1610)

There are at least two options which should be examined as possible long-term solutions. The first one is to declare grain handling an essential service. The second is to put into place better labour-management negotiation processes. I will explain the second option just a little later.

In declaring all grain handling an essential service, Reform policy states that grain handling should be deemed an essential service if use of alternative shipping points should not prove sufficient in maintaining shipment levels and customer satisfaction. This option therefore is conditional on having available other cost effective options to ship our Canadian grain.

The second option is to put in place a better labour-management negotiation process. This could involve ensuring that a new agreement will be in place before the old one expires. There would be no strikes under this option either.

To accomplish that an arbitrator could be appointed approximately six months before a contract expires. If a settlement has not been reached within two weeks of the end of the contract, then an arbitrator would ask management and labour to come up with their best offer, their best position. The arbitrator would then pick one, either the labour position or the management position. One position would be completely accepted and the other position completely rejected. This is in line with what the Liberals have proposed to end this particular strike.

Under this process a strike would not be allowed to occur. This is good for labour. It is good for management. It is good for western Canadian grain farmers and others using the system. These options should be considered in developing a long-term solution to the recurring disruptions in the grain handling system.

In conclusion I once again congratulate this government for bringing forth this legislation. On behalf of western Canadian grain farmers and others hurt by these disruptions, I strongly

encourage this government to work through an all-party committee in reaching a long-term solution to these recurring problems.

The last strike lasted five days, this strike eleven days. Let us ensure there are no future strikes which will curtail grain movement in the country.

**Mr. Vic Althouse (Mackenzie):** Mr. Speaker, I appreciate the hon. member's outlining his solutions to labour disputes at the west coast. I am personally quite angry that this particular dispute has come about and the disruption that has occurred. Before we are finished with this nearly three weeks will have been lost in the shipment of grains, at a time when the shipping program was at its peak and in particular at its peak for those grades which we have had some trouble disposing of since they were in surplus in Canada: No. 3 wheat and the feed grains.

In listening to the hon. member's solutions I wonder if he would square for me what I understood his party's position is with regard to property rights and the rights of the owners to manage that property. How would he square that right with his proposal to force these people to stay open, keeping in mind that this disruption for grain at least and the previous one or two disruptions came about as a result of a lockout where the owners of the longshoring companies or the grain handling companies simply refused to open their doors to let the workers continue?

**Mr. Benoit:** Mr. Speaker, I certainly would not want to point a finger, in this case or in past disputes, at either management or labour. That is not my intent at all. I recognize that some have been lockouts and some have been strikes.

In terms of reconciling our position on property rights and ending a strike, we fully recognize that to make an open market system work well certain regulations must be in place. This is exactly one example of that type of situation. We have a near monopoly situation. Farmers have no option other than this route to get their grain to the customer. This is one time when government regulation is needed so that the system will work well.

(1615)

[*Translation*]

**Mr. Paul Crête (Kamouraska—Rivière-du-Loup):** Mr. Speaker, I have a comment for the hon. member who just spoke. I make these comments as a former personnel director in an educational institution which has weathered the stormy seventies and seen better times later in terms of work relations. I think that there is a principle that is sacrificed with the best offer proposal: in labour relations, we must always have a win-win situation.

Yet this proposal will inevitably lead to a choice being made, a situation where there will be a winner and a loser. When I look at past labour disputes, in 1972, 1975, 1982, 1986 and so on, it is

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clear to me that the worst thing we could do would be to make a decision where one side would win and the other one lose. This would create a situation where, in terms of labour relations, they would always be at one another's throats and, when the time to negotiate a new agreement comes, they would dig their heels and ask themselves what would be the best way to play their hand with the legislator in order to end up on the winning side instead of the losing side.

I think this is not a good way to put the responsibility in the hands of the bargaining parties. This is especially true in the present case where, beside the fact that the dispute has a major economic impact, it would seem that neither labour nor management exhibited totally inappropriate behaviour. The problem is much more due to the historical background.

To conclude, I would like to ask the hon. member if, based on the foregoing arguments, he would not favour instead the option to let the adjudicator set what the new work conditions will be for the workers involved.

[*English*]

**Mr. Benoit:** Mr. Speaker, one possible solution I laid out was that all of these disputes would be settled before the end of the contract. Therefore there would be no labour disruptions in this type of dispute where there really is no option available for people using the service.

I do not see that as really encouraging settlement through legislation. In fact I believe there is a higher probability of labour and management reaching an agreement before a negotiator or an arbitrator comes into play. This type of settlement where there is one option from labour and one from management put on the table is going to lead to more serious and more realistic offers. I believe a more fair settlement is reached with that type of mechanism.

[*Translation*]

**Mr. Louis Plamondon (Richelieu):** Mr. Speaker, I want to take a few minutes before we go into committee of the whole to express my surprise and disappointment as we consider this legislation, one of the first bills to be introduced by this government. It is similar in scope to legislation passed by the Conservatives between 1984 and 1992, mainly toward the end of their mandate, when there was a labour dispute at Canada Post and a dispute in the public service, where they acted with a total lack of imagination and a total lack of care.

After keeping its distance, the present government had decided, now that things have come to a head, to intervene in this dispute in the tried and true way, on the advice of their senior officials or perhaps as a result of public pressure. One wonders, considering that it was clear a dispute was imminent, especially in January when the parties started jockeying for position, the unions had made their statements and the employers had shown a great deal of intolerance, why all of a sudden no one in the

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government showed any concern or if they did, they kept a very low profile.

(1620)

What amazes me in this dispute is that although it started as a rotating strike, the union maintained throughout its willingness to handle grain despite all kinds of pressures, out of respect for the farmers. After one day, plus a few days later on in only some of the ports, a lockout was declared. Someone over there knew the government had special legislation ready and waiting. They were already prepared for that eventuality, so there was no incentive to reach a settlement through mediation and conciliation during the weeks prior to the strike. If the appointed mediator had trouble reaching an agreement, especially on a clause that might easily have been dealt with, they could at least have tried another mediator.

The minister could have intervened, perhaps directly in a meeting with the parties, but no attempt was made. They preferred to stick with the Conservative or Liberal tradition whenever there is a dispute in our ports that affects the economy of a region or of the entire country, including postal disputes and the public service, which means bringing in special legislation.

How can we expect a normal bargaining process with a level playing field, when one of the parties knows that after a few days on strike, the government will table special legislation? There was hardly equality between the two groups and, in a difficult economic situation, an employer generally lends a deaf ear to union demands.

It is in that sense that I voice my disappointment. The very first legislative measure passed by this government is going to be a special law to settle a dispute which could have been mediated.

I want to make it clear that—although today we gave our consent in that particular case knowing full well that the government was unwilling to pursue any other route—we will not always agree so easily. In the future, the government will be faced with a barrage of interventions and they will have to demonstrate the necessity of such a measure.

We contacted the striking workers and they proposed amendments. They were open to discussion, they were willing to compromise and they suggested amendments to the Bill. The discussion we had with those people shows without a doubt that something was not right out there. There are always two sides to a dispute, but one side was not consulted.

The certainty of a recall bill was always in the mind of the negotiators. They did not have to make any concessions, they did not have to negotiate anything, they knew that a bill would be forthcoming. This is exactly the same attitude the Conservatives had when faced with similar disputes.

The red book that Liberals waved during the last election is quickly turning blue. They are behaving like Conservatives when faced with a dispute like this one. I deeply regret that move by the government and I will vote against the bill. I support the suggestions made by our critic in response to the minister; his speech was truly outstanding.

[English]

**The Acting Speaker (Mr. Kilger):** Is the House ready for the question?

**Some hon. members:** Question.

(1625)

**The Acting Speaker (Mr. Kilger):** Is it the pleasure of the House to adopt the motion?

**Some hon. members:** Agreed.

**The Acting Speaker (Mr. Kilger):** Accordingly, the bill stands referred to committee of the whole. Pursuant to Standing Order 100 I do now leave the chair for the House to go into committee of the whole.

(Motion agreed to, bill read the second time and the House went into committee thereon, Mr. Kilger in the chair.)

**The Assistant Deputy Chairman:** Order. House in committee of the whole on Bill C-10, an act to provide for the maintenance of west coast port operations.

(Clauses 2 to 7 inclusive agreed to.)

(1630)

On clause 8:

**Mr. Bill Blaikie (Winnipeg Transcona):** Mr. Chairman, we do this committee of the whole so rarely that none of us are as practised at it as we used to be, but I must say it is nice to be back on the front bench momentarily.

I wonder whether this is the appropriate place to ask the minister a few questions. I have two things. This is the clause having to do with final offer selection. I wonder if the minister could indicate whether or not the fact that this is in the bill is simply a reflection of the fact that this is what the employer in this case had hoped for prior to the stage of mediation or whether this reflects a new policy thrust on the part of the government in labour relations by way of recommending not just in this bill but to the country that final offer selection will come to be seen as one of the ways in which labour disputes of this kind and others might be settled.

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification):** Mr. Chairman, the hon. member from Transcona himself said earlier in the debate that the idea of final offer selection has very valuable precedents and that colleagues of his in the province of Manitoba introduced such proposals as a way of

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trying to provide a more extended and active way of developing a collective bargaining process.

I would say that the Government of Canada, which is always interested in learning and adapting to useful ideas presented at the provincial level, would feel that final offer selection in this case makes a lot of sense, particularly because in the one case the issues in dispute are not complex. They are basically monetary ones of a very limited nature.

Second, as I tried to say in my opening remarks, because there are similar disputes of this nature brewing on the horizon, it would be very important for us to indicate that rather than having Parliament continually do a bailout of parties in the dispute that we once again try to, while the work stoppage may be harmful, restart or restore elements of collective bargaining, which in this case really requires both parties to make their best efforts to come out with what they think is the most reasonable, rational, effective solution. Then there is a certain risk that they play that they would not be accepted, but it is a way of putting some discipline, some pressure and some persuasion on the parties to get down to a serious calculation of what would be in the best interest of their industry in a collective way.

**Mr. Blaikie:** Mr. Chairman, the minister mentioned the discipline that he would want to bring to both parties to the dispute in this case and in other cases if he should find a way to have final offer selection built more into the labour relations of the country. I wonder if at this point he could tell us, because there is no obvious point in the bill where this question might be asked, why he chose not to try to impose some discipline on the company at the point at which the longshoremen volunteered to continue to handle the grain and the company refused.

It certainly seems to us, as I said in my earlier remarks, that this was an opportunity for the collective bargaining process to work without the pressure that it immediately creates when grain exports are held up. I wonder if the minister could explain why he did not say to the company: "Look, you simply cannot have that advantage. If people are willing to continue to handle grain then you must be willing to continue to permit them to do so". Why did he permit the lockout to transpire?

(1635)

**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, while the movement of grain is a major and vital part of the port of Vancouver activity, it is not the exclusive, sole activity. There are many other commodities that move through the port of Vancouver such as potash, sugar and other raw commodities from western Canada which are considered just as vital to those who produce them.

Also, because of the containerization in the port itself and the clear diversion that was taking place, I think the employer was basically saying it would be wrong and the reason why we do not endorse a single shot or single item settlement is it would in fact be discriminatory against many others who have serious economic stakes in the port of Vancouver.

One of the reasons, as I said in my remarks, for bringing in the legislation at this time is the reputation that Canada must establish in its west coast ports for reliability. In this case we have already noticed the shift of many container ships into the American ports to the south. If we just allowed the grain movement to take place by itself those other items would have provided damage to their own producers, their own manufacturers and would have continually eroded the positioning of the port of Vancouver which is also in the vital interest of Canada to maintain as a viable port.

[*Translation*]

**Mrs. Francine Lalonde (Mercier):** Mr. Chairman, must I still address the Chair? No. Then you will not hold it against me this time. It could be habit forming.

My question, Mr. Minister, is along the same lines as that of my colleague from the NDP. Basically, you chose to let matters ride for quite a long time. Today is February 8 and since the employer declared the lockout on January 29, some time was allowed to pass. There was an attempt at mediation and I only learned of the concrete results after meeting with departmental officials. If I had had this information in hand before my meeting with them, I would have asked them different questions.

I want to say at the outset that given the mediator's position, given the fact that the final offer was the employer's preferred means of settling the dispute, that the mediator agreed with the employer's minimum position or vice versa, in point of fact, the workers may have been quite convinced, and no one would have been able to convince them otherwise on the basis of the facts, that the final offer was in fact a veiled way of proving the employer right. That is why I announced that I intended to propose an amendment to clause 10(1).

I do not want to start an argument because it is important to me that these workers are given the best possible chance to have an equitable solution put on the table. However, in order to ensure that they do get this opportunity given everything that has happened before, given this agreement on the 65 cents which was very close to the initial offer made by management and given the major concessions made by the workers, I think that to offer as the only solution a choice between two final offers is the same as supporting the employer's position.

I have the impression that in the opinion of my colleagues opposite, and especially the Minister of Labour—whom I hope



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is still listening to me—who has just taken up his new duties and as Minister of Labour, must maintain his neutrality toward both parties, that in their opinion, disputes must be settled, but not so that there appears to be a bias in favour of one of the parties.

(1640)

It seems to me that under the circumstances, the minister should give both parties the opportunity to reach an equitable settlement. I want to stress that the state of the economy is different in British Columbia than it is elsewhere. I would like for things to be this way in Montreal. This may not be an interesting problem to resolve but, just between us, I would much prefer to solve this problem than some of the other ones that are tied to the state of the economy.

Therefore, with regard to clause 10(1), I think that you should agree to my amendment since we are now at the stage of examining the dispute settlement process.

[English]

**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, let me say first that throughout this bargaining and dispute, both officials of this department and myself have not taken any sides and have retained very strict neutrality, as has been the tradition of this department. I think it is wrong to suggest otherwise.

We feel that collective bargaining itself has both rights and obligations to it and in order to be exercised properly those of us who represent the third party, which in this case is the public interest, must ensure that there is no particular bias.

The fact that along the way the employer in this case sort of suggested that the final offer of selection might be one means of settlement does not mean to say that it is a bias in favour of the employer. Quite the contrary as I said to my hon. friend for Winnipeg Transcona. It was an NDP government in Manitoba, which I may say was not known as a friend of management necessarily, that proposed that as an endorsement. Similarly in the province of Ontario we have had final offer selection.

I do not think final offer selection in itself is attached to either side of the dispute, labour or management. It is just an important technique. The reason we are proposing it in this bill has nothing to do with the particular proposal of management in this case. We felt it was a better technique than arbitration which was tried in the past and failed. It has not succeeded in restoring a more legitimate useful process among the bodies.

As I outlined in my speech we had four different occasions when Parliament had to bring back the grain handlers in the port of Vancouver. In each case arbitration was used and it clearly did not have a kind of leavening effect. The chastening effect might be a better way of describing it.

[Translation]

What the hon. member for Mercier is proposing could well apply should a dispute arise at the port of Montreal. This

provision in the bill sends a message to those in Montreal, namely that they should work out a solution through the collective bargaining process.

[English]

That is the reason. I think we are trying to say to a number of parties to the dispute that final offer selection is a way of continuing responsibilities.

In this case arbitration would not work. It has proven not to have been usefully exercised in the past to gain some kind of long term new set of labour relations. That is why I would appeal to the member.

I recognize in the amendment that she has proposed, which she was kind enough to share with me, that in effect it is just another form of arbitration. It is not a variation on final offer selection. It really is a slightly revised version of arbitration itself. Therefore I think it would not serve the purpose of this act nor would it serve the purpose of the hon. member who as she expressed would hope to try to avoid a dispute of this kind in the port of Montreal or other areas.

As I said earlier in my remarks, I am quite happy to work with members to develop some propositions, policies and guidelines that we can better use, particularly in the transportation industry which is vital to this country. I would be very anxious to do that because I think we need to do it, but in this case I think it would be more effective and more appropriate if we use final selection which I believe is a fair device. Both sides have an equal right to present what they consider to be the most effective solution. Both sides have an equal right to win. Both sides have an equal possibility of losing. There are no flaws whatsoever in this proposal. It is fair to both sides.

(1645)

[Translation]

**The Assistant Deputy Chairman:** Before giving the floor back to the hon. member for Mercier, I would like to rectify something I said earlier, if I may. When you first rose, you asked me if members always had to direct their comments or questions to the Chair. It would seem that I erred on the side of familiarity and that, in fact, even in committee of the whole, members must address each other through the Chair. That being said, the floor is yours.

**Mrs. Francine Lalonde (Mercier):** I did think there was a problem in there somewhere.

I would like to tell the minister that he seems to be forgetting an important point. When he says that the final offer in itself did not constitute an approach favouring one side over the other, I agree with him.

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Not in itself but on that particular occasion there was the intervention of a mediator. I read this in the newspaper. The mediator is said to have agreed with 65 cents. The longshoremen had made an offer of 75 cents.

It is very important that the minister listen to me. If I speak in English it is because I want to be sure to be well understood. I hope I express myself correctly.

I want to defend the longshoremen of Vancouver. A mediator agrees with a settlement of 65 cents, which is only 5 cents more than the 60 cents offered. The union has asked for 95 cents and in front of the mediator because it wants a settlement goes as far down as 75 cents. I am sure if they went down to the docks they would have a real discussion with the guys there. I suppose that most of them are guys.

Mr. Chairman, I do not think the minister is listening to me.

We have a situation where the only point that is not settled, as I understand it, is the money gap. The mediator of the minister agreed to 65 cents. The employer wants a final offer and the minister presents a bill. When we speak to the longshoremen's union we think the minister is with the employer.

I pray the minister will preserve the impartiality of the labour minister for the months and years to come. I hope this will be the case. I hope we do not have a conflict in Montreal but if we have one I hope that the labour minister will have all the impartiality that he should have.

*[Translation]*

**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, first of all, I would like to say that the remarks made by the hon. member for Mercier were impressive, in either official language. I did listen to her. Whether she is speaking French or English, the message is the same, if I understood her correctly.

*[English]*

I think the hon. member is beginning to stretch the point. There is no evidence of bias in this case. The role of the mediator is to make recommendations on what he or she thinks would be the best judgment. To suggest that it demonstrates a bias is simply saying whether it is a judgment call or not. I do not think they side with one party or the other. It would be unfortunate to cast aspersions on a mediation service which over the years has done very well by this country and has served in a very neutral and objective fashion.

(1650)

I also believe that if the hon. member would look carefully at the legislation she will see there is equal opportunity for both sides at the start. Both sides have the right to recommend the selection of the arbitrator who would decide on final offer

selection. We invite both parties to come together to find a person of their mutual choosing so there would be no suggestion there was any one side. On the other hand we also have to declare that we do not, as I carefully pointed out before, fall into using the arbitration methodology which has proven in the past to become another form of avoidance by the parties to the dispute.

I would argue it is very important to use final offer selection for the cases to follow. If we simply agreed with the hon. member and went back to the traditional forms of arbitration then it would give the message to all others who are facing similar disputes that once again they can rely on that crutch, that artificial lifeline and we would not have more relevant and realistic labour relations discussion in some of these crucial areas.

I want to assure the member there is no bias and if the parties in dispute use the final offer selection as it is set out in this legislation they will find out it is to their advantage.

It was put to both sides, employer and employees, the necessity of making a judgment based on the best interests of their overall industry. If there is a dispute how do we divide the spoils? To what extent do we ensure there is fair compensation for employees at the same time we retain the economic viability of the industry itself?

We should not be debating these questions in the House of Commons. We are not the experts. We are not party to it. We should not be arguing whether it should be 65 cents or 72 cents. It is not our business. We are not the stakeholders nor should we presume to take over their responsibilities. What we should be doing is putting together a procedure that we think will arrive at a fair solution and in this case because of the inadequacies of the past by using arbitration I would not want to return to that methodology at this time.

**Mr. Svend J. Robinson (Burnaby—Kingsway):** Mr. Chairman, I am pleased to have an opportunity to participate in the discussion of this legislation.

I believe as the only member of Parliament from the greater Vancouver area who has spoken in the debate I want to raise a couple of concerns with the minister, particularly with respect to this final offer process.

I want to put it in context because the minister has said that it is important there be no bias. It is also important there be no perception of bias, there be no perception on the part of either party that one party is being given undue advantage in the process that we as elected representatives are putting in place to settle this dispute. If the test is not only actual bias but a perception of bias, not only justice being done but being seen to be done, this legislation fails that test.

I want to make it very clear that I have spoken with representatives of the longshoremen, with Gord Westrand, the president,

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and other representatives and they feel a sense of anger and betrayal at where this process has led.

They tried hard to get a collective agreement. They bargained for many months in good faith trying to get a collective agreement. On the other hand I firmly believe the employer was well aware of the fact that if they just sat back and took a hard line, the government would move in and settle.

Representatives that I spoke to asked the question my colleague asked earlier. I recognize the importance of moving grain and I know that my colleagues recognize the importance of moving grain because over half our caucus is from Saskatchewan. We do not need any lessons on the importance of grain movement to prairie farmers.

(1655)

I see the Minister of Agriculture here in the committee. I see the minister responsible for labour. If it was so important to move grain, why did they not say to the B.C. Maritime Employers Association that it should move that grain? The longshoremen were quite prepared to move the grain. Of course the reality was that the employer was prepared to hold them hostage and to hold the grain farmers of the prairies hostage in order to put pressure on the government to do exactly what it has done, which is to bring in this settlement.

The question I want to ask the minister is this. It comes back to the point that was raised by the hon. member for Mercier. This employer even before mediation started made it very clear that it wanted final offer selection. It made that very clear during the process as well.

We think final offer selection would be a good idea. The union was quite prepared to accept even non-binding arbitration. It moved an awfully long way. However what is happening in this legislation is that the employer is getting exactly what the employer wanted.

If the final offer selection process is in place as is proposed in this legislation, what happens? The employer and the union both have to agree on the appointment of an arbitrator. If they do not, who appoints the arbitrator? The arbitrator is appointed by the minister.

This is the same minister who appointed the mediator. Therefore from the perspective of the union, quite clearly if the mediator has already said that 65 cents is enough the perspective and the perception of the union is that that is exactly what the acceptable final offer is. From the perspective of the union, it is a done deal.

The employer's position will be maintained because after all the minister's appointee has already said that he thinks 65 cents is enough. It is not fair. Not only is it not fair but it is certainly not perceived to be fair by the men and women in the longshoremen's union.

I want to ask the minister whether he would be prepared to reconsider. I believe this has been poorly handled. When one

intrudes into the collective bargaining process in this very heavy-handed way one has a particular obligation to be fair. The fines in the bill are harsh and excessive. I know my colleague from Transcona is going to be dealing with that point later.

The union made an effort to arrive at a settlement. It was prepared to move an awfully long way. The employer hung in there and said: "To hell with you. We know the government is going to order us back. We know the government is prepared to impose a settlement which effectively will be in the interests of the employer".

How can the minister responsible for labour stand in his place and suggest that it is a fair process when he knows full well that the outcome of this process is almost certainly going to be in favour of the B.C. Maritime Employers Association?

**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, I am quite intrigued by the point of view raised by the hon. member who is making a great plea for fairness but clearly expresses a bias on one side. He is hardly expressing what I would call a fair objective analysis of the situation.

It is his right to do that but now he is putting me in an untenable position. If I was to take his position, I would be showing bias to the other side would I not? By his own verbal gymnastics he has been able to totally defeat his purpose. Now he has said that if I adopt his position that is bias on one side versus the other.

Clearly and obviously in the interests of fairness I cannot adopt the hon. member's suggestion.

**Mr. Jake E. Hoepfner (Lisgar—Marquette):** Mr. Chairman, I think we are getting away from the real point here.

I appreciate the hon. minister acting in this matter. I would have liked to have seen him act a little faster as he knows. This legislation is here to do something for the victim and not for the offenders in this strike.

(1700)

It is time that we as the House of Commons realize that we as a country are a victim of these senseless strikes. We cannot continue with them, regardless of whether we are for labour or for management. The whole country is suffering through this. I appreciate the hon. minister taking these steps. We have to realize that when we will not have food on our tables to eat, we will find out how important these strikes have been and I thank him for that.

**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, I take the hon. member's representation. I should point out that Premier Roy Romanow of the province of Saskatchewan endorses that position exactly as he stated in the Saskatchewan legislature yesterday and it unanimously passed the Saskatchewan legislature.

I would be very happy to provide a copy of that to the member from Burnaby.

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[Translation]

**Mr. Paul Crête (Kamouraska—Rivière-du-Loup):** Mr. Speaker, I want to point out to the members of committee of the whole that we must make a decision based on the best resolution of conflict formula, so as to enable these professionals to deal with such a situation in the future. Indeed past experience in this sector is not a very good guarantee for the future. Therefore, what is needed is a solution which will provide a guarantee for the future.

Finally, selecting the best offer means that there is a winner and a loser. Someone will be able to say afterwards: "It is your collective agreement. You are the one who got it from the government, so you have to live with it". By experience, after having gone through decrees on collective agreements in the public sector in 1982-83, I know that this is no fun, neither for the employer, nor for the union concerned. It is important that everyone be a winner in this exercise and, for that to happen, both sides must have the impression that they suffered and had to give something during the negotiation process. At the point where we are now, the only solution is to convince the two sides to submit proposals to the referee, and this referee must be able to decide what is best for both sides.

An important technical aspect is that in a single offer, there are always areas regarding which the party making the offer would have been willing to give more and to bargain with the other party, but did not do so because it tabled what was a global and comprehensive offer no individual aspects of which could be amended.

From this point of view, I do not think that the proposal will provide a solution that will make people as happy as possible afterwards and ensure them an adequate work environment. The worst thing which could happen, and which would prove that we are inefficient would be to find ourselves in the same committee of the whole in two or three years, following another breakdown in labour relations.

I believe it is important for us to find a solution which will lead to an improvement in labour relations in that sector, because right now both sides seem to think that "in the end, the government will decide". We must put the two sides in a situation where they have to take their responsibilities, and the best final offer formula is not the solution, because then the whole process becomes a gambling exercise.

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification):** Mr. Chairman, on the contrary, I tabled proposals using the final offer selection. Under the circumstances this is the best way to define the responsibilities of the two sides.

[English]

The hon. member and some others seem to assume that going back to the traditional operation, which in effect is what the hon. member for Mercier is proposing, is a perfect solution. There are winners and losers under arbitration as well.

The hon. member from Burnaby was just saying that if I appoint the arbitrator he is going to be biased and therefore he is automatically going to lose. I am trying to say I want to be fair. I want to say to both parties that they must decide what they think is the best solution, make the best offer and that becomes the basis for a decision; not cherry picking, not taking little bits and pieces, little fragments here and there. That is arbitration.

We are saying we are trying to develop a different process. I say this with great reservations to my friends in the Reform Party because so far they have been very supportive, but we have had two NDP governments bring forward proposals on final offer selection in those provinces. They felt it was a way of giving a fairer resolution and retaining—and this is what I do not understand, in particular members of the Bloc who have been involved in the union movement—principles of collective bargaining, the full right of the parties to the dispute to become involved in making the solution themselves, not having it imposed by government.

(1705)

That is what this legislation does. Bring them back to work, set up a process in which both parties will still have to make a decision as to what is in their best interests and in the collective interest of the community. That is what this particular idea of fair offer selection will do. It will send out a message in other disputes down the way that we will expect them to recognize and act in their collective responsibility, not simply to look to government as a crutch or solution.

**Mrs. Elsie Wayne (Saint John):** Mr. Chairman, as one who was involved with collective bargaining for over 12 years, I have to say that I tip my hat to the minister for the final offer selection. I want to say something to him.

I have been in this position many times. In final offer arbitration I have to say that management was always the loser, particularly in my municipality. Final offer selection we tried once and I also was the loser. The chairman we had nearly always came out in favour of the union. Nevertheless, we had to accept that. In this case I am not sure because I have a major concern from what I have heard from my colleague from out west.

Is it true that the chairman who is going to make this decision has made the comment that he is in favour of 65 cents?

*Government Orders*

**Mr. Axworthy (Winnipeg South Centre):** He is no longer in the process.

**Mrs. Wayne:** There has been absolutely no indication as to how the chairman feels about the final offer selection. I think it is most important. I have to say in the end that what we were looking at was appointing five people and saying that in our district, if there is a final offer selection coming forth, one of those five people would be appointed. Their period of time would only be for three years. They are totally independent. They know their length of time is three years and they are appointed for that period of time to enter into this sort of negotiation.

It is very important and it is very key because I have to say that not only will it not be right, but we will know that it is not right if the chairman is leaning one way or the other. The key to this is an independent chairman. I have to say to my friends from out west who are members of the NDP not to worry, it does not always come out in favour of management. In most cases it comes out in favour of union.

**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, I thank the hon. member for an instructive lesson in labour relations in her part of the world, which I know she was very much involved in. It only makes my point. Some are arguing that the final offer selection has a bias to it, that it all depends on which end of the decision they are. There is no inherent bias one way or the other.

However, I do think it is important to make a distinction because members here have tried to indicate that somehow the mediator was imposing a settlement of 65 cents. The mediator has no power to impose anything. All the mediator does is facilitate the process and make suggestions as to what he or she may think is the best way of resolving the dispute.

Parties are quite in their right to disregard the mediator's proposals. He or she is simply there to try to find a solution. If it is rejected, that is when the mediation no longer applies and the parties can do it themselves. In this case they were incapable of doing it themselves and that is why we are in the House debating it today.

An arbitrator, on the other hand, does have authority to prescribe a solution. In this case, the bill says very explicitly that both parties can come together and recommend an arbitrator. It is up to whomever they choose. I would think it would be in their interest to get somebody who is mutually acceptable. I am not sure of the procedure used in the hon. member's case when she was mayor but I do know that in this case we have set out in the bill that the arbitrator can be a decision of both parties.

If they fail to come to a decision even on that because of the various chemistries at work then we will appoint an arbitrator,

and I can guarantee that it would be someone who is totally and completely objective in the matter, whose only interest would be to find a proper settlement based upon what the final best offers of the two parties would be. My hope would be that the mediator would be somebody chosen by both management and labour.

(1710)

**Mr. Jack Ramsay (Crowfoot):** Mr. Chairman, I would like to point out that there are already losers in this situation and those are the hundreds of thousands of farmers, many of whom are going to lose drastically as a result of what has happened over the last eight or ten days.

It seems strange to me and to them that the government of the country will grant groups the power to destroy their economic viability and not allow them a seat at the table. That is the situation. Inasmuch as that is what is happening, where the hundreds of thousands of people in agriculture are suffering as a result of this and do not have a seat at the table, their representative is the hon. minister who has brought forward this document. Inasmuch as this document represents the interests of the people in agriculture, I support the minister because we must move this forward.

If the minister and the government of the country will pass a resolution or the necessary legislation that will allow grain to move through the Seattle port when it is having its strike, the agricultural community will not be injured at all and everyone will allow this strike and negotiate until the cows come home.

I support the minister because he is representing the injured third party in this whole process. I am prepared to vote in favour of this bill.

**Mrs. Lalonde:** Mr. Chairman, I would like to say to the hon. member that the fact we are sitting here shows we recognize the third party that is not here is very important. We do not like to agree on such a bill that will become a law, but it does not mean we do not have to take great care in how we resolve the conflict on the shores. We agree on the basis of the bill, but what will happen after that?

I would like the minister to understand that the mediator who was named by him, which is within his power, was representing the law and he agreed. I read it in the newspaper. His proposition was 65 cents. The minister tells me that we do not have to talk about that, but concretely it is a very good way of seeing what we are doing.

The real fact is that for everybody there this agreement between the mediator and the employees has all the chances in the world of being an agreement that will be kept by the employer and be agreed to by the arbitrator who will be named. Understanding what is going on makes me think that it will be

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very hard for the parties to agree on an arbitrator. It is crystal clear when we know a little about labour relations.

(1715)

With the best offers for resolving the conflict, the union will be sure that its proposition has the same weight as that of the employer. That is why in that particular case I urge an amendment to let the arbitrator choose and if he chooses the employer's offer we will at least have the possibility to choose a mix between the two. This is why the labour minister should preserve the faith in a process which is not biased. I am not saying that the labour minister is biased, but I am saying that he should preserve the process.

I am sure that in conflicts to come he will see that the mediation will not intervene in the process. The final offer process is not normally used even in places where it is now part of the law.

Those of us who are in labour relations have to know how to proceed with it. So the process itself must not be discredited. This is my main point and this is what I want to defend in the amendment I have brought forward. Otherwise the generous speech that was made is not in touch with the law being presented.

**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, I will not go back on old arguments because as the hon. member said the clock is ticking and time is whiling away. Let me see if I can deal with the hon. member's concerns.

I looked carefully at the amendment the hon. member presented. The difficulty I have with the amendment is that it is arbitration by another name. It is not final offer selection. In effect it changes the act. It would therefore not be a way of testing whether final offer selection is a useful technique. We would simply be putting it off to another time, another circumstance and who knows what charges of bias would then erupt.

I suppose what would happen is we would never have final offer selection because any party that did not want to have it would say there was a bias in that and therefore they do not agree with it. We would therefore be continuing to put off the day when we could try at the federal level to use it as an effective means of resolving some of our more difficult labour-management disputes.

If the problem is the feeling that the mediator by recommending a 65 cent level which is perfectly within his right to do if in the best interests is the way they saw a solution which could be rejected by the parties that somehow that indicates some sort of a favour on one side or the other, let me make an offer to the hon. member.

Under the legislation we say both parties can appoint an arbitrator on final offer selection if they can agree. The hon. member says that is not possible, they will not agree. I am glad the hon. member said this because it makes my point very well.

We were not going to get agreement with these two parties. They were going to rely upon government intervention whatever happened because both parties, not just management but labour as well, were too used to that solution.

It then comes that it is my responsibility to choose, and the hon. member is suggesting that we want to have perceptions of fairness. How about if the first thing does not work and it comes to me to make a selection, we will put together a list of names. I will consult with members opposite to determine who they would most like to see as a fair person to put in the arbitrating procedure to show that in fact it is a fair offer. I will make that offer today so we can get on with the business of this legislation and the business of moving the grain.

(1720)

[*Translation*]

**Mr. René Laurin (Joliette):** Mr. Chairman, it seems to me that this would have been a fine opportunity to settle a dispute without causing further dissension. I do not think that those involved would go along with the proposed solution, namely the appointment of an adjudicator to choose between the final offers submitted by each side. Neither side, be it the employers or the workers, has chosen to be governed by this forced arbitration process. The hon. minister will correct me if I am wrong, but thus far I do not think that either side has agreed to such a system to reach a final settlement.

To impose this kind of dispute resolution system is to add an irritant. It will cause further frustration while a final settlement has to be reached in the matter of hours.

Since the minister has no other choice but to impose an unwanted system to settle the dispute, at least could the arbitrator be granted more leeway somehow in selecting the contract proposals from either side? Considering that the adjudicator himself as well as the unions and the employers have no say in selecting the resolution system which is imposed upon them, the arbitrator should at the very least be allowed to settle the dispute by deciding what the best course of action is with regard to those unresolved issues.

I think that the hon. minister should minimize friction points and irritants if we want this dispute to be settled. I have been involved in labour relations for 20 years and that is how to find the best solution.

This is my recommendation to the minister in support of my colleague's proposed amendment.

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification):** Mr. Chairman, I have simply said no to the amendment. I have agreed with the Bloc Québécois to share the choice of an arbitrator if need be. That is the proposal. But I not prepared to accept the amendment because it rejects the final offer selection process. That is what this legislation is about: final offer selection. If we had decided on an arbitrator we would have

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proposed arbitration, but we decided on final offer selection instead, that is all.

[English]

**Mr. Blaikie:** Could I have clarification on the process, Mr. Chairman. I understand we are still on clause 8 and we have not proceeded from there.

**The Assistant Deputy Chairman:** That is correct.

**Mr. Blaikie:** We need to move to the clause where the amendment can properly be made and the House can properly divide on it and we can proceed from there.

**The Assistant Deputy Chairman:** I take the occasion to thank the hon. member for his intervention. I was waiting before getting to the next clause to bring to the attention of the House, this being the first occasion in the 35th Parliament that we have sat in committee of the whole, that according to the standing orders on the question of relevancy speeches in committee of the whole must be strictly relevant to the item or clause under consideration. We should be more specific in our deliberations on the clause in question.

I am sure that is something all members will keep in mind. Under the circumstances, this being the first occasion that we are in committee of the whole, I probably extended too much latitude.

(Clause agreed to.)

(Clause 9 agreed to.)

On clause 10:

[Translation]

**Mrs. Francine Lalonde (Mercier):** Mr. Chairman, I have an amendment. Let me move an amendment and say at the same time that I did hear the minister's answer, but I would still like to have this amendment. I find his proposal interesting, if there were no amendment.

(1725)

It reads as follows:

That clause 10(c) be amended by adding at the end: "or concludes with the combination that appears most equitable based on the respective final positions of the parties".

If I may add a few words on the exact wording of the amendment, it preserves the final offer and requires the arbitrator to choose between the union's offer or the employer's or to determine a position in between the two which seems more equitable to him. But he does not have the mandate to go beyond that. This is very different from arbitration where the arbitrator has complete freedom.

In arbitration, the arbitrator could decide on 85 cents or 59 cents. He is free. Of course pressure is put on him, but in this case, it is between the two elements of the final offer. This

means that pressure on the two parties would continue in a way that either of them could hope to be the winner.

That is why we are presenting this amendment and we think that it preserves the labour minister's ability to act later and allows for use of the best conditions in the final offer. Under these conditions we cannot say that the final offer was tried, because everyone in all universities will say that the previous conditions were not such that the final offer could be judged.

**The Assistant Deputy Chairman:** The amendment is in order.

The debate is now on the amendment.

[English]

Shall the amendment carry?

**Some hon. members:** No.

**Some hon. members:** On division.

(Amendment negatived.)

(Clause agreed to.)

(Clauses 11 and 12 agreed to.)

On Clause 13:

[Translation]

**Mrs. Francine Lalonde (Mercier):** Mr. Chairman, this is the first time in a bill that all the costs of arbitration by the government, not arbitration in a collective agreement, are borne by the parties.

I know that these are tough times, but I wonder if it would not have been better to propose an amendment to the code itself, rather than use a special law, which for the first time in such a case will make the two parties pay the costs.

(1730)

[English]

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification):** Mr. Chairman, just as a matter of information, under the Canada Labour Code when grievance arbitrators establish such a procedure the parties to the dispute are asked to carry the costs on it.

As the hon. member said, these are frugal times. As part of the discipline that we want to apply to parties in this dispute we expect that if there is a certain cost factor there that we should not ask the public, which has already paid an enormous cost over the past 10 weeks. The parties to the dispute should pay it.

**Mr. Vic Althouse (Mackenzie):** Mr. Chairman, I wonder if the minister could clarify for us what the points of the dispute are, what the financial differences are between the two parties. Reports in the press say that it is 10 cents the first year, 10 cents the second and a nickel for other benefits. Is that in fact the only thing that is at issue between the two parties at this time?

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**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, as I said earlier, I do not think the floor of the House of Commons is the place to do the negotiations or to determine which side is right or wrong or who had which offer or which offer was fair or more realistic. I think what we are trying to establish in the House of Commons is a way of settling the dispute under a fair, honest, open, objective procedure.

Let us let the arbitrator under this procedure make a determination after he gets the final offer proposals from both parties to determine what is proper and right in terms of a settlement.

(Clause agreed to.)

(Clause 14 agreed to.)

On clause 15:

**Mr. Bill Blaikie (Winnipeg Transcona):** Mr. Chairman, I have just a brief comment. The question of fines was mentioned earlier by the hon. member for Burnaby—Kingsway and I would like to reiterate the point on the clause in which we find this particular issue.

I think the fines which are impossible by virtue of this particular clause, clause 15, may well be in keeping with the tradition of back to work legislation—I remember other legislation on which we had occasion to protest the stiffness of the fines—but I would just like to say that we find these fines particularly onerous.

I find it somewhat passing strange that we can have legislation which comes down at least potentially very hard on people who may choose to disobey this particular legislation or may be seen to be counselling others to do it. I just wish we could come down this hard on a lot of other people who are doing a whole lot more damage to the environment, to society and everything else. Whenever it comes to labour relations and somebody might go out a day more than the strike called for or counselled somebody for a wildcat or to stay out one more day, the power of society is brought to bear with great force.

I just wish we had the will to be as tough on polluters, criminals and all kinds of other people, tax evaders and everyone else as we do on strikers when they sometimes do out of anger things that are contrary to the law.

(Clause agreed to.)

(Clauses 16 to 19 inclusive agreed to.)

On Clause 20:

**Mr. Svend J. Robinson (Burnaby—Kingsway):** Mr. Chairman, with respect to the coming into force of the act, I have just spoken with the representatives of the longshoremen's union, including Mr. Westrand, the president, and they have indicated that it certainly would be their desire that the effective coming into force of the act not be before 8.30 tomorrow morning their time in order that they might have an opportunity to meet with

their members. Their members start their shift around 5 to 5.30 in the morning.

There has been good co-operation on this legislation. I would ask the minister if he would be prepared to accommodate the union in their return to work and in order to give them an opportunity to meet with their membership and, through you, Mr. Chairman, whether we might agree that the act come into force on the expiration perhaps of the sixteenth hour after the time at which it is assented to.

(1735)

That would facilitate the back to work arrangements of the members and the executive of the union.

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification):** Mr. Chairman, I could take the hon. member's representations but I suppose what we could do is look at time differences.

If the Senate is able to get to this bill by nine o'clock tonight, there is a 12-hour period before the legislation comes into effect. I would hope that they could respond to that. However if it is a normal work routine, we will take that into account as long as it is being honoured properly.

Perhaps the hon. member can give us the representation he has and we will consider it. We are not going to force an event unduly but we think 6 a.m. or 6.30 a.m. would be a proper time. Maybe it is a good time to start work.

**Mr. Robinson:** Mr. Chairman, I wonder whether the minister would be prepared to consider an amendment that would substitute the word sixteenth for the word twelfth.

This would give just a little more time and flexibility for the union to meet with its membership. I do not think it is an unreasonable request. I would hope that the minister would be prepared to consider that.

**Mr. Axworthy (Winnipeg South Centre):** Mr. Chairman, rather than unnecessarily accepting an amendment maybe what we can do is indicate that because we are settling the strike the employees do not have to be back at the very stroke of 6.30 a.m.

The employer can call them back to work and they can do their shaping up and so on as need be. We can recognize that and not try to impose any enforcement action in those periods as long as it is done in a reasonably short time after the deadline is reached. I say this as a passing amendment.

(Clause agreed to.)

**The Assistant Deputy Chairman:** Shall Schedule 1 carry?

**Some hon. members:** Agreed.

**Some hon. members:** On division.

(Schedule 1 agreed to.)



*Government Orders*

**The Assistant Deputy Chairman:** Shall Schedule 2 carry?

**Some hon. members:** Agreed.

**Some hon. members:** On division.

(Schedule 2 agreed to.)

(Clause 1 agreed to.)

**The Assistant Deputy Chairman:** Shall the title carry?

**Some hon. members:** Agreed.

**Some hon. members:** On division.

(Title agreed to.)

(Bill reported.)

**Hon. Lloyd Axworthy (Minister of Human Resources Development and Minister of Western Economic Diversification)** moved that the bill be concurred in.

(Motion agreed to.)

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons):** Mr. Speaker, I rise on a point of order. I have a motion that needs to be put before the bells ring at 5.45 p.m. I think you will find there is unanimous consent of the House for this motion:

That notwithstanding the special order of February 2, 1994, the Speaker shall not interrupt proceedings and put the question on second reading of Bill C-3 at 15 minutes before the ordinary time for consideration of government business on this day but shall do so tomorrow, Wednesday, February 9, at no later than the ordinary hour of daily adjournment.

The purpose of the motion is to defer the division on Bill C-3 so that members whose speeches were interrupted this afternoon by this special debate will be able to make them tomorrow.

(1740)

(Motion agreed to.)

**Mr. Milliken:** Mr. Speaker, I think you will find there is unanimous consent of the House to dispose of third reading of Bill C-10 before the bells start ringing at 5.45 p.m.

If that is the case, before the bells start to ring I have another motion to propose to the House dealing with the royal assent. But I would ask if there is unanimous consent to proceed with third reading at this time.

**The Acting Speaker (Mr. Kilger):** When shall the bill be read the third time? By unanimous consent, now?

**Some hon. members:** Agreed.

**Mr. Axworthy (Winnipeg South Centre)** moved that the bill be read the third time and passed.

**The Acting Speaker (Mr. Kilger):** Is it the pleasure of the House to adopt the motion?

**Some hon. members:** Agreed.

**Some hon. members:** On division.

(Motion agreed to, bill read the third time and passed.)

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons):** I move:

That at the conclusion of the deferred divisions this day on government business No. 4, the sitting be suspended to the call of the Chair, and that when the sitting is resumed the sole business to be transacted shall be to attend at a royal assent; that when the House returns from the royal assent it shall adjourn forthwith until tomorrow at two o'clock p.m.

(Motion agreed to.)

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons):** Mr. Speaker, not to presume on the goodwill of the House, but on the Order Paper is Motion No. 5 standing under government business.

It was the original reform motion and was superseded by a new one that was moved and carried with the indulgence of the House yesterday. The old motion is still on the Notice Paper. It requires the unanimous consent of the House to withdraw the motion standing in the name of the hon. government House leader. Since we have no intention of proceeding with it, to save printing costs and so on, I wonder if the House would give its consent to withdrawing government Motion No. 5.

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

**Some hon. members:** Agreed.

(Motion No. 5 withdrawn.)

**Mr. Gray:** I rise on a point of order, Mr. Speaker. Perhaps it would meet the convenience of the House if I move that the sitting be suspended till 5.45 p.m. so that people do not have to sit here.

**The Acting Speaker (Mr. Kilger):** Shall I suspend the sitting until six o'clock p.m.?

(1745)

[*Translation*]

**Some hon. members:** Yea.

**Some hon. members:** Nay.

**The Acting Speaker (Mr. Kilger):** The bells are supposed to ring for 15 minutes starting at 6 p.m., so the vote can be held at 6:15 p.m. With unanimous consent we could move the vote forward to 6 p.m. and the bells could start ringing immediately. Is that agreed?

[*English*]

Does everyone understand? Instead of the bells ringing at 6 p.m. for the vote at 6.15 p.m., we will move ahead and begin the bells ringing at 5.45 p.m. and the deferred vote will take place at 6 p.m. Is that agreed?

**Some hon. members:** Agreed.

### SOCIAL SECURITY SYSTEM

The House resumed from February 3 consideration of the motion.

**The Acting Speaker (Mr. Kilger):** Call in the members.

(The House divided on the motion, which was agreed to on the following division:)

(Division No. 4)

#### YEAS

##### Members

Abbott	Ablonczy
Adams	Alcock
Allmand	Anderson
Arseneault	Assadourian
Augustine	Axworthy (Winnipeg South Centre)
Baker	Bakopanos
Barnes	Beaunier
Bellemare	Benoit
Berger	Bernier (Beauce)
Bertrand	Bethel
Bevilacqua	Blondin—Andrew
Bodnar	Bonin
Boudria	Breitkreuz (Yellowhead)
Breitkreuz (Yorkton—Melville)	Bridgman
Brown (Calgary Southeast)	Brown (Oakville—Milton)
Brushett	Bryden
Bélair	Caccia
Calder	Campbell
Cannis	Catterall
Chamberlain	Chatters
Chrétien (Saint—Maurice)	Clancy
Cohen	Collenette
Collins	Comuzzi
Copps	Cowling
Crawford	Culbert
Cummins	Dhaliwal
Dingwall	Discepola
Dromisky	Duhamel
Duncan	Easter
English	Epp
Fewchuk	Finestone
Finlay	Flis
Fontana	Forseth
Frazer	Gaffney
Gagliano	Gagnon (Bonaventure—Îles—de—la—Madeleine)
Galloway	Gauthier (Ottawa—Vanier)
Gerrard	Gilmour
Godfrey	Goodale
Gouk	Graham
Gray (Windsor West)	Grey (Beaver River)
Grose	Grubel
Guarnieri	Hanger
Hanrahan	Harb
Harper (Calgary West)	Harper (Churchill)
Harper (Simcoe Centre)	Harris
Hart	Harvard
Hayes	Hermanson
Hickey	Hill (Macleod)
Hill (Prince George—Peace River)	Hoeppner
Hopkins	Hubbard
Ianno	Iftody
Jackson	Jennings
Johnston	Jordan
Kerpan	Keyes
Kilger (Stormont—Dundas)	Kirkby
Knutson	Kraft Sloan
Lastewka	Lavigne (Verdun—Saint—Paul)
LeBlanc (Cape Breton Highlands—Canso)	Lee
Lincoln	Loney
MacAulay	MacDonald
MacLaren (Etobicoke North/Nord)	MacLellan (Cape Breton—The Sydneys)
Maheu	Malhi
Maloney	Manley
Manning	Marchi
Martin (Esquimalt—Juan de Fuca)	Martin (LaSalle—Émard)
Massé	Mayfield
McClelland (Edmonton Southwest)	McCormick
McGuire	McKinnon
McLellan (Edmonton Northwest)	McTeague
McWhinney	Meredith

#### Government Orders

Mifflin	Milliken
Mills (Broadview—Greenwood)	Mills (Red Deer)
Minna	Mitchell
Morrison	Murphy
Murray	Nault
Nunziata	O'Brien
O'Reilly	Ouellet
Pagtakhan	Parrish
Patry	Payne
Penson	Peric
Peters	Peterson
Phinney	Pickard (Essex—Kent)
Pillitteri	Proud
Ramsay	Reed
Regan	Richardson
Rideout	Riis
Ringma	Ringuelette—Maltais
Robichaud	Rock
Rompkey	Schmidt
Scott (Fredericton—York Sudbury)	Scott (Skeena)
Serré	Shepherd
Sheridan	Silye
Simmons	Skoke
Solberg	Solomon
Speaker	Speller
St. Denis	Steele
Stewart (Brant)	Stewart (Northumberland)
Stinson	Strahl
Szabo	Telegdi
Terrana	Thalheimer
Thompson	Torsney
Ur	Valeri
Verran	Volpe
Wappel	Wayne
Wells	Whelan
White (Fraser Valley West)	White (North Vancouver)
Williams	Wood
Young	Zed—216

#### NAYS

##### Members

Asselin	Bachand
Bellehumeur	Bergeron
Bernier (Mégantic—Compton—Stanstead)	Bouchard
Brien	Bélisle
Canuel	Caron
Chrétien (Frontenac)	Crête
Dalphoné—Guirail	Daviault
Debien	de Savoye
Deshaies	Dubé
Duceppe	Dumas
Fillion	Gagnon (Québec)
Gauthier (Roberval)	Godin
Guay	Guimond
Jacob	LaLonde
Landry	Langlois
Laurin	Lavigne (Beauharnois—Salaberry)
Lebel	Leblanc (Longueuil)
Lefebvre	Leroux (Richmond—Wolfe)
Leroux (Shefford)	Loubier
Marchand	Mercier
Ménard	Paré
Picard (Drummond)	Plamondon
Pomerleau	Péloquin
Rocheleau	Sauvageau
St—Laurent	Tremblay (Rimouski—Témiscouata)
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*Royal Assent*

## PAIRED—MEMBERS

Bernier (Gaspé)  
EggletonMembers  
Dupuy  
NunezGovernment House  
Ottawa

February 8, 1994

**The Speaker:** I declare the motion carried.  
(Motion agreed to.)

## SUSPENSION OF SITTING

**The Speaker:** Pursuant to order made earlier this day, this sitting is suspended to the call of the Chair.

(The sitting of the House was suspended at 6.18 p.m.)

## SITTING RESUMED

The House resumed at 10.10 p.m.

\* \* \*

## MESSAGE FROM THE SENATE

**The Acting Speaker (Mrs. Maheu):** I have the honour to inform the House that a message has been received from the Senate informing this House that the Senate has passed Bill C-10, an act to provide for the maintenance of west coast ports operations, to which the concurrence of this House is desired.

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**ROYAL ASSENT**

**The Acting Speaker (Mrs. Maheu):** Order, I have the honour to inform the House that a communication has been received as follows:

Mr. Speaker:

I have the honour to inform you that the Honourable John Major, Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate chamber today, the 8th day of February, 1994 at 10 p.m., for the purpose of giving royal assent to a bill.

Yours sincerely,

Judith A. LaRocque  
Secretary to the Governor General

A message was delivered by the Gentleman Usher of the Black Rod as follows:

Madam Speaker, the Honourable Deputy to the Governor General desires the immediate attendance of this honourable House in the chamber of the honourable the Senate.

Accordingly, the Speaker with the House went up to the Senate chamber.

*And being returned:*

**The Acting Speaker (Mrs. Maheu):** I have the honour to inform the House that when the House went up to the Senate chamber the Deputy Governor General was pleased to give, in Her Majesty's name, the royal assent to the following bill:

Bill C-10, an act to provide for the maintenance of west coast ports operations—Chapter No. 1.

As it is 10.20 p.m., pursuant to the order adopted earlier today, the House stands adjourned until tomorrow at 2 p.m., in accordance with the standing orders.

(The House adjourned at 10.20 p.m.)

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February 3, 1994

The Right Honourable Jean Chrétien, P.C., M.P.  
Prime Minister  
House of Commons  
Room 311-S, Centre Block  
Ottawa, Ontario  
K1A 0A6

Dear Prime Minister,

The purpose of this letter is to outline my serious concern over the alarming increase in cross-border crime which is occurring across Canada and growing on a daily basis particularly the smuggling of cigarettes, alcohol and other commodities.

We are at a point where existing RCMP law enforcement resources are virtually incapable of turning the tide in this rapidly expanding problem given our other responsibilities across Canada. While seizures have increased dramatically, the extent of the problem has been rising at a much faster rate with the involvement of organized crime groups and as otherwise law abiding citizens engaged in the criminal activity through the open purchase of contraband. I am convinced that a comprehensive strategy is required to address the smuggling problem which goes beyond an enhanced enforcement initiative.

What is needed, I believe, is an approach which includes enhanced enforcement, a strong communication package reflecting the extent of the smuggling problem as a law and order issue, enhanced public education on the health risks of smoking and a cigarette pricing policy which more closely reflects United States prices. This implies a need to reduce the tax on cigarettes significantly enough to approach parity, thereby eliminating the profit motive for smugglers. I believe we still need a moderately enhanced enforcement posture to remove organized networks which will continue to smuggle other commodities.

I have not come to this conclusion lightly. Normally, an enforcement only enhancement would work but, in this case, the smuggling problem has become so pervasive that the number of additional resources required to resolve the problem would be so intrusive as to be unacceptable, both from cost effectiveness and public perception perspectives. A comprehensive approach, while perhaps on the surface appearing to be capitulating to the smugglers, is the most balanced and efficient way to resolve an issue which one could strongly argue is out of control in present circumstances.

I would be pleased to discuss this matter in more detail, should you desire.

Sincerely

N.D. Inkster

1200 Vanier Parkway  
Ottawa, Ontario  
K1A 0R2

1200, promenade Vanier  
Ottawa (Ontario)  
K1A 0R2

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