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(HANSARD)

Tuesday, March 19, 1996

Speaker: The Honourable Gilbert Parent

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HOUSE OF COMMONS

Tuesday, March 19, 1996

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

[English]

GOVERNMENT RESPONSE TO PETITIONS

Mr. Paul Zed (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, pursuant to Standing Order 36(8), I have the honour to table, in both official languages, the government's response to two petitions presented during the first session.

* * *

PETITIONS

LAND MINES

Ms. Bonnie Brown (Oakville—Milton, Lib.): Mr. Speaker, it is my honour to present a petition which has been duly certified by the clerk of petitions and signed by 126 residents of my constituency of Oakville—Milton.

The petitioners call on the government to promote an international ban on the use, production, stockpiling, transfer, export or sale of anti-personnel land mines; to legislate an end to Canadian mine production, use and export; to increase existing de-mining programs; and to support land mine victims with financial and medical care.

This petition was initiated by members of St. John's United Church in Oakville. I commend their efforts and support them in their cause.

YOUNG OFFENDERS ACT

Mr. Tom Wappel (Scarborough West, Lib.): Mr. Speaker, I have three petitions today.

The first petition recalls the brutal murder of a constituent of mine, Louie Ambas of Scarborough. It brings to the attention of the House that Canadians from coast to coast are calling for changes to

the Young Offenders Act and for heavier penalties for all those convicted of violent crime.

• (1010)

The petitioners therefore pray that Parliament amend the Young Offenders Act to provide that young offenders charged with murder be automatically tried in adult court and that if convicted, they be sentenced as adults and that their identities should not be hidden from the public.

HUMAN RIGHTS

Mr. Tom Wappel (Scarborough West, Lib.): Mr. Speaker, the second petition is signed by hundreds of Canadians of Hungarian descent. They raise various concerns and ask the government to raise their concerns through diplomatic channels.

The petitioners are concerned about the preservation of basic human rights of the indigenous Hungarian minorities living outside the borders of present day Hungary, which include 2.5 million in Romania, 800,000 in Slovakia, 350,000 in Serbia and 160,000 in the Ukraine. They outline various human rights abuses that have occurred to the Hungarian minorities in those countries.

The petitioners pray that Parliament voice their concerns and protest toward those named governments and remind them of their duty to respect democratic principles and basic human rights as guaranteed by the United Nations charter of rights, and as signatories of the Helsinki accords respecting minority rights.

Mr. Speaker, I also have petitions signed by people in Calgary and other areas in Alberta. They call upon Parliament not to amend the Canadian Human Rights Act or the charter of rights and freedoms in any way which would tend to indicate societal approval of same sex relationships or of homosexuality, including amending the Canadian Human Rights Act to include in the prohibited grounds of discrimination the undefined phrase of sexual orientation.

* * *

QUESTIONS ON THE ORDER PAPER

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

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

Some hon. members: Agreed.

Supply

GOVERNMENT ORDERS

• (1015)

[*Translation*]

SUPPLY

ALLOTTED DAY—BUSINESS TAXATION

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ) moved:

That this House deplores the fact that the technical committee set up by the Minister of Finance to analyse business taxation is comprised of members who are both judge and judged with regard to business tax reform; and that, this being so, the Minister of Finance should set up a joint committee of experts and parliamentarians to examine business taxation in an impartial manner according to an open and transparent process.

He said: Mr. Speaker, I am pleased to open this official opposition day on the vital matter of reforming the taxation system, business taxation in particular.

Tax reform is necessary for several reasons. The entire taxation system must be re-examined, but I shall restrict my address to four reasons directly connected to the Bloc Québécois' three years of reflection on this matter.

The first reason is that there has been no thorough review of the Canadian taxation system for close to 30 years. The last commission to seriously address in depth tax reform was the Carter commission, in 1967. Since then, however, some measures have been added, others deleted and still others modified. In short, since that time we have had no clear idea of what is going on.

The second reason is that the Canadian tax system is extremely complex—and we in the official opposition are not the only ones saying this, everyone is, including representatives of other countries. It is unwieldy to administer, and in some ways encourages two major problems: first, the underground economy, and the lack of control over it—and complexity equals absence of control—and second, it can even encourage, through taxation agreements with certain countries considered to be tax havens, tax evasion and capital being drained out of the country.

The third reason to reform the Canadian tax system is its numerous loopholes, which are to the advantage of those with the highest incomes, the major Canadian corporations in particular. They can afford to hire acknowledged tax specialists in order to take advantage of such loopholes and to avoid paying what they should to Revenue Canada.

Every time corporations or high income individuals do not pay what they should to Revenue Canada, the ones who do end up paying in the end are all the individual taxpayers in Quebec and in Canada.

And now for the fourth reason. Taxpayers throughout Quebec and Canada are asking us to reform taxation. They cannot abide the fact that the Minister of Finance is forever eliminating essential tools and that he is leaving out a whole chunk of the reality of Canadian public finances. Of only for that reason, if only because Quebecers and Canadians are asking the government for reform—the bosses are calling for tax reform—I think it should be done.

There is perhaps a fifth reason as well. We see that the Americans, as we look about to see what is happening elsewhere in the world, have been working at modernizing their tax system since the early 1980s. They went at it, because they could see the American system was becoming increasingly complex, more easily defrauded and more loopholed. They started the job by imposing a minimum tax on corporate revenues. Now they are analyzing the flat tax.

I am not saying this is the solution, but at least they are looking at viable alternatives. The Americans are doing it, but not the Canadians. The French are doing it too. The day before yesterday, I listened to Mr. Chirac set a five year deadline for a reform of individual and corporate taxes, because he can see that tools previously used within a given country only and protected by its borders, when tax competition was only an idea, needed changing as well to keep up with today's globalization.

Now, tax competition is less and less an idea. Taxation has to become competitive, properly harmonized and simplified to ensure control. This is taking place throughout the world.

Five criteria guide major tax reform: simplification, performance, control, justice and fairness. This is the message we have been trying to get through to this government for two and a half years. How did the government answer? I will confess honestly—not naively, as that would be too much—that we were very happy when the Minister of Finance told us, when he brought down his last budget, that he had set up a technical committee to review the tax system. We were really very happy about that.

I even told the Minister of Finance that the representations of the Bloc Québécois, of the official opposition, had not been in vain. You finally understood that tax reform was essential, unavoidable, if there was any real desire to put some order in public finances and to have a fair tax system in Canada. I was reading the press release announcing the setting up of the committee—

Could we, Mr. Speaker, get the attention of the government side? Sometimes, when they make an effort to listen to and understand suggestions which are made to them, things in Canada seem to get better and better.

*Supply**[English]*

The Acting Speaker (Mr. Kilger): As we open this debate, the hon. member is asking for the co-operation of all members of the House so that he might be heard clearly with a minimum of interruption. I encourage members, if they wish to have discussions, to take them behind the curtains to other rooms.

[Translation]

Mr. Loubier: As I was saying, we were happy of that development, and I said so to the Minister of Finance. At last, you understand that pressing requests from Quebecers and Canadians for a reform of taxation cannot be ignored, but if you really wish to get public finances in order, the whole system must also be re-examined.

The news release that accompanied the committee's creation was wonderful in its first two paragraphs. It said, and I quote: "Canadians want a tax system that is both as fair and as simple as possible, Mr. Martin said. They also want a system that encourages economic growth and job creation. Given the complexity of these objectives, a comprehensive review of taxes related to investment and business activity is warranted. The Technical Committee will consider ways of improving the tax system to promote job creation and economic growth, simplifying the taxation of businesses to facilitate compliance and administration, and enhancing fairness to ensure that all businesses share the cost of providing government services".

● (1020)

When we heard that, we almost gave three cheers. When we looked at the back of the news release, things started to deteriorate, because the objectives stated there are the same we, in the Bloc Québécois, have been steadfastly fighting for. These are goals we wanted and still want to reach with regard to tax reform.

But when we look at the process and the make up of the committee, we are compelled to conclude that this is a fraud. Why? For three reasons. First, some committee members represent businesses whose main mandate is to advise big earners and major corporations on how not to pay taxes to Revenue Canada, a fact we have often criticized.

These businesses have branches in countries such as the Bahamas, the Caiman Islands, just about everywhere in the world, countries considered as tax havens through which hundreds of millions of dollars are rerouted instead of being paid to Revenue Canada. Not only are these individuals advising corporations on how not to pay taxes, but they themselves are party to tax evasion through tax conventions signed with countries considered as tax havens.

Under such circumstances, how could committee members not be biased in favour of maintaining certain exemptions, commonly

known as tax expenditures, which benefit major corporations, their own businesses and themselves? What kind of report do you think these committee members are going to produce as a result of their work through the year?

How can you expect a process taking place behind closed doors—which is what the finance minister is suggesting—to produce a true business tax reform, a complete overhaul of the system, including what is commonly known as tax expenditures? It is not in their interest to have things changed. It is in their interest to maintain the complexity of the tax system, since individuals representing firms such as Price Waterhouse and Ernst & Young make a living out of it.

If the tax system was simpler, if it was easier to monitor, if it was not possible to take advantage of tax loopholes to avoid paying federal taxes, these individuals would be out of a job. Try to find someone, anywhere in the world, who would be willing to shoot himself in the foot, not only one but thrice. Enough is enough. We learned this week that these same people contribute as much as \$80,000 a year to the Liberal Party fund. How can they be totally unbiased? I think this is a masquerade.

A lot of things could be done in the taxation area. People are already up in arms. All over Canada, from coast to coast as they say, taxpayers from Quebec and all other provinces say that we must change the tax system, and it has nothing to do with a constitutional option. We must implement a more equitable tax system. We have been repeating that to the government for two years and a half but it has done nothing, it has shown no political will to reform the tax system; it just created a committee that is in all likelihood, in my opinion, a phoney committee.

● (1025)

How can we ever get any results? I tell you, all over Canada people say that this committee makes no sense and that the government should reform the tax system. Let me quote, as I did yesterday, another part of the letter I received from a Canadian taxpayer, Miss Jansson from Regina, Saskatchewan. In fact, she sent me a fax because the Reform members do not have the exclusive use of the fax, nor do they hold a monopoly, we also use that equipment from time to time. Miss Jansson says, and I quote:

[English]

This fax is to express my appreciation to you for presenting several important issues during your response to the finance minister Paul Martin's budget speech. While I recognize that your party, the Bloc Québécois—

[Translation]

The Acting Speaker (Mr. Kilger): Excuse me for interrupting. I know you did not do it on purpose, but I would like to remind the House that in our speeches we are not supposed to name members or ministers. We should rather refer to them by the name of their riding or by their title if they are members of the Cabinet. It might be a little more difficult when we are quoting something, but even

Supply

then we are supposed to change the name of the minister for his or her title or the name of his or her riding.

The rule in the House is that we cannot do indirectly what is not done directly. I know that you did not intend to do it, but I wanted to remind the House of this fact.

Mr. Loubier: Mr. Speaker, I am sorry I missed that when I prepared my speech. I will go on with my quote:

[English]

While I recognize that your party, the Bloc Québécois, has specific aspirations, your comments mirrored the concerns of many citizens in Canada.

[Translation]

And further:

[English]

Reform of the tax system should be a primary responsibility of a future oriented government. Instead, our present leaders seem to have their feet bonded firmly in the concrete of outdated, cumbersome legislation. Your speech informed taxpayers such as myself that Ernst and Yonge, a management firm most noted for their legitimization of patronage appointments, have been appointed to the tax commission studying the taxation law for large corporations. Using our tax money to pay Ernst and Yonge for these services is similar to appointing a fox to plan a security fence for a flock of chickens. Of course, the ordinary citizens of Canada have had our feathers plucked so often by our elected officials that we should not be surprised when the last vestiges of equal opportunity are removed.

[Translation]

There is a lot of work to do. As I told you, this lady took the time to write, to tell me that she thought this committee was a farce, that there was no real political will to reform the fiscal system. This lady also called for serious consideration of our tax system. There is a lot of work to do in the area of fiscal reform.

Just in the area of tax expenditures, that is to say the area of exemptions, tax credits and so on given to companies, it is estimated that some of them—and there are scores the impact of which is not known—are costing Quebec and Canadian taxpayers, year after year, around \$10 billion.

Those are the known measures, because of course there are others that have not been evaluated for want of a review by a serious and transparent committee, one that really wants to make the process work. Ten billion dollars a year. These taxes that go unpaid or these credits that are allowed look like indirect subsidies, since, when the taxes are not collected, it as if the government were investing in these businesses, or were giving subsidies to these businesses.

It is all the taxpayers of Quebec and Canada who pay for those \$10 billion a year. When you pay such large amounts you hope to get something for your money, but this is not necessarily the case.

When we look at each of the tax expenditures, each of the exemptions, it is not true that we get something for our money.

Take for example the partial inclusion of capital gains. Under that measure only three-quarters of corporate capital gains are taxed. So, any company buying shares and reselling them at a higher price makes a capital gain equal to the difference between the buying price and the selling price. Only three quarters of the profit between the buying price and the selling price is taxed. Why do we not apply a normal tax rate? Why not tax 100 per cent of these capital gains? Much has been made about this everywhere in the country, and even the fiscal experts say that this should not be the case, that we should tax, as in the case of all the taxpayers' revenues, 100 per cent of the capital gains. Any investor or company buying and reselling shares already makes a gain, a profit on this sale. On top of that, we give them even more. We say: "Only three quarters of this amount will be taxed". Why not 100 per cent?

• (1030)

Do you know how much this measure is costing? It is costing \$400 million each year to the taxpayers of Quebec and Canada. The same thing applies to the investment tax credit and the scientific research and experimental development tax credit. Essentially, this is a very good measure. It is excellent. We have to promote research and development in Quebec as in Canada. We should have done this ten years ago. We should have had these credits and grants for research and development to increase the competitiveness of companies.

Yet, once again, there are serious deficiencies in the rules which govern this research and development tax credit. They are so permissive, as far as the equipment and the research projects themselves are concerned, that there are definite abuses. I remind the House that, last year, the Bloc Québécois condemned the use of the research and development tax credit by major Canadian banks and that, had it not been for our condemnation, banks would have continued to claim this tax credit to develop their automated teller machine systems and their internal software. Major Canadian banks have already taken advantage of an amount of \$300 million in investment tax credits to develop their equipment and their internal software.

I could go on at great length, but you are indicating to me that I have about three minutes left. I could go on at great length, because there are dozens of exemptions such as these that would deserve to be examined seriously, in a transparent way, that would deserve to be explained to the people and also to be judged by them through the work of an open and transparent parliamentary committee, not a committee such as the one that the finance minister has set up, which is partisan, which is likely to skew the assessment of exemptions and of the tax system in general, and which will not

meet the objectives that we would hope it would meet, that is a real tax reform benefiting the taxpayers of Quebec and Canada generally.

I want to make an appeal, but just before I do, I would add that committee members will not propose to eliminate benefits related to tax conventions signed with countries that are considered as tax havens, since they themselves take advantage of them. So, what do we expect from this committee?

In conclusion, I would like to appeal to the Minister of Finance on behalf of all Quebecers and Canadians. If he really wants to get the government's fiscal house in order, if he really wants fair taxation in Canada, if he really wants not only to make people feel that everything is fine, but also to make some improvements to the tax system, I urge him to set up a real parliamentary committee supported by experts to conduct a serious, extensive, in-depth review that will produce results in the end. Once we have such an assurance, you can be sure that the official opposition, and especially myself, will work on this reform in a serious and constructive manner, with all the co-operation the Minister of Finance could hope for.

In the meantime, allow me to table the following motion:

That this House deplores the fact that the technical committee set up by the Minister of Finance to analyze business taxation is comprised of members who are both judge and judged with regard to business tax reform; and that, this being so, the Minister of Finance should set up a joint committee of experts and parliamentarians to examine business taxation in an impartial manner according to an open and transparent process.

I table this motion on behalf of the official opposition.

• (1035)

[*English*]

Mr. Barry Campbell (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, the night before an opposition day we wait with bated breath for the opposition party's motion. However, it was with some disappointment and surprise that we received the motion last night.

The motion reveals that the hon. member from Saint-Hyacinthe understands appearances but is baffled by substance. He received a press release concerning a committee and was all incensed about the composition of the committee.

We now have a motion that deplores the composition of the committee but misses the substance which is that we are in a very real way responding to suggestions from members of the House that we look at the tax system with a view to determining impediments to job creation and growth. This has been undertaken in the most proper way.

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The member for Saint-Hyacinthe—Bagot is an expert in the dairy industry. Let us look at the state of the dairy industry in Quebec. If Quebec were to separate would the dairy industry of Quebec be able to export milk to the rest of the country the way it has in the past?

I would consult the member for Saint-Hyacinthe—Bagot on an issue in which he had some expertise. The dairy industry in Quebec is an area where he clearly has some expertise. I would to consult him because he has experience. However, he also would obviously have some bias with regard to that industry because of his familiarity and he was paid by that industry. I would be pretty wary of his advice and I would want it subjected to scrutiny and public consultations that followed.

Coming back to the analogy from the letter the hon. member quoted, if I wanted to understand why the fox wanted into the hen house I would not just talk to the hens, I would interview the fox also.

It has been extremely disrespectful of the member to waste the time of the House. He has really out done himself in the way he has attacked the process. As I said, he understands appearances but he is clearly baffled by substance as he engages in what is really intellectual cross-dressing. This is a triumph of dogma over good sense. In the process he has belittled the reputation and professionalism of some of Canada's most eminent experts on taxation.

He has implicitly attacked the government's demonstrated commitment to tax fairness and ignored the raft of actions we have taken to ensure that businesses pay their share of the cost of providing government services to Canadians.

The member has abused the purpose of supply day itself, a time which we should spend on critical issues, with a motion that contains some regrettable misinformation.

What is really deplorable is not the composition of the technical committee and not the process of taxation review but to leave out of his remarks the recognition he has that this is but a first step in a process that will involve public consultation and consultation with members of the House.

These facts should surprise no one who listened to the minister's budget speech or read the news release announcing the committee. Unfortunately that does not include the hon. member. Let me explain things to him and to other members who are interested.

[*Translation*]

Why is the committee so small? What about public participation then? This is the first step in a business taxation review. This small group, whose members have expertise in various fields, will assess

Supply

the business taxation system as a whole and make useful recommendations and propose useful options to the government.

• (1040)

Public consultations will be held after the committee report has been released. At that time, special interest groups will have every opportunity to make themselves heard—in response to a package of clearly set out options and proposals—before the government makes any policy decision.

[*English*]

That is the way we go about things. We consult the experts and we get, as some might say, something to shoot at. We have a set of recommendations and people can weigh in on either side. We want to consult experts in the fields first.

As the minister said in his budget speech, Canadians want a tax system that is both as fair and as simple as possible. They also want a system that encourages economic growth and job creation. Given the complexity of these objectives, a comprehensive review of taxes related to investment and business activity is warranted.

The last general review of business taxation was internal work that preceded the 1987 tax reform undertaken by the previous government a full decade ago. The time is right and the objectives of the technical committee are clear and concrete, goals that every Canadian from every region can embrace.

The terms of reference were spelled out plainly in the news release that accompanied the budget.

[*Translation*]

“Improving the tax system to promote job creation and economic growth in an open economy; simplifying the taxation of business income to facilitate compliance by taxpayers and administration by Revenue Canada; and enhancing fairness in the tax system by ensuring that all businesses share the cost of providing government services. In addition, the assessment will consider the interaction between taxes paid by business—including corporate income, capital and payroll taxes—and taxes paid by individuals on income derived from investments”.

[*English*]

Promoting job creation, simplification, better compliance, increased fairness, is there any Canadian anywhere who will not agree that these are vital attributes that our national tax system must display or that pursuing these goals must be a commanding concern of the government? That is what we believe and I suspect or at least hope the hon. member shares that vision. His motion is something else. It fails the tests of fairness and openness, the same

values it claims are missing from the technical committee process itself. That is regrettable.

It describes the appointed members of the committee in the English version as both judge and judged with regard to business tax reform. Common courtesy and natural justice demand that these men and women deserve better and that such a meanspirited mistaken attack is inappropriate in the House.

They are not judges who will issue binding rulings because the government and the House cannot and will not be bound by their findings. They are there to analyse and advise because they are proven experts, distinguished academics, distinguished practitioners, the sort of people who know the field and who will help us to understand it while we remain members of the House with our ability to think critically about the issues they will raise.

They are proven experts like Jack Mintz. They are lawyers and accountants. I have their names and backgrounds with me here. They represent a wide cross section of expertise including Robert Brown, chairman and chief executive officer of Price Waterhouse; Professor Bev Dahlby of the University of Alberta; Gerry Godsoe, a partner with Stewart McKelvy Stirling Scales; Allan Lanthier, senior tax partner with Ernst and Young; Wilfrid Lefebvre, senior partner with Ogilvy Renault; Professor Nancy Olewiler, chairman of the economics department at Simon Fraser; Norman Promislow, a partner with Buschwald Asper Hentelef; Stephen Richardson, a partner with Tory Tory DesLauriers & Binnington.

They are all recognized experts in their field, the sort of people we would want to work on these issues and report to us. They are not judges. They will not make binding commitments for the government. They will analyse and advise.

How does the hon. member dare suggest these technical members are also the judge? Is he suggesting they are potential agents of the business community with vested interests that will make their advice suspect? He knows better. He knows they have highly regarded professional reputations. We are grateful to them for taking on this task.

I believe they have a higher opinion of their professional obligations and their duty to the nation and its taxpayers than the hon. member opposite appreciates. He would well understand that one leaves the baggage of a given client or past experience behind when it comes to an assignment like this for the Government of Canada, that one does bring to bear one's experience. That is why we call on such people.

• (1045)

The real bottom line measure of performance is the commitment we have as a government to the task at hand. I am confident the members of the technical committee will take their work seriously and provide us with important assistance.

Let us remember that the report will be a public document. Its observations and suggestions will be there for everyone to see. Any unwarranted biases or favouritism, which the hon. member automatically assumes would apply to everyone else but himself, will be there for all to judge. The technical committee accepts that discipline.

What about the suggestion in today's motion that the technical committee should include parliamentarians? The answer lies in the meaning of the term technical committee, which clearly escapes the understanding of some hon. members opposite.

Modern tax systems are complicated. That is part of the problem. We have struck a technical committee which has expertise and proven hands on familiarity with the system. Its members are well beyond taxation 101. In fairness to many of my colleagues like myself, the Income Tax Act strikes us as being extremely complicated. I want a little help when travelling through the act to zero in on those areas that are impediments to job growth and creation.

The committee will begin its work high up in the learning curve. I doubt there are many members of the House with the same expertise. We will gain time by involving a committee which is made up of people with these qualifications. The question is: What added value would parliamentary presence bring at this initial, purely analytical stage?

The technical committee should be allowed to undertake its deliberations without being afraid of stepping on political toes. It should be truly independent of direct party affiliations and public constituencies.

What is astounding is that implicit in the hon. member's attack on the committee is the suggestion that he and he alone—or perhaps his colleagues in the official opposition—knows exactly what has to be done. Why consult anybody that has a different point of view? That would lead to a result which might be different from the one they have decided, for ideological and other reasons, they want to propose.

There are dramatic inconsistencies in any event in the position of members of the official opposition. On the one hand they attack tax havens; on the other hand their separatist colleagues in Quebec talk about an independent Quebec being a tax haven. I am not sure where they stand. I want to hear from the experts first and then my colleagues can weigh in.

The committee's deliberations will not be public at first but there is nothing suspicious or sinister at work, despite the misleading and mistaken implication in today's motion.

[*Translation*]

As is customary in committees of experts, task forces and royal commissions of inquiry reporting to the government, the proceedings will not be open to the public. But the report itself will be

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published, of course, along with any documentation the committee deems appropriate to support its assessment and findings.

[*English*]

One of the things of which I am most proud is the progress the government has made in bringing policy making out into the open. As was said in the House last December regarding the prebudget report of the finance committee, in the past, budgets were made for the most part behind closed doors with the finance minister consulting in private with select groups of individuals and interest groups. The government for the third year in a row has taken the budget making process out from behind closed doors to Canadians across the country.

It is that openness which has contributed substantially to the favourable public reaction the government's budgets have received and it has no intention of jeopardizing that commitment in the future. The government's performance is a matter of record and it will stay that way.

I will emphasize again that any action based on suggestions of the technical committee will come only after extensive public consultation. The minister explicitly promised that in his budget speech.

I feel we should all regret the time we are spending debating a motion so lacking in merit. It is a wasted opportunity to deal with the real substance of matters before us.

The issue of taxation, both from the perspective of fairness and how it affects job creation, represents one of the most significant challenges our country faces. It deserves a debate based on substance, not political grandstanding and partisan game playing. We are committed to meeting that challenge. The action we have taken in three budgets proves that. It also proves that we are not beholden to any particular interest as the motion may imply. Again, let us look at the facts.

• (1050)

In our three budgets, personal income tax rates have not been increased at all. However we have taken real action affecting the corporate sector, putting the lie to the implicit suggestions in the hon. member's motion and his discussion. This action was carefully considered with respect to the corporate sector. We fully understand the consequences that higher corporate taxes have upon business investment and the ability of the private sector to create the jobs Canadians need. We have moved carefully, acting only where we could achieve real improvements, fairness and efficacy in the tax system.

We have acted without fear. This includes measures such as higher rates for the large corporation tax and the corporate surtax and reduced deductions for meals and entertainment, reducing business subsidies. Any suggestion that we are afraid to act with respect to the business and corporate sector where action is

Supply

warranted, fair, reasonable and helpful, is simply wrong. The record shows otherwise.

There are some, and perhaps the hon. member opposite is among them, who would prefer a truly punitive tax regime for business. It is interesting that he only suggests that in regard to Canada. In the province of Quebec other things are said about tax havens and lower corporate rates to attract investment, but it is here in the House that he says: "No, no, that is not on". He and his colleagues try to play with numbers to suggest that Canadian business gets an unfair preference in the tax system.

The fact is, and he knows it, that income taxes represent only a portion of the total tax bill. When all taxes are taken into account, income taxes, corporate income taxes, capital taxes, payroll taxes, property taxes, corporations pay about two-thirds of their before tax profits in taxes. Is that too much or is it still not enough? That is a question which must always be examined as we look at the mix of tax revenues along with the structure of the tax system. That is what this government will continue to do.

The technical committee on business taxation is a part of that process. Its findings should help spur informed intelligent debate, what every member of the House wants to take place, the sort of debate that today's motion does nothing but try to undermine.

I have no qualms in urging the House to dismiss the motion.

Mr. Herb Grubel (Capilano—Howe Sound, Ref.): Mr. Speaker, I stand on behalf of the Reform Party to also oppose the motion.

The motion suggests, I think almost insultingly, that experts who have been asked to write a technical report are unaware of the kinds of political concerns which dominate the thinking of professional politicians in the House. As a former economist who has written such reports, I can say that the political concerns are always constraining and they influence what the expert report comes up with. I believe it is inappropriate that members of Parliament dictate on a day to day basis what the outcome is because they have the opportunity to influence the public information about the subject.

Once the report is written it is almost certain to go for hearings to the Standing Committee on Finance of the House of Commons. At that time members of Parliament can insist on having other experts brought in. They can ask questions relating to the contents of the report. They will have input for generating information that is broadly representative and goes beyond what the technical experts are saying, even if this is necessary.

Once the report is tabled and goes to the Department of Finance, legislation may or may not come out of it. Clearly, once legislation

stimulated by the report is proposed, members of Parliament have yet more input. The legislation will not only be discussed on the floor of the House but there will be opportunities for hearings and further experts being brought in when the legislation is considered before the Standing Committee on Finance.

• (1055)

Therefore, it is totally inappropriate at this point to try to introduce a more direct influence of professional politicians into the deliberations of the technical experts.

My own party is not totally happy with the way in which the frame of reference of this committee has been designed. We believe in this modern age as a result of developments in communications and globalization of financial markets it is time to have a more thorough examination of the entire taxation system. We should look not just at the business taxes; we should also look at personal taxes, excise taxes and customs. It is also very important to look at some of the Department of Finance publications. There should also be consideration of the practices of local governments in their taxation of individuals and corporations. These matters are all interdependent.

All of the country's taxation laws should be examined again as a cohesive single unit, an interdependent system, while keeping a very close eye on how it works in relation to foreign practices. We live in this global village which has made it very difficult for individual countries to have policies that can be carried out simply to maximize domestic objectives without taking into account the way in which foreigners are influencing the effectiveness and the workability of those domestic practices.

There are many problems with the present system of which I am very much aware from the hearings of the finance committee but also because I delved into the literature on the flat tax. The proposals for a flat tax in the United States, Canada and throughout the world are now being given a serious hearing. I believe that is the case for exactly the reasons I have mentioned. Globalization and all kinds of practices reduced the work before we had these international developments; we are not likely to do so in the future.

The biggest problem almost all tax experts agree on is that in Canada and most other industrial countries income from property is taxed three times. First, the business which earns profits from investment pays its business or corporate income tax. These dividends or profits are then entered into the income of the person who owns the business or shares in it and it is taxed again at the personal tax level. It is taxed twice, but it is worse than that. We also have taxation of capital gains. If someone then sells his business or shares in the future, if there has been an accumulation

of wealth, an accumulation in the value of that business, there is then the capital gains tax.

The capital gains tax is particularly pernicious. First, many of the gains that appear are really paper gains. If I make an investment of \$100,000 and at the time I make the investment I could have bought a residence for \$100,000, then we have inflation. The value of my business triples. It is now worth \$300,000, but because it was general inflation I can still only buy the same residence with it. I have not become any richer as a result of the increase in the value of my investment in a business.

• (1100)

When the government steps in and says that 30 per cent or 50 per cent of the increase in the value of the business is due to capital gains and is taxable then it is expropriating the owner of that business. After taxation that business will be able to buy only one-half of a home rather than a full home. What is the justification for this? The asset, which is being taxed like this, has already paid income taxes, both at the business level and at the personal level.

There is fairly widespread agreement, not total agreement, among economists that this bias against the returns on investment and savings has depreciated the rate of capital accumulation in our country. It is capital that is invested in the country which raises the productivity of labour, which raises personal income, and which determines in the end our standard of living. Therefore it is detrimental to Canadians in the longer run to put such a heavy tax on income which is subject to this kind of double taxation.

I want to make one quick reference to the high progressivity in taxes. In British Columbia it is now well over 55 per cent for the highest income earned.

Someone produced a chart for me which shows that we started off in 1967 with a marginal tax rate of 80 per cent in Canada. It has now reached about 50 per cent. During this period one would have expected that the income taxes paid by the top 1 per cent of all income earners and the top 10 per cent would have decreased because after all the rates of taxation that they are subjected to have decreased so dramatically.

The graph shows that the proportion of all personal income taxes paid by the top 1 per cent of all income earners has remained absolutely constant between 1967 and 1993. There were some fluctuations, especially around the mid-1980s, when interest rates were 20 per cent and all these companies went bankrupt.

Basically the same thing is true for the top 10 per cent. It suggests that the disincentive effects which have come from these high marginal tax rates have not really been effective in getting more money out of the rich people and we might as well get rid of them.

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Mr. John Richardson (Parliamentary Secretary to Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, I thank the hon. member for his presentation.

As with any new concept such as the one he presented and which is also before the Americans, the hon. member may be aware that the Germans looked at the flat tax. I ask the hon. member to enlarge on this. The burden of proof is to see who is going to be gaining on this. That is the big question.

Even in the elections taking place in the United States where it is getting a lot of play, the question that constantly arises and is not answered is “who wins and who loses?” There is no doubt it is simple, we all win in that way, but it does not look that it is going to be as fair as they say it is. I wonder if the hon. member had some adjustments to the one that Mr. Forbes is presenting in the United States. Is that a fair comment?

It is under attack for the non-disclosure of who wins and who loses. I ask the hon. member if he could enlighten us on his approach.

• (1105)

Mr. Grubel: Mr. Speaker, I am now speaking about a scholarly paper that Jim Silye and I have prepared for presentation. I am sorry, the hon. member—

The Acting Speaker (Mr. Kilger): I certainly would not want to enter into debate about the comments made about a colleague. That could be a matter of another debate on another day. Certainly he is correct that we should refer to one another by each other's ridings.

Mr. Grubel: Mr. Speaker, this was not deliberate but just a slip of the tongue. I talk about this paper all the time. It is not in the public domain. It will be published by the Fraser Institute. It was subjected there to the scrutiny of scholars.

There members will see a calculation for the introduction of a flat tax for income earners of different categories, like single parents, seniors and so on, with all the provisions taken account of by a technical expert in the Library of Parliament using Government of Canada statistics.

According to his simulations, business income taxes would rise by about \$5 billion under one of our specific proposals. This would make it possible to have practically no changes in the income taxes payable by individuals.

On the other hand, I am distrustful of these results because they cannot simulate the dynamic adjustments to which I referred—I would be happy to give a copy of this graph—in terms of simultaneously lowering the tax rate on high income earners and taking away tax loopholes.

You must remember hearing me say regularly that one of the troubles with the tax system is that the rich do not pay enough

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because they have all those loopholes. If this is what you believe, then you must agree that if those loopholes are closed, they would pay more.

We then lower the tax rate. It is totally astounding how the balance of the two things over the last 25 years has resulted in the top income earners paying exactly the same share of all personal income taxes as they did before. The simplification and the dynamic benefits that one cannot quantify will make the flat tax a very good thing for Canadians.

Mr. Jim Silye (Calgary Centre, Ref.): Mr. Speaker, the motion before us is unnecessary because the technical committee was created to give advice to the government, whose final report will be shared with the Standing Committee on Finance where members of Parliament will have ample opportunity to question witnesses and give input.

Since we must debate, let me focus on the government's short sightedness on this issue. The broader mandate should be for a taxation review integrated with individual taxation, not just corporate, with a view to creating hope, growth and opportunity.

Thanks to this motion, I can give my input to the committee and government today and later when it reaches the standing committee. I believe we should untax our way to prosperity by considering and implementing a simplified tax system.

The basic concept would be to replace the current Income Tax Act with a simplified system that applies a single rate of taxation to income above a generous personal or family exemption level with no other deductions or incentives.

By restoring the income tax system to its original purpose, simply to raise revenues, government spending on social and economic benefits would be converted from tax credits or deductions into direct spending through programs, grants or subsidies, thus revealing the true cost of those expenditures.

This increased visibility of actual government spending would introduce a higher level of responsibility and accountability by both bureaucrats and elected members of Parliament.

• (1110)

Simplification of the rules would make the system more taxpayer friendly. It would allow tax experts, accountants and Revenue Canada auditors to once again actually understand the tax code. This in turn would reduce conflicts between Revenue Canada officials and Canadian taxpayers which currently breed disrespect, discontent and dislike for our tax laws.

It would allow everyone to file their own tax returns. It would encourage increased compliance by reducing punitive rates of taxation and by broadening the tax base, making it less rewarding

to cheat. In other words, we are solving some of the problems with the underground economy.

The simplified tax system would enhance fairness by subjecting everyone to the same rules. Individuals making the same income will pay the same amount in taxes. Income would be taxed only once instead of the double taxation that now exists in some cases. It would be fair by taxing businesses and individuals at the same rate which would eliminate deferral schemes.

It is very short-sighted of the government to look only at the corporate sector while ignoring the individual sector and then later on looking at the individual sector and not corporate. You have to look at an integrated system. It impacts and affects lives whether people are receiving wages or salaries or running a business.

It would enhance fairness by eliminating the opportunity for the clever and the wealthy to avoid tax through the manipulation of loopholes, as just mentioned by my colleague from Capilano—Howe Sound, and fairness by forcing governments to justify the tax dollars they spend.

The simplified tax system would also have a positive and social economic impact. It would drastically reduce the current \$12 billion compliance cost of taxation. It would remove 1.3 million Canadians from the tax rolls, leaving more money in their hands. The lower income people would pay no taxes. This would leave more money in their hands, which is to me is the most direct form of social assistance that we could give.

It would replace the current graduated system, which is a disincentive toward increased earnings and investment, with a truly progressive single rate system which rewards initiative while requiring that higher income earners pay a higher share of tax. Current progressivity is graduated. The more money you make, the higher percentage they take. Why not have a progressive system, with the more money you make the more you pay but at the same time the more you keep. Persons should get to keep a greater percentage of the incomes they earn than what they give to governments.

It would help create stability in the economy by virtue of both individuals and businesses paying the same rate and taxing income only once. It would restore neutrality to the tax system with the lower rate so that personal and business decisions are not based on the tax implications of those decisions. This prevents government from picking the winners and losers.

I really believe that if both business and individual decisions were not based on tax implications but just on the investment or the opportunity or the job we would all be better off in this country.

It would eliminate discrimination against stay at home parents, thus making it a pro-family tax system. It would help expand the economy by virtue of the increase in personal disposable income.

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Finally, it would allow for the elimination and/or replacement, and/or abolishment of the GST and its high compliance cost which produce no increased benefits to the taxpayer.

It would also lead to immediate tax relief through lower tax rates, lower compliance costs which are the ultimate goal. Both areas reflect a reduction in taxation through the broadening of the base and a wider distribution of the tax obligations.

The factors to consider by the committee would be the principles of the foundation of a simplified system. What all do we want to change? Any attempt at tax reform should not try to change more than people are willing to accept or people will reject it. Abraham Lincoln remarked: "With public sentiment nothing can fail. Without it, nothing can succeed".

The definition of income must be considered. Should investment income be treated differently from employment or pension income or should the system be founded on the basis of the Carter commission that a buck is a buck? The size of personal family exemption: the larger the exemption the higher the flat rate must be to generate the same amount of revenue for the government. The treatment of charitable donations must also be reviewed and looked at. Should a tax credit for charity be retained or can it be eliminated?

• (1115)

The treatment of depreciation: should a simplified system retain the current capital cost allowances with all the various depreciation and amortization tables and rules for businesses or allow a 100 per cent write-off in the year purchased as a trade-off for the whole tax reform?

Finally, what guarantee is there the next government will not change the rules, whatever a government puts in place based on whatever review it does? My answer is that this Parliament and this government should present a taxpayers protection act along the lines of what the Reform Party of Canada has put forward in the House before.

There are some typical objections to a simplified tax system. I will pre-empt some of the questions that may come forward and give some of the answers.

One is that a simplified tax system along the lines of a flat tax will reduce taxes for the rich and increase taxes for lower income earners. However, my colleague for Capilano—Howe Sound has shown and proven through his graphs and charts that is not the case. Further, the simplified tax system is intended to lower taxes for everyone, rich and poor alike. The personal family exemption should result in the lower income earner escaping income tax entirely, including the GST.

Another criticism is that rich will also find a way to avoid paying their fair share. That is possible only in a complex system. If we

simplify the system and remove the loopholes it cannot be manipulated. The simpler the system, the less opportunity for trickery.

Another is that a flat tax is regressive. In fact, the opposite is true. By raising the personal deduction level immediate tax relief is offered to lower income earners who need it most. The current progressive system with higher tax rates on higher incomes is a disincentive to self-improvement. True progressiveness requires a low tax rate coupled with a general personal exemption. The rate and exemption level we are talking about must start as close as it can to a revenue neutral so that the criticism added to the deficit is not and must not be a factor.

Charitable donations will decrease; not necessarily, as currently out of \$8 billion given by people to charities, \$5 billion, well over half, is either unreceipted or receipted and unclaimed. That proves people give to a cause from the heart. They give more because they want to give rather than because it is a tax incentive. Further, if we lower that tax incentive it becomes even less of a factor. When the United States lowered tax rates donations to charitable organizations did not drop.

I wish the technical committee well. I only regret that with its mandate it would not undertake to give advice to the government, which really needs it because it has a poor idea on how to handle taxes, tax reform and tax relief for Canadians. By having an integrated review rather than a segregated and narrow review, it will be denied the opportunity of the whole picture.

Mr. Elwin Hermanson (Kindersley—Lloydminster, Ref.): Mr. Speaker, I have a question for the member for Calgary Centre, who now wears a political hat but who used to wear a business hat before being elected to the House.

We are hearing a message from the Bloc Quebecois in its resolution today under this supply day motion that businesses need to be taxed more severely.

From the government we are hearing a message that businesses need to be taxed at least at existing levels and perhaps taxed higher, and that they should be required to provide more jobs in the Canadian economy.

I ask the member to take off his political hat and put his business hat back on and say how he as a business person would respond to the suggestion by the Bloc that taxes on businesses be increased. I would also like his comments on the challenge from the government to pay high taxes and go out and create a bunch of jobs at the same time.

The Acting Speaker (Mr. Kilger): It has been said the hon. member for Calgary Centre has worn many different hats.

• (1120)

Mr. Silye: Mr. Speaker, I should get my red hat back, the one I used to wear on the football field. I could use it.

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In answer to the question from my colleague, if I were a businessman again and appeared before the committee as a witness to give advice, I would say first that payroll taxes are far too high. That also applies to unemployment insurance, especially now that I hear there will be a \$5 billion to \$10 billion surplus. Why not give me, a businessman, a tax break so I can hire more people and my employees would be happier and the corporation would be happier? Do not forget, corporations pay 1.4 times what the employee earns. Why punish the payer? Why not make it the same?

Payroll tax is one area. The high levels of taxation are another area. Corporate and business taxes are 28.84 per cent. It is confusing and complicated. Different kinds of businesses have different rates and get different discounts. There is always a continual hassle with the government, with Revenue Canada.

They send out inexperienced auditors who apply the letter of the law, tie up your office and have to justify the number of days they are there. They are looking for ways to squeeze money out of honest, above board businesses. They let the ones who are dealing in the underground go. Now they are going after them.

Why not simplify the tax system, clean up the tax mess, all these rules? It would be another way of creating more employment. Another way is to get rid of the minimum wage. It is a job killer. If qualified people are hired, one could expand and train. Businesses that hire people at a minimum wage and hourly rates are held for ransom after those people are trained, the rate goes up and production and performance go down. Without the minimum wage more people would be willing to stay on the job and fewer people would be playing the game with unemployment insurance.

Those are three reasons and I could probably think of more, but I do not want to deny the opportunity to any member of the government to ask a question.

[Translation]

Mr. Richard Bélisle (La Prairie, BQ): Mr. Speaker, I will take advantage of this allotted day to show that the lack of a coherent business taxation policy has a negative effect on the fiscal situation in general and on the government's chronic indebtedness.

At the end of the 1996-97 fiscal year, the federal net debt will be over \$600 billion. According to the Minister of Finance's own projections, by the end of its mandate, this government will have added \$110 billion to the country's debt. The minister keeps shouting from the rooftops that he has the government's finances under control and that he has finally managed to slow down debt growth. This is definitely not the case. The minister has no precise plan to eliminate the deficit, and he refused to commit himself to balance the budget according to a specific timetable.

He is making cuts to program spending and transfers to the provinces, taking over the UI fund surplus, penalizing families

with unfair individual taxes, and going after the pensions of those who have saved all their lives to enjoy some leisure in old age, instead of making the urgent cleanup required in business taxation, instead of closing tax loopholes and collecting as quickly as possible the \$6.6 billion in unpaid taxes.

The government has not solved the public finance problem, even if it would have us believe so. According to the budgetary plan tabled on March 6, Canada's net public debt represents close to 75 per cent of the gross domestic product, while European countries insist on a maximum debt of 60 per cent of the GDP as a condition of joining the European Economic Community.

The Prime Minister keeps saying that the government's objective for next year is to bring the deficit down to 3 per cent of the GDP. Let us not forget that European countries impose that criterion as a condition of joining the community, but it includes all levels of government. From that angle, Canada's deficit will be much closer to 5 per cent than to 3 per cent of the GDP.

Let us now take a closer look at corporate taxation in terms of tax avoidance and federal tax expenditures.

• (1125)

In the July 1995 issue of *CA Magazine*, the publication for chartered accountants, it was said that: "Substantially all major Canadian multinationals use firms based abroad as part of their tax strategy".

Tax havens provide several tax benefits. As early as 1987, the Conservative finance minister had pledged to conduct studies on tax havens. But these studies have yet to be done, even though the auditor general and the revenue department have been most insistent about them.

However, it should be recognized that in the 1994 budget, following repeated demands from the official opposition, the Minister of Finance finally amended the Income Tax Act provisions relating to foreign affiliates. These amendments reflect the recommendations made by the auditor general and by the public accounts committee, which tabled a report on the issue in 1993.

Several experts, including Mr. Corcoran from the firm Arthur Anderson, recognize the effectiveness of these new measures, but they also see their limits, since they will not prevent multinationals from continuing to use foreign affiliates to improve their tax planning.

Other experts also point out that these major changes to the foreign affiliates taxation system were not those announced several years earlier. Major tax evasions are still possible in spite of the changes made in the 1994 budget.

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It is difficult, if not impossible, to estimate the amounts the Canadian tax system has lost to tax havens. However, certain indicators can give us a good idea of the extent of the moneys lost. Instead of relying on the revenue department to measure the extent of these tax losses, let us listen to the experts and the representatives of the consulting firms specializing in tax havens who are making their services available to corporations and individuals.

International Privacy Corporation, a firm specializing in tax havens, says it has hundreds of Canadian clients. Moreover, most of the 16,000 corporations incorporated in the Turks and Caicos islands are Canadian owned. Several hundreds of millions of dollars have gone out of Canada, according to that firm.

Mr. LeBreux, another expert on tax havens, estimated that several billion dollars are moved out of Canada every year. Mr. Naylor, a McGill University professor and an expert on the flight of capital at the international level, considers that the total capital flight out of Canada amounts to tens of billions of dollars.

The recovery of these amounts would make the Canadian deficit and debt melt away like the snow. In his book, *Hot Money and the Politics of Debt*, Mr. Naylor said the situation was alarming. It can be said that the popularity of tax havens is reaching today unheard of proportions and that they have a disastrous impact on Canadian tax revenues.

A few years ago, Harris and Harris, the biggest firm in the tax haven business, represented some 30 to 40 companies abroad. This number has now reached 400 to 500, a 13-fold increase. Numerous reports on this growing phenomenon are published in newspapers and magazines, but the Liberal government just sits on its hands.

Let us have a closer look at the impact these tax havens have on the behaviour of Canadian companies. A number of countries considered as tax havens have very low taxation rates, something like 2 or 3 per cent for foreign countries, whereas the Canadian taxation rate stands at 40 per cent. This spread makes for unfairness in taxation and can cost millions of dollars to the Canadian government. Foreign subsidiaries can also transfer their dividends to the Canadian corporation tax free, even if the corresponding revenues have not been taxed at a rate similar to the Canadian rate.

Companies that want to benefit as much as possible from these two situations can implement the three following strategies: They can transfer to the Canadian parent company the losses of foreign subsidiaries, they can transfer abroad revenues of the Canadian company, and finally they can convert into exempted revenues the revenues of Canadian companies—revenues that would normally be taxed are not, because of transfers to the foreign subsidiary.

• (1130)

What is the government doing to fight tax avoidance, which has become an alarming problem, and the measures used by the corporations to get the most out of it? One could argue that the government has finally become aware of the problem. But the government says that it cannot get rid of tax avoidance made possible through tax havens, because its tax system has two conflicting objectives, which are to be efficient and to remain competitive.

The government maintains that, even though several corporations are using these tools to avoid paying taxes, given the globalization of the economy, Canadian tax rules must remain competitive.

In 1994, the federal government finally reduced the number of countries where tax avoidance is possible, by withdrawing from the designated countries list the countries which had yet to sign a tax treaty with Canada. All this despite the reassuring statements by the deputy minister of Finance, who said, before the public accounts committee that I chaired during two years, that all the countries with which Canada has a tax treaty have high corporate taxes.

There are still 11 countries which have signed tax treaties with Canada and which have lower tax rates than we have. Among the major ones are Barbados, which a maximum tax rate of 2.5 p. 100; Cyprus, Malta and Switzerland, with a maximum tax rate of 10 p. 100; and the Bahamas, with a tax rate of 0 p. 100.

Moreover, there are 11 other countries who offer tax exemptions which help to significantly lower their tax rate. Among the major ones are Barbados, Ireland, Malta and the Netherlands. When you compare their tax rates with the 40 p. 100 tax rates Canadian corporations have to deal with, you can easily understand the many financial benefits these companies get by setting up business in these tax havens.

How can we stop this massive outflow of exempt dividends from foreign affiliates? The government solved part of the problem by reviewing its list of designated countries which are given an exemption to ensure that the listed countries had signed tax treaties with Canada. Nevertheless, the problem remains, because some of the designated countries have much lower tax rates than Canada.

The problem can easily resurface if the designated countries lower their tax rates after the fact, that is, once they have signed tax treaties with Canada, since Canada cannot constantly monitor these countries' taxation system.

The government is using the competitiveness of Canadian businesses as an excuse not to act. This argument does not hold. Our main competitors in this field are our neighbours to the south, the United States, whose reputation is firmly established when it

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comes to opening up to businesses. They solved the problem by establishing a system where foreign affiliates are subject to U.S. taxation, with deductions for taxes paid in foreign countries.

Great Britain has a similar system. Thus, the competitiveness argument is no longer valid, since our main competitor and trade partner has rules that are less attractive than ours. This system is already in place in Canada but only with countries that have not yet signed tax treaties with us. The gap is thus closed in part although significant tax revenues still evade the Canadian tax system.

The Bloc Québécois' position on this is crystal clear: The Canadian government must urgently revise all its tax treaties with countries that are considered tax havens to make sure that foreign affiliates are subject to tax rates similar to the Canadian rates.

When the tax rate in a foreign country is not similar to the one in Canada, this country would be subject to the same rules governing revenues on foreign affiliates' exempt dividends.

• (1135)

I would now like to talk about tax expenditures, a major component of business taxation. According to a very conservative estimate of the Department of Finance, the cost of tax expenditures was \$9 billion in 1991 and \$10 billion in 1990.

There are 59 tax expenditures associated with the tax on profits of corporations. Seven of them, namely the low small business tax rate—over \$2 billion; the low tax rate on manufacturing and processing profits—another \$353 million; R and D tax credits—\$543 million; the partial inclusion of capital gains—\$415 million; the surplus between the capital cost allowance and book depreciation—\$886 million; the Part I tax refund on investment income of private corporations—\$876 million; and non-capital loss carry-over—nearly \$1.3 billion; all these made up, in 1991, 71 per cent of all the tax expenditures associated with taxes on corporate profits, for a total of \$6.4 billion.

The concept of tax expenditure includes all deductions, exemptions, tax deferrals, tax credits and other such provisions which reduce taxes payable by a corporation or an individual. Therefore, they are a substitute for direct spending by the government: the latter does not subsidize directly, but it decides not to collect funds from certain taxpayers, which is the equivalent of a subsidy.

The implicit aim of a corporate tax expenditure is to change, with this incentive, the behaviour of certain companies in a desirable manner for the community. Tax expenditures create, however, two main problems: first, they diminish the government's tax base, which puts a heavier burden on all taxpayers who cannot afford them; second, they cause many inequities by allowing certain taxpayers not to pay their fair share of taxes. The concept

of the ability to pay is not respected anymore, and this gives rise to a feeling of injustice among the people.

The greater the number of tax expenditures contained in a taxation system, the more complex the system gets, and this requires the consultation of experts whom only the well-to-do can afford. So the government misses out on revenues. We must also weigh the benefits gained against the cost to the tax system, as well as the inequity which can ensue for all taxpayers.

The Bloc Québécois believes that, in terms of taxation, a threshold has been attained where collective benefits—these are very difficult to evaluate; in fact, they are only assessed by those who benefit from them—are less important than the inequities and the loss of earnings by the government. The various federal tax expenditures are far from attaining the objectives for which they were designed, and, often, their objectives are not consistent with society's best interests.

To improve the effectiveness of our tax system, especially our business tax system, we should consider a minimum tax on corporate profits. This form of taxation already exists in the United States. Its implementation may be complex depending on the tax base used. However, to be effective, this minimum tax must go hand in hand with a tax expenditure base that does not substantially reduce corporate taxable income.

Instead of constantly trying to plug holes in the legislation as it is doing now, Revenue Canada could make the business tax system more flexible. This system is extremely complex and cannot provide for every possible situation. Making it more flexible could mean using section 145 of the Income Tax Act, which is a general anti-avoidance clause. This section gives the minister the discretionary power to take action against anyone who tries by whatever means to avoid taxes. In fact, this section gives the minister the power to enforce the spirit of the law. Right now, such power is seldom used, if ever.

In closing, I would like to say that business taxation is complex. Everybody knows that. However, while continuing to be competitive globally, Canadian businesses have to carry their fair share of the tax burden, even though specific sectors of our economy need preferential treatment. All this is based on equity, and equity depends on the political will of a government to bring together experts and parliamentarians by setting up a parliamentary committee which will determine what kind of business tax system Canada needs.

• (1140)

In this sense, I strongly support the motion brought forward this morning by my colleague from Saint-Hyacinthe—Bagot. However, the Canadian government has not shown this political will so far, and we cannot be overly optimistic with regard to our chronic debt and deficit problem.

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Mr. Bernard Patry (Parliamentary Secretary to Minister of Indian Affairs and Northern Development, Lib.): Mr. Speaker, I want to thank the hon. member for La Prairie. Two things in his speech struck me. First, what he said about pensions and second, what he said about the budget estimates.

The hon. member said that the government was going after the pensions of people who had contributed to them all their lives. The hon. member is surely aware that life expectancy among Canadians increased by three years over the last twenty years to reach 80 years for women and 79 for men. He probably also knows that in the next 15 years, baby boomers will reach retirement age.

My first question is this: What alternative can he propose to make sure that today's workers who will reach retirement age in the next 15 years can count on a fair and equitable pension plan? Does he suggest to raise right now the rate of contributions?

My second question is a matter of simple arithmetic. When comparing our situation with that of the European economic union, he said that the Minister of Finance was incorrect when he stated that our next deficit would be at 3 per cent of GDP, but that it would rather be at 5 per cent. Can he explain how he got that number?

Mr. Bélisle: Mr. Speaker, I thank the hon. member for his two very pertinent questions. I will answer the second one first. How did I arrive at the figure of 5 per cent rather than 3 per cent? Because in the case of countries of the European Economic Community, debt is defined as the total of a country's existing debt and deficit, including local, regional, municipal, provincial and federal levels. Whereas here, if we add the provincial government's debt—the Government of Quebec in the case we are looking at, but it could be the Government of Ontario or any other province—if we add that to the federal government deficit, even if the federal government reached its goal of 3 per cent next year, or in two or three years, if we add the provincial government debts, we would still have 4, 5 or 6 per cent.

In the European Economic Community countries, all levels of government are included in the deficit. In other words, Canada's 3 per cent would mean 1 per cent for the federal government, 1 per cent for the Government of Quebec and 1 per cent for regional local governments. That would truly bring us to 3 per cent, as it is calculated in the European Economic Community countries.

Furthermore, in Canada, if we were to add, in the case of Quebec, the debt of municipalities, the city of Montreal or the Montreal urban community, we would be much closer to 6 or 7 per cent than 3 per cent.

When the Prime Minister keeps trotting out this 3 per cent, he is referring strictly to the federal government's deficit, which is not comparable to or which does not correspond to the same concept as that used by the countries of the European Economic Community.

To reply to his first question, what I find most unfortunate in the federal government's proposal with respect to pension reform is that it is now looking at family income. Previously, the system was based on individual income. In my view, women will be the first ones to suffer under the family income approach.

As far as what I would suggest, I could say to the hon. member that it would have been better to stick with individual income. Given that we already have graduated income tax, we could taken the approach of a tax on income and people could have continued to be taxed directly, even if it means going with a percentage of the tax payable and reducing or even eliminating all tax credits. I think that the concept of basing the entire system on family income will penalize women.

• (1145)

[English]

Mr. John Richardson (Parliamentary Secretary to Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, I am wondering whether the hon. member for La Prairie is sure of his facts because of the nature of the governments in the EU. Some of them are federal, some of them are unitary and some of them have taxation at the municipal level. Is he sure of his facts that they are all rolled up into one total? It seems to me from my studies that it was not the case.

[Translation]

Mr. Bélisle: Mr. Speaker, I think that even if we do not take into account the debt of regional and local governments, what we call towns and municipalities in Canada, we could quite easily consider the debt or deficit of provinces. Since data are not always comparable between local, regional or municipal governments, it is true that they can hardly be added to the total amount.

If you consider only provincial deficits and add them to the federal deficit, there is no doubt that even next year or two years from now we will still be above 3 per cent of GDP. To be very conservative I would say that the percentage will be 5 per cent and in the case of provinces which are more indebted, like Newfoundland and Quebec, it could even be higher.

I concur agree with the hon. member when he says that an increasing number of provinces are eliminating their deficit. A majority of provinces will eliminate their deficit, in some cases this year but even more next year, but Ontario and Quebec still have large deficits. Therefore, if you add the deficits of the two main provinces to the federal deficit, I do not believe it will be at 3 per cent, but probably much closer to 5 per cent.

Mr. Yves Rocheleau (Trois-Rivières, BQ): Mr. Speaker, I would like to begin by thanking my colleague from La Prairie, and congratulating him on his excellent address to us this morning, and

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particularly on the quality of his research. We can tell that he has made a special effort to seek out information that was not readily available, particularly all the different labels for tax shelters, which are supposedly in place to stimulate economic development—but we may well doubt that.

I would like to hear the comments of the hon. member for La Prairie concerning the reaction in various quarters, particularly within the Bloc Québécois, to the setting up of the “expert committee” the Minister of Finance has seen fit to create for the purpose of evaluating the business taxation system.

One comment made was that, because of its membership, setting up a committee of this type is in some ways like setting the fox to guard the henhouse. I would like to hear the comments of my colleague for La Prairie in this connection since this appears rather strange even for some members who are tax shelter specialists, particularly at the international level.

Mr. Bélisle: Mr. Speaker, I thank my colleague for Trois-Rivières for his question. I think the government has gone half the distance. I concur with the Minister of Finance, who this week told the member for Saint-Hyacinthe—Bagot, the official opposition finance critic, that the government wanted tax haven expertise in setting up this committee.

I agree with him that the members of this committee on corporate taxation, a committee of experts, are well qualified in matters of tax havens. But only half the distance has been covered. In technical terms, the necessary expertise will be there. What the committee lacks, however, is political credibility—the other half of the distance to be covered.

For it to have political credibility in the eyes of Canadians and Quebecers, I think it would have to include—and this is what the member for Saint-Hyacinthe—Bagot calls for in the motion he tabled this morning—elected representatives, members of Parliament, to show Canadians and Quebecers that the committee would not be just in the hands of tax haven experts.

• (1150)

I would also like to point out that, in terms of credibility, the greatest weakness, as the opposition pointed out in question period yesterday, lies in the fact that six of the eight members of the committee annually contribute, and contributed in 1994, \$80,000 to the Liberal Party.

I would have included parliamentarians, which is what the Minister of Finance should have done to increase the committee’s credibility. With what we see of contributors to the Liberal Party, they—and I showed this earlier in my speech—will save tens of millions of dollars a year for their clients investing in tax havens. There is no credibility because there are no parliamentarians on the committee.

Mr. Jim Peterson (Willowdale, Lib.): Mr. Speaker, I listened with great interest to the remarks made by the hon. member for La Prairie, who says that the technical committee was established by the minister to review Canada’s business taxation system and to ensure that this system is competitive world-wide. He said that the committee would not be valid since no parliamentarians will sit on it. But he forgets that, normally, in our system, any bill stemming from such reviews goes before Parliament first, then to the finance committee and then back again before Parliament. There will be ample opportunity for us, as parliamentarians, to discuss, to assess the bill and to question witnesses and the bill’s sponsors. Our task, as parliamentarians, consists in dealing with the findings of reviews.

By asking some of Canada’s leading experts to examine our business taxation system, we will not only get to know our system but also those of other countries with which we are currently competing for investments.

We must make sure that our taxation system is competitive, because in today’s economy it is imperative to attract investments. We must retain in Canada those investments we have at present and, as we know, there are other countries where incentives and tax preferences are offered to attract investment, and thereby jobs.

[English]

The official opposition is trying to give the impression that the government has favoured the rich, has favoured corporations and has done nothing to deal with the taxation of them. Let me spend a few moments going over some of the measures we have taken in the three budgets which have been brought down by our government since taking office.

In 1994 we eliminated the \$100,000 capital gains exemption. We reduced to 50 per cent the deduction for business meals and entertainment. We dealt with certain tax shelter schemes using convertible debt. We required that financial institutions recognize accrued gains. We eliminated the special 30 per cent investment tax credit. We modified the basis on which insurance companies could claim reserves. We tightened the rules applicable to foreign affiliates and increased the reporting requirements. We have tightened the rules on the forgiveness of debt. We have increased the refundable tax on dividends received from a private corporation. We have cleaned up some of the abuses dealing with research and development. We have increased the tax on large corporations by 12.5 per cent. We have increased the corporate surtax by 33 per cent.

• (1155)

We have introduced a 12 per cent capital tax surcharge on banks and other deposit taking institutions. We have dealt with family trusts. We have announced reporting requirements for all foreign investments made by Canadian residents that are \$100,000 or over.

We have announced rules getting rid of tax deferrals which use private corporations as the vehicle. We have extended the taxation of non-residents on their gains with respect to Canadian capital property. We have dealt with premature recognition of tax losses.

We have dealt with some of the overly generous provisions related to labour sponsored venture capital funds. We have extended the temporary capital tax on deposit taking institutions. We are clarifying and tightening the rules on the resource allowance but we have made sure the accelerated capital cost allowance can now go to other projects, including the tar sands. We have also announced many new measures to deal with the underground economy.

This is not the record of a government that is stand pat, that is in the backpocket of any group of Canadian taxpayers or that is not prepared at any moment to examine the tax system in terms of its fairness and its equity.

I want to deal very briefly with some of the ideas put forward by the official opposition in terms of what it is suggesting we should do from a fiscal point of view.

The Bloc Québécois said on page 90 of its dissenting report to the prebudget report handed down by the finance committee on January 17: "The finance committee ought to have put forward many more specific recommendations for fighting the deficit. The Liberal MPs on the finance committee have chosen instead budgetary imprudence".

This is the opposition party which said: "You cannot cut payments to the provinces. You cannot cut spending on social programs. You cannot cut spending on payments to seniors". How was it recommending that we exercise even greater budgetary prudence? How was it recommending that we cut the deficit even further?

Let me use that party's exact words. It said: "We must eliminate those fiscal inequities that favour large corporations and high income taxpayers". The official opposition wants to impose more taxes on large corporations and high income tax payers. Well, I just went through a list of about 25 changes we have made in the past three budgets which affect those very groups.

What do Bloc members want in addition to those we have suggested? Let us look at their precise words. They suggested two ways it could be done. One, we must deal with all tax agreements signed with countries viewed as tax havens. They are ignoring the fact that the government has already undertaken measures dealing with the taxation of foreign affiliates and dealing with reporting requirements. What does the Bloc view as a tax haven? Any jurisdiction which does not impose taxes higher than Canada.

[*Translation*]

The hon. member for La Prairie commented that many of the countries we have signed tax treaties with levy much lower taxes than Canada does. It is obvious.

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• (1200)

They do recognize that our rate of taxation in Canada is much higher than in many other parts of the world, including European countries and the United States, and not just in known tax havens, such as Barbados, the Turks and Caicos islands, Bermuda.

[*English*]

They do not recognize that we already have a system which does impose taxes on the income from these various countries.

If a Canadian invests through an offshore company in passive investments, all the income under the foreign accrual property income rules, FAPI, is taxed every year to the Canadian whether it is brought back to Canada or not. Full Canadian rates apply.

Do they oppose that system? They will say no, which is good. They want the income that comes from a tax haven even while it accrues to be taxed at full Canadian rates. Since they do not disagree with the rule that applies to individuals and corporations with passive investments in these countries, they must be suggesting the active business income earned in a tax haven must be taxed as it is earned and not as it is remitted to Canada.

We have a system with a global aspect of multi corporations. Some of those taxes are not paid because the income is deemed by the rules of Canada, the United States, Europe and every other major taxing jurisdiction as having actually arisen in that foreign tax jurisdiction, be it Bermuda, Switzerland, the Netherlands or the United States.

Are they saying that if the active business income earned by a foreign affiliate, by a foreign subsidiary of a Canadian company in the United States, is not taxed at rates up to the Canadian rate that it should be taxed at the Canadian rate? Suppose a foreign affiliate in Tennessee is taxed at only 30 per cent while the Canadian tax rate is 50 per cent. Are they saying the tax rate there should be brought up to the full 50 per cent Canadian rate on all of those profits even if they are not remitted to Canada? Obviously they are because to them—

[*Translation*]

—a tax haven is a country where the rate of taxation is lower than ours, in Canada.

[*English*]

Certainly they would say if it is earned in Bermuda we should be taxing it at the full Canadian rate of 50 per cent, even if there is an active business operation, actual employees and actual business transactions carried on there.

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No other country in the world imposes taxation on that basis. They are saying that no matter what happens any Canadian company on its profits earned anywhere in the world must pay taxes at the full Canadian rate even if the profits are not remitted here.

We happen to have a totally different system at work in the world. It is a system where the host country, the country where the work is actually carried out, where the people are employed, where the business activities take place, is given the primary responsibility for international taxation, and this is right. If an American subsidiary carries on business in Canada its profits are taxed at the full Canadian rates, not at the American rates. This is the system we have chosen to enter into.

Why do we have tax treaties with most of these countries? There are two reasons. The first is to eliminate double taxation. In other words, if it is taxed abroad, in the country where the business activity is carried out, it will not be taxed in Canada. The second is to ensure that taxes are paid.

• (1205)

A major part of these treaties is to enforce the taxes that are justifiably owing by any of the two treaty partners. It is for the enforcement of taxation and the exchange of information among the taxing authorities in those two jurisdictions to see that this takes place.

[*Translation*]

I have a challenge for the Bloc Québécois. A provincial budget should be brought down in Quebec in the next few months. Will their provincial colleagues tax every multinational corporation based in Canada at the Canadian rate of taxation instead of those rates imposed by the applicable foreign countries with which Canada does business?

[*English*]

Will the Parti Québécois members in their next budget respect their colleagues here in the House of Commons and adopt the exact international tax provisions they are proposing to us? Will they impose that same type of tax regime on multinational drug companies in Quebec? Is that their intention?

Let us get real. I wish they understood the type of regime they are dealing with rather than only partially understanding it and saying: "Liberals, you cannot cut any transfers to the provinces. You cannot cut spending on any social programs but you have to be even more fiscally prudent than you are. In other words, you have to get the tax revenue up and you get it first of all from ending these so-called relationships that involve corporations doing business in other countries in the world that have a lower tax rate than Canada imposes".

Are they not more interested in the jobs and the investments that come from having a tax system which is internationally competitive because we are in a global economy?

I will bet their colleagues in the next budget in Quebec are more concerned about jobs, international competitiveness and having a fair tax system so that corporations pay their fair share but in a way that is multinationally, internationally competitive.

That is what this committee of experts established by the Minister of Finance is setting out to do. It is to look at whether there are impediments in a corporate tax system that preclude foreigners from establishing in Canada, creating more jobs in Canada, or that preclude us from having our fair share of international tax revenue. Dealing with these tax treaty systems was the one way, the one pot of gold to be tapped by the Bloc Québécois members.

The second was they said there are certain corporations in Canada which pay no taxes but we will impose some type of minimum tax. If you have suffered tax losses in previous years you should not be able to carry them back in order to eliminate the taxes that might otherwise be payable by a corporation. They said: "There must be a true minimum tax on corporate profits. This minimum tax is not aimed at increasing the fiscal burden on business; it is aimed solely at those profitable businesses which manage to pay not a single cent in taxes".

A study was done by the NDP government in Ontario, carried out by the fair tax commission. It looked at the tax returns of corporations in 1989. It found that 23,000 Ontario corporations reported profits but paid no income tax. The commission tried to look into the reasons for this. Fifty per cent of the untaxed profits came from intercorporate dividends, i.e. one Canadian company owned by another Canadian company. The one company may be taxed on it but it then pays the dividends to another company. Are those profits to be taxed again?

• (1210)

Do we want double taxation of corporate profits? I put that to the official opposition and to the Parti Québécois for its next budget. Is that what is intended, intercorporate profits by way of dividends taxed twice?

Eleven per cent of these untaxed profits came from loss carry overs. Are Bloc members suggesting that if a corporation makes a million dollars this year but loses a million dollars next year it should not be able to average those out?

In Canada we can carry corporation tax losses over for about 10 years. Maybe it is too generous. In the United States they can do it for 15 years. This is one of the provisions that should be looked at by this technical committee being established by the minister.

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Thirteen per cent of the untaxed profits were due to capital cost allowances. Does this mean we should not allow businesses to write off the costs of acquiring new robots, new computers, new equipment, new machinery and new buildings? Is this what they are saying? Are they saying capital cost allowances are too generous?

[*Translation*]

The Deputy Speaker: I am sorry, but the hon. member's time is up.

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, I listened with great interest to my hon. colleague's speech and I appreciate it. What we mostly wanted to consider in this House today is the motion put forward by my colleague, the hon. member for Saint-Hyacinthe—Bagot, with regard to the famous committee set up by the Minister of Finance, which—as the hon. member for La Prairie pointed out—is comprised of friends of the government. This is not a bad thing per se. This is not so terrible. These friends of the government are there to give advice to the Minister of Finance. They also make large contributions to the Liberal Party's coffers.

What the hon. member for Saint-Hyacinthe—Bagot proposes is to include in this committee parliamentarians from all political parties represented in this House, including Reform, who will be happy to attend and participate, as well as the Bloc Québécois. Of course, the party in power, not wanting to be left behind, will also delegate some of its members.

The hon. member refers to parliamentary committees. It must be pointed out that most parliamentary committee members come from the party in power. It is simply human nature. If I were in their shoes, I would probably do the same. However, they sometimes make decisions that are contrary to common sense just to avoid embarrassing the government. Government members on the committee will use their majority to give priority to their own interests. This is what is happening in the parliamentary committees the hon. member was talking about earlier.

I would remind the hon. member that, despite all the good faith shown by parliamentary committees in the last 30 years, we still have to deal with a \$600 billion debt. Whether the hon. member likes it or not, this \$600 billion debt was not run up by the Bloc Québécois. Yet there it is, bigger than ever.

The hon. member wanted to know why we wanted parliamentarians to sit on this committee set up by the Minister of Finance. It is precisely to explain things to those outside the party in power who have expertise in this area. Bloc and Reform members would simply like to show these people the auditor general's 1994 report, which referred to some cases of abuse by corporations with foreign subsidiaries.

• (1215)

Let us take an example: suppose it costs a mining company on Quebec's North Shore \$20 to produce one tonne of iron ore. The company sells that ore to its affiliate in Nassau, Bermuda, or somewhere else, for \$21 a tonne, thus making a profit of one dollar, which it reports to Revenue Canada and on which it is prepared to pay tax. However, the Bermuda affiliate did not do anything with the ore; it did not pay anyone. It resells the ore for \$75 a tonne, thus pocketing a profit of \$55 without having to pay any tax in Canada.

The hon. member says that the affiliate should not have to pay anything, since it did not do anything in Canada. Why should we tax some poor foreigners? The Auditor General of Canada raised the issue in his 1994 report. This is precisely what the Bloc Québécois is discussing.

Obviously we have no interest, nor any right, in taxing a company in Timbuktu that does not even know that Canada exists. This is not the idea. We want to target Canadian affiliates that are set up on the sly, in a tax haven, to avoid paying considerable sums of money to Revenue Canada.

This is our goal, and I ask the hon. member who just spoke if he realizes that there are many such cases and that something ought to be done.

Mr. Peterson: Mr. Speaker, whenever a Canadian corporation sells services or goods to a foreign affiliate, whether in a tax haven or elsewhere, the sale must be done at arm's length. Under Canadian regulations, the price cannot be artificially fixed to avoid paying taxes. Should a company attempt to do that, we would have grounds to go after it and we would also have the support of tax authorities in the other jurisdiction, because of our tax convention with that country. Indeed, we have signed such treaties precisely to try to solve problems like that.

The hon. member said that those selected by the minister to sit on that special technical committee are friends of the Liberal Party. I happen to know a few of these people and some have never voted for the Liberals. But I can also tell you that they will never vote for the separatists either. I personally have a great deal of respect for the professionalism, the expertise and the experience of those selected to sit on that committee. These people can help us because they are real experts.

We need this kind of advice to have a competitive system and to promote job creation in Canada.

[*English*]

Mr. Dick Harris (Prince George—Bulkley Valley, Ref.): Mr. Speaker, while I do not support the Bloc's motion today, I am somewhat surprised at the Liberal opposition. I know the hon. member for Willowdale has considerable business experience.

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I am surprised, given the track record of Liberals and taxation, and looking for ways to wring more money out of the Canadian taxpayer and Canadian business, they are not writing down all the suggestions that the Bloc is putting forward as new ways to get taxes from Canadians and from Canadian business.

The member for Willowdale talked about the underground economy and how the Liberals are dealing with it. That brings me to the reason for the underground economy, the dreaded and hated GST.

• (1220)

Does the hon. member recognize that the GST is the single greatest contributing factor to the underground economy and does he recognize that the underground economy is not going to be conquered until this Liberal government lives up to its promises to abolish the GST?

Mr. Peterson: Mr. Speaker, I thank the hon. member for Prince George—Bulkley Valley for his question.

The GST is not the single greatest cause of the underground economy. The GST is 7 per cent. A much higher tax is the personal income tax which is 54 per cent in Ontario.

If people were going into the underground economy to avoid taxes otherwise payable, they would have a 54 per cent incentive to do it in the personal income tax system, which I happen to think is at the ceiling of what can be charged and should come down as opposed to a 7 per cent tax incentive to do it on the GST.

When this tax is harmonized with various provinces, when compliance with the tax has been made more simple for small business, when the tax is included in pricing so it is fairer to consumers, it will be an even better tax. I know the member will support those provisions because they will cut down the cost of public administration, help small businesses and help consumers. It will be in the interests of all of us.

The member asked if I am not interested in finding ways, whether they come from the Bloc or not, of increasing taxes. We are interested in finding fair ways to ensure that the tax burden is shared. We want to get rid of the underground economy. It is not fair to those who are paying their taxes that there are some people who might be abusing the system and not paying their fair share. This is one of the big areas on which we want to clamp down. The minister mentioned ways in his budget and there will be other measures coming forward in the future.

We want to end abuses that take place through the use of offshore companies just as Bloc members suggest. However, they have come up with a whole new system: offshore profits must be taxed at full Canadian rates. We would be the only country in the world that was doing this. What would happen to Canadian based

multinationals? What jobs would flow out? Are they going to do this for Quebec based companies in their next budget? They would be insane to and they will not do it. I will make that prediction.

If some companies are abusing the system, such as using unfair transfer pricing or not having fair market value attributed to goods and services, then we will come down on those companies, be they Canadian or foreign owned, like a ton of bricks. That is our promise.

[Translation]

Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies, BQ): Mr. Speaker, I am always surprised when I hear about the very knowledgeable experts who will be advising us. We have been listening to experts for thirty years and the debt stands at \$600 billion. So perhaps we should start to look seriously at who the real experts are in Canada.

I am speaking to the motion put by my hon. colleague, the member for Saint-Hyacinthe—Bagot. This motion essentially says that the technical committee to examine taxation announced by the government is in complete conflict of interest.

I am pleased to speak today on this topic, which is of concern to all citizens of Quebec and of Canada, but which does not seem to be all that troubling to the government. I want to talk about taxation, because that is what people are talking about. They are talking about tax collection. Taxation is admittedly not a very popular topic these days, with the state of the economy going from bad to worse. But, in fact, we are going through some difficult times economically. We are also witnessing the gradual disappearance of the middle class, another topic that is not often discussed.

The people of this country have had it up to here with taxes, with having their pockets emptied by one government after another, with watching each successive government hand over the deficit to the next for 30 years now. And all the government can come up with as a solution is cuts. It cuts certain programs and overburdens taxpayers in an attempt to make up the shortfall. In this year's budget, the Minister of Finance was supposed to be reassuring with his announcement that there would be no tax increases.

• (1225)

This cosmetic budget, as was shown in the speeches that followed its reading, is just a show aimed at saving face for the government. It does nothing more than camouflage the real cuts. It will be recalled that the 1994 budget saw government cuts of \$44.9 billion over five years. In the 1995 budget, the government again cut \$42.7 billion. This year's was perhaps intended to be reassuring by making only another \$1.9 in cuts to various programs, yet this is the year taxpayers will bear the full brunt of the measures passed earlier but coming into force only this year.

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Why do cuts have to be made? Because public finances have to be put back on their feet. The deficit must be eliminated, of course. The government claims that it has gained the upper hand and that it has solved Canada's financial problems. These are false statements. According to its own projections, the present Liberal government expects that, by the end of its mandate, this year's mandate, it will have added close to \$110 billion to this country's debt. We are on the verge of clicking over to the \$600 billion mark—our Reformer friends would be able to tell us when, since they are doing a countdown minute by minute.

The Minister of Finance has also announced a deficit reduction. He is patting himself on the back for it, claiming the honours are his. Let him if he wants to, but the only reason the deficit has lessened is that the economic situation last year was better than in previous years, and the Liberals had little to do with that. It is the low interest rates, the increase in exports and the unemployment insurance fund which have contributed to reducing the deficit. Digging into the UI fund is almost like garnisheeing everybody's pay cheques. Without those three things, we would be back in a recession.

Concretely speaking, this year's budget marks the end of efforts to restore Canada's finances. With this budget—and the same goes for all previous ones—the Liberals have done nothing to settle the matter of public finances. Yet we know that this is the one and only thing the public is calling for.

The Bloc Quebecois has long been calling for the government to get its finances in order, ever since we came to this House in fact. Not by getting more out of the ordinary taxpayer, but by collecting from those who do not pay their fair share into the public purse. Regardless of what our friends opposite have to say, a lot of people in Canada do not in fact pay their fair share. Last year, there was over \$6 billion in unpaid taxes, and the government was unable to reduce this amount compared to the previous year. As we just said, it preferred to draw \$5 billion out of the unemployment insurance fund, which amounts to a general confiscation of people's salaries.

We have also been calling in the past two years for major government reform of tax treaties between Canada and certain countries. Business taxes must be completely overhauled. According to the Minister of Finance's most recent estimates, approximately \$10 billion in incomes go untaxed. Not only must the tax system be overhauled, but an end must be put to tax avoidance, also known as tax havens, because this is where we lose the most. My colleagues in the Bloc speaking before me have clearly shown how, in recent years, companies providing advice on the use of tax havens have made a lot of money and are tripling, quadrupling and sometimes quintupling their clientele.

I would like to talk about tax havens very briefly. There are real loopholes in some of the treaties between Canada and other countries, which allow individuals and companies to lower their

level of taxation significantly. What is not paid on one side, is obviously passed on to others. This is how a number of foreign countries become what are called tax havens—not for the middle class, but for the companies using them.

The area of tax havens is a highly complex one. We cannot hide the fact that the Canadian Income Tax Act is the most complex piece of legislation of all, and my colleague for Saint-Hyacinthe—Bagot, who spoke before me, pointed out that the greater the complexity, the easier it is to find loopholes. So, the section on foreign corporations is no doubt the most complex section in this most complex law.

● (1230)

Since Canada deals with several countries, and since each country has its own tax system, it is difficult to get our hands on exact figures—especially in those countries where they are confidential—regarding the extent of the problem and the amounts involved. But financial experts agree that nearly all major Canadian multinationals use tax havens as part of their tax strategy.

It has become a tax strategy in itself. They are not abroad necessarily to produce something. Corporations use tax havens as a strategy to avoid paying taxes; they derive several advantages from this.

The same experts also agree that the popularity of tax havens has reached unprecedented levels. Several elements show the size of the problem. Earlier, my colleague from La Prairie mentioned several corporations such as International Privacy Corporation which use and give advice on how to use tax havens. He made his point brilliantly and I will not go over it again.

In order to fully understand this tax haven phenomenon, we have to get back to basics. The general rule is this: any business income and any income earned by a Canadian corporation must be taxed, whether earned in Canada or abroad. But to every rule there is an exception; therefore, the legislation provides that a Canadian corporation can receive a business income from an active affiliate, without paying any tax on it in Canada, provided that the foreign affiliate is located in a country designated under the Income Tax Act, that is to say one of the countries with which Canada has entered into tax arrangements.

In the end, this means that a Canadian corporation with a branch in a designated foreign country does not pay taxes on the branch's income abroad. This provision was originally included in the law to avoid double taxation, as the previous speaker from the Liberal Party has just explained, by both Canada and the foreign country. The Canadian government considers that the income earned abroad

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is taxed at about the same rate as in Canada. Tax havens were created on the basis of this false assumption.

This has had two major consequences. First of all, some countries have very low tax rates that hover around 2 or 3 per cent, while Canada's tax rates are in the 40 per cent range. Technically speaking, this gap can only lead to a tax inequity that costs the Canadian government millions of dollars.

Second, foreign subsidiaries can transfer their dividends to the controlling Canadian corporation without paying any taxes on them. In other words, the law allows corporations to transfer the losses of foreign subsidiaries to the parent company, to transfer Canadian corporate income abroad, and finally to shelter income that is normally subject to tax by transferring capital to foreign subsidiaries. One of my colleagues gave a very good explanation earlier of how corporations manipulate prices by buying something in Canada at a certain price from a foreign subsidiary and then selling it on foreign markets in order to make a profit in a tax haven.

The auditor general's 1992 report—which was widely quoted at the time but which was also, like all other reports by the auditor general, shelved and largely forgotten after being talked about for ten days—gives some 20 examples of tax havens. I will quickly go over four of them to at least show what the Auditor General of Canada thinks about this.

The auditor general gives us four examples. First, a U.S. corporation affiliated to a Canadian company has \$684 million in liquid assets and short term deposits from the Canadian company. The investment income earned by the affiliated U.S. corporation was used to reduce its U.S. tax losses. Interest charges on the money invested in the U.S. corporation are deducted in Canada. Although the Department of National Revenue, Taxation considered that investment income was subject to a source deduction, this manoeuvre allowed the corporation to transfer U.S. tax losses to Canada. That is what the auditor general tells us.

• (1235)

Here is another example. An American corporation affiliated with a Canadian company holds \$672 million in liquid assets and short term deposits from the Canadian company. The investment income earned by the American corporation has been used to absorb its American tax losses. The interest costs on the funds invested in the American affiliate are deductible in Canada. This scheme has effectively transferred American tax losses to Canada. Mr. Speaker, how lucky these people are to be able to transfer their losses just about anywhere.

A third example quoted by the Auditor General of Canada in 1992, specifically on the use of tax benefits, tax avoidance and tax havens, is that of a Hong Kong corporation affiliated with a Canadian company and holding \$62.4 million in liquid assets and short term deposits from the Canadian company. The investment

income earned by the Hong Kong corporation has been used to absorb tax losses incurred in Hong Kong. The interest costs on the funds invested in the Hong Kong affiliate are deductible in Canada. This scheme has effectively transferred Hong Kong tax losses to Canada. The tax avoidance section at Revenue Canada-Taxation has been following this case since 1990.

One last example—out of several pages of examples—is that of the Canadian company which has an interest free advance of \$1.6 billion and a \$133 million investment in an affiliated corporation in the Netherlands. This investment has generated \$130 million in income, which is not taxable as foreign accrual property income for the foreign affiliate. In spite of the fact that this foreign affiliate's income has not been taxed at a rate similar to the one applicable in Canada, these \$130 million can be transferred to the Canadian company tax free. Not only is this foreign income not subject to tax when brought into Canada, it entitles the corporation to federal and provincial tax credits for dividends paid abroad. These companies end up getting credits on top of it all.

I explained earlier how the Income Tax Act, the taxation legislation, is one of the most complicated acts in Canada and I think that the examples I have just given you are cases in point. The Auditor General of Canada works hard at making sure that very complicated cases can be understood by the general public. Nevertheless, a great deal of concentration is still required to read things like that. And these are just a few examples.

However, they illustrate how widespread the situation is. There are other indicators of the scope of the problem. In his 1992 report, the auditor general took a look at Revenue Canada's data bank. He discovered that, until 1992, Canadian corporations had invested \$92 billion in non-resident companies with which they did not deal at arm's length. In 1990, these Canadian corporations received dividends totalling over \$4.2 billion from foreign affiliates.

Of these \$92 billion, \$5.2 billion was invested in businesses in Barbados, which is a tax haven. In 1990 alone, Canadian corporations received over \$400 million in dividends from companies based in Barbados. These dividends were not taxed in Canada.

All these figures are taken from the auditor general's report. A total of \$10.9 billion was invested in businesses in Cyprus, Ireland, Liberia, the Netherlands and Switzerland, all considered to be tax havens. In 1990, Canadian corporations received over \$200 million in dividends from companies run in these countries alone. These dividends entered Canada free of tax. That was in 1990. Then there is 1992 and other tax havens.

Recently, we have been hearing a lot about the Cayman islands, and also the Turks and Caicos islands. These places have become very popular, not as sunny destinations, but for wealthy Canadian individuals and corporations. Corporations do not go there to enjoy the sun, but to take advantage of the tax benefits. The information returns compiled by Revenue Canada do not, of course, provide an accurate idea of the scope of the financial dealings taking place

between parties in Canada and abroad. Some data is incomplete and certain types of transaction are not listed.

But it is a known fact that people who do business in tax havens are allowed some degree of discretion and do not have to report to Revenue Canada all the profits made in these tax havens.

• (1240)

What the auditor general said was that it could reasonably be assumed that hundreds of millions of dollars in tax revenues had already been lost and would continue to be at stake.

I could have added another ten pages to my speech, but I see that my time is slowly running out. However, I would come to the following conclusion. Faced with the Bloc's proposals to review Canada's tax system, which we have kept reiterating ever since we have been elected to this place, the minister now says that he will finally set up a technical committee on taxation.

When our colleagues opposite tell us that the greatest experts in Canada will sit on this committee, we do not dispute that fact. I am totally convinced that the best experts in Canada will sit on this committee. However, what we are questioning is what has become obvious to everyone else, which is that this will be a closed committee, a committee on which no members will be allowed to sit but that will be made up of the very same people who advise companies on tax havens. There is an obvious conflict of interest here.

We are talking about the very same people who use these tax havens and a lot has been said about these companies, such as Price Waterhouse and Ernst & Young. These companies have affiliates in at least five tax havens. They are right in the middle of a conflict of interest, and all the minister has to propose is a mini-reform done behind closed doors.

In other words, we will bring together the best experts in Canada, the very same people who show corporations how to avoid paying taxes, and we will ask them to carry out a study on the best way to ensure these companies do pay taxes. This does not make any sense. If the government, the opposition or even the Reform Party have no representatives on this committee, it will be a phoney committee which will not even have an agenda.

We are told that a report will come out later and that, when it is released, the population will be able to review it. When will that be? After the next election? After another referendum? There will never be a tax reform and we are sorry about that. We also regret that this committee will be both judge and judged. We regret the committee's lack of openness and we hope that members of Parliament will take part in the tax study this technical committee will carry out.

Supply

Mr. Bernard Patry (Parliamentary Secretary to Minister of Indian Affairs and Northern Development, Lib.): Mr. Speaker, I want to thank the member for Anjou—Rivière-des-Prairies for his speech. I would like to make a comment because I do not want Canadians to be left with the impression, after what the member just said, that the present government is reducing the deficit on the back of workers and on the back of the most vulnerable people in our society.

When we took office in October 1993, the deficit for 1993-94 represented about 5.9 per cent of the GDP. For the fiscal year ending at the end of this month, we have brought the deficit down to approximately \$32.7 billion, with a cushion for the finance minister. This will be about 4 per cent of the gross domestic product. For the coming year, we had predicted in our red book that the deficit would be down to 3 per cent of the GDP or around \$24 billion and, furthermore, the finance minister has told us that, for the 1997-98 fiscal year, the deficit will be down to \$17 billion or 2 per cent of the GDP.

I want to remind the member that, when we took office, government spending amounted to \$120 billion and that it will be down to \$109 billion for the coming year and possibly to \$106 billion for 1997-98, which is a reduction of \$14 billion or 12 per cent.

• (1245)

The member also talked extensively about tax havens in his speech and my question relates to that. According to the member, it seems that thousands and thousands of Canadians do business with other countries to avoid paying taxes here.

Can the member please tell me and tell the House how many Canadian corporations take advantage of tax havens, according to his research?

Mr. Pomerleau: That is a very good question to which I have no answer. And I have no answer precisely because we are being presented with a committee of experts on which we have no seat. We would just like to work with this committee, which will include Price Waterhouse, and Ernst & Young, in taking a thorough look at taxation.

If, after that, we see that there actually are not a lot of companies using tax havens to evade taxes, we will bow to the facts. However, in 1992, the Auditor General of Canada spoke of billions of dollars, from what little he could tell, that were not being taxed and recommended a review of the tax system. What we are being served up is a phoney review, which will be carried out behind closed doors, without representatives of the government or the opposition or even the third party, without any sort of parliamentary representatives, and we are being asked to reply to questions to which we do not wish to reply.

Supply

I hope that my hon. colleague will be among those who will try to convince the government that there should be representatives of Parliament on this committee of so-called experts, and we will be able to give him figures at that time.

Mr. Mac Harb (Ottawa Centre, Lib.): Mr. Speaker, I will be sharing my time with my colleague from Durham.

Today, the opposition has decided to move a motion deploring the federal government's decision to hold consultations on the taxation system.

I wish to congratulate the government and the Minister of Finance for this initiative, for it is a highly significant one. I cannot personally claim to be an expert in tax reform, nor do I believe that any of my colleagues here in the House are experts in that area.

If they are, my colleagues will all have time to voice their opinions, whether Liberal, Bloc or Reform. After all, every day in this House we have a chance to make proposals, to pass on our ideas and proposals to the government and to the Minister of Finance, not only on tax system reform, but on any other matter before the House of Commons.

I would respond to my colleague by saying that, since we were elected, the federal government has taken all, or most, of the measures required to put a dynamic economy in place, one that satisfies the public.

One need only look at what the government has done over the past two years in connection with the deficit, which is a matter of concern to all Canadians. Our government has promised to control the deficit. I am sure my opposition colleagues will be able to find it in themselves to congratulate the government for controlling the deficit for two years running. We hope it will continue to be controlled in the years to come.

• (1250)

The private sector has long been asking the government to control the deficit, because, by controlling the deficit, there will be a lot more money for social programs, old age programs, youth programs and health programs. It will also create an atmosphere that would encourage the private sector to create jobs in Canadian society.

Another thing the private sector has long requested of the government is control of the rate of inflation. At the moment in Canada, inflation is at its lowest point in 30 years. This is quite extraordinary, and we should be proud of what the government has done in this area.

The other thing Canadians and the private sector have asked the government to do is control interest rates. People in business, people with mortgages on their home and people who need to borrow to pay their debts will have an opportunity to borrow at a

low interest rate. Since our arrival here, the interest rates have been low.

The third thing is economic indicators. If we look at what the government has done up to now, we see that Canadian society and Canada's economy are the strongest among those of all the industrialized countries. The economic indicators are very encouraging. This is one area where the federal government should be congratulated, because it has done something very interesting and of great significance for the private sector and the people of Canada.

Furthermore, in the budget the Minister of Finance delivered in this House, an extraordinary program was implemented. I wish my hon. colleagues opposite would congratulate the government on taking action. For instance, they should look at what the Minister of Finance said in this House about improving assistance to Canadian companies and industries involved in research and development; they should look at what this government has done in terms of reforming seniors programs; they should look at what it has done in terms of reforming programs for Canadian youth, and for students in particular, who will be out looking for work within two or three months and in the next year; they should look at what the government has done for exports. Finally, the Minister of Finance told us that the government would be introducing concrete measures to help Canadian companies export even more.

Why did he say that? Because, ultimately, Canada's economic growth depends directly on the export rate of Canadian products. We must realize that many of the jobs we have in Canada exist only because one company or another is exporting to other countries. It is therefore very important that we put in place measures to help these companies trade in exports. I would say that our government has taken active measures in this respect. My colleagues and myself congratulate the Minister of Finance on his action in this area.

There is also the fact that small and medium size businesses in Canada have been creating and continue to create the majority of new jobs in this country. Again, the federal government took active measures, especially regarding banks that lend money to small and medium size businesses. The government has invested some \$50 million in helping small business.

I would expect my hon. friend from the opposition to congratulate the federal government. I would not expect the Bloc Quebecois to use an allotted day just to attack the Minister of Finance's initiative. The Minister of Finance wants to involve experts in the taxation reform. He wants to discuss this matter with the public.

• (1255)

He is looking for proposals and suggestions. This does not prevent any of our colleagues, on either side of this chamber, from telling us how they would go about revising the taxation system. Mr. Speaker, I thank you for allowing me to say a few words on this

Supply

subject and I expect that now one of my hon. friends opposite will jump to his feet to congratulate the government on a job well done, right?

Mr. Patry: Yes, congratulations.

Mr. Jean-Guy Chrétien (Frontenac, BQ): Mr. Speaker, of course, I will not go as far as to commend the Minister of Finance for this initiative, which I think is phoney. I remember very well that, last week, the Secretary of State for Agriculture, no less, told me they had consulted with dairy producers before cutting their subsidies by \$8,000 a year on average.

He seemed to suggest that dairy producers had agreed to let the Minister of Finance cut their subsidies by \$8,000 a year. In fact, dairy producers were not consulted. I simply wanted to draw an analogy with the phoney consultation our good Minister of Finance is in the process of setting up.

He is travelling all over the place to sell his ideas, which we are already familiar with. Earlier, my distinguished colleague from Anjou—Rivière-des-Prairies talked about numerous Canadian companies that get incorporated in islands with very low tax rates, including the Bahamas. The Minister of Finance, who is listening to us, knows exactly what I mean, since he himself takes advantage of some corporate tax loopholes.

The consultations they are about to hold remind me of those that took place in the dairy industry. A few days before the referendum—and I would like my colleague to comment on this—Laurent Beaudoin was interviewed on *Maisonneuve à l'écoute*. In response to Mr. Maisonneuve's question, the Chairman and CEO of Bombardier revealed that they had paid no income tax in the last three years and that he could not even remember the last year in which they had paid taxes.

You must be uncomfortable. Your hands must be shaking when you vote in favour of legislation cutting funds for the little people, including UI recipients, when you let millionaires, even billionaires avoid taxes entirely. There is no need to consult anyone.

The Deputy Speaker: The hon. member must always address the Chair. I believe a question was put. We will let the other hon. member reply.

Mr. Harb: Mr. Speaker, I will simply say that the hon. member's reaction shows that the government is on the right track. As for the matter he raised, to the effect that some company did not pay any tax last year or the year before, I will not go into the specifics of the case, but one must be able to do some basic calculation. When a company makes profits, the government is there to tax it. However, when a company does not make profits, the government simply cannot tax it. This is very simple and this is what the government has done. I want to point out to the hon. member that 500,000 jobs were created since our government took office. These 500,000 jobs were created thanks to the tax measures taken by our government.

• (1300)

Mr. Chrétien (Frontenac): You also put 500,000 people out of work; therefore, the end result is zero.

Mr. Harb: I can tell the hon. member that our government's initiatives in the last two years have resulted in an increase of 500,000 jobs in the Canadian economy. Therefore, the hon. member should rise to congratulate the Minister of Finance and the government.

Mr. Chrétien (Frontenac): You will have to wait for a long time.

[*English*]

Mr. Alex Shepherd (Durham, Lib.): Mr. Speaker, I am happy to share my time with the member for Ottawa Centre.

I rise in debate today on the Bloc motion which is basically concerned about the government's hiring a technical advisory group to advise on the issue of business taxation.

It is an odd thing. From time to time we discuss business taxation here in some very strange formats. The reality is corporations are fictitious creatures of the legal system. There is no such thing as a corporation. We cannot touch it. We cannot feel it. The reality is when we tax corporations they simply use that taxation to turn around and treat it as a cost of production and allocate it to consumers. The only true taxation is taxation of individuals.

The underpinning of this motion is a concern that people who are experts in the field of taxation somehow should not be advising the government. Of course, nothing could be further from the truth. As I look over the roster of the people who are in this technical advisory group, I see Mr. Brown, chief executive officer of Price Waterhouse, and Nancy Olewiler, a professor and chair of economics at Simon Fraser University. These are people who are eminently involved with economics and business taxation from across Canada.

This is not the end of the process. These people are basically advising the government in the areas of business taxation.

The concern of a lot of people is with two things, tax simplicity and fairness. There is a great feeling that our system is not fair. There is a great feeling also that it is far from being simple.

We have to continue to keep our corporate structure attractive for Canada to be a place to do business in. Clearly if our corporate tax structure was such that we inhibited businesses, new businesses would not start in Canada. Consequently we would not reap the benefit of employment caused by that.

The whole issue of fairness talks about how people are taxed under the existing system. I will deal with one aspect of fairness which concerns me. It concerns me so much so that I presented a

Supply

private member's bill, Bill C-215, now before the House. I do not think people realize we have had spiralling rates of taxation in Canada. As we have had spiralling rates of taxation we have asked our collection agency, Revenue Canada, to be ever more judicious in extracting that money from the general public.

As a consequence, some of the things we ask Revenue Canada to do, for instance the seizure of bank accounts, even the sale of a spouse's residence on the demise of her husband, are really questions of whether government should have those kinds of power and whether we should temper them.

My private member's bill addresses this matter. There is a taxpayer's bill of rights in the United States. In the United Kingdom there is a taxpayer's ombudsman. Basically that is what my bill proposes to give to the people of Canada, some kind of an intermediary between taxing collection authorities and people in general.

• (1305)

Many members have seen in their ridings situations of seizures of bank accounts. Sometimes Revenue Canada makes a mistake. We are all human and we sometimes make mistakes. When Revenue Canada makes a mistake the credit rating of the company or individual is blemished and there is no real recourse in the system other than a very expensive litigation process.

I refer to a single woman in my riding who because of the taxation of child benefits incurred something like a \$1,500 tax liability to Revenue Canada. She is paying that back over a two-year period. She dealt with two or three collection officers and the third one decided to be very aggressive and seize her bank account, getting a total of \$94. The woman had been paying as agreed. Through the process she had a heart attack and lost two weeks of work. She is out \$800 and there is no real prospect of getting that back from the system.

My bill tries to deal with some of those inequities. In some ways the motion of the Bloc is concerned with the fairness of the system.

There is much talk that our tax system is not simple. Well over 50 per cent of individuals who file tax returns do so on their own. They do not require professionals to give them assistance. That is good news.

One thing that unites this country, if nothing else, is that at this time of year we are all sitting down with blue forms trying to figure out our taxes. That holds true from Newfoundland to British Columbia to the Northwest Territories. I do not know if that is a good or positive thing, but it is something we all do and I am sure we all agree we dislike the process.

The system is complex. As I said before, the reason is that we asked the system to ratchet up the amount and quantum of tax it extracts from the general public. When that is done it is very much

like a water pressure system where the pipes are designed to sustain approximately 50 pounds per square inch. Now we are asking to put pressure in that system of something like 1,000 pounds per square inch and we get leaks from time to time and we are required to patch the leaks. It works the same with the income tax system. When we patch the leaks the income tax gets higher and higher.

When I was in practice every week we got a two or three-inch stack of amendments to the Income Tax Act. The reason it is complex is the amount of money we want to extract from the system.

This is not new. Economics books can take us back to the time of the Romans and even before and will show that every regime that tried to increase taxes exponentially eventually ran into a wall of complexity and evasion. There is a point at which people will evade the system because of the amount of money being extracted from the system.

My hypothesis today is that the system is complex not specifically due to bureaucratic wrangling but with the amount of taxes we want to extract from the system. My argument is we could put simplicity in the income tax system but it would have to be done by reducing the quantum of taxes we pay. This is certainly an objective of the government. We realize Canada's taxation system on a personal basis is the second highest of all OECD countries, France being the first.

To get simplicity back into the system it is obvious we have to reduce income taxes to individuals. How can this be done? The government has taken on a concerted program to reduce the deficit and debt. Obviously it has to do one thing at a time, get the deficit and debt situation under control before we can look down the road to actually reducing taxes on individuals. That is part of the process. The reality is both things cannot be done at the same time.

One provincial government wants to do both things at the same time, the Government of Ontario. It thinks it can cut spending while at the same time reducing taxation. This is not impossible but quite frankly unfair. What happens in that situation is it starts cutting back the basic social services people have come to expect and appreciate from the government. When it cuts back taxation, because our system is progressive, that is to say as you make more money you pay more taxes, eventually what it is doing is transferring the reductions in social programs to the people who are the most wealthy. It is sort of a reverse Robin Hoodism, if you will, of economics.

• (1310)

The federal government is not committed to that kind of concept. It realizes we have to cutback and make governments smaller, but clearly it cannot turn around and give the benefits to those who are most wealthy and who do not need the protection of that.

Why are rates progressive? Most of us in this country and indeed most of the western world have realized it is very important to have a redistribution of income. That is to say, as people make more, proportionately they pay more in income tax.

I can point out countries that do not do that for a variety of reasons, some which have systems that look like they are doing that but the result is actually the reverse. I look at countries in South America, particularly Peru, which I have visited. I talked to the people about their economy. I realize what happens when you do not have a progressive system. Basically you end up with a small group of people with a lot of money and you end up with a lot of people with no money. That is the kind of system we do not want to promote.

No one is better off in that situation because even those who are wealthy can longer find a market or trade for any business goods they have because there is no market. Nobody can afford to buy their products. That is why our system is progressive.

This leads me to the discussion of some of my Reform colleagues embracing the flat tax. The Hall-Rabuska study of 1985 originally put forward the concept of a flat tax. Ironically that flat tax was based on the concept of not only a redistribution of income but also a negative income tax that purported to be able to transfer money back out to people as a social welfare system. This is not so with the right wing movement both in the United States and apparently in our country as well. The flat tax system has been turned on its head.

What is a flat tax system all about? A flat tax system is doing away with progressiveness. That means as you make more money you pay the same amount as somebody behind you. In other words, we do away with the whole object that the wealthy will pay proportionately more as opposed to those who are less wealthy. Clearly that is not saleable. Politically that does not make a lot of sense.

The way we sell the flat tax is by linking it with something we can sell, and we can sell simplicity. In a sense what we try to do is link the flat tax with basic simplicity because everyone can understand it and they like simplicity in the taxation system.

What does simplicity have to do with a flat tax? They have very little in common. The proponents of the flat tax would like us to believe they can reduce the cost of tax collection. The reality is they cannot do that.

There are very few economic studies that will indicate the evolution of a flat tax actually reduces the cost of the collection system. Most people who support a flat tax system are basically attempting to sell their product by putting a little good in with the bad.

Sixty-six per cent of the total quantum of taxes in Canada are collected from the top 30 per cent of taxpayers. It does not take very long to understand—

Supply

[Translation]

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, I listened with a great deal of interest to the comments of the hon. member who just spoke. Unfortunately, he does not address the issue on the order paper today, this famous committee of experts set up by the Minister of Finance to analyze business taxation.

This is what we have been saying for the close to three years, and the Auditor General of Canada told the minister in his 1993-94 report that business taxation was deficient. But the minister does not appear to understand or to hear.

• (1315)

I would simply like to recount a short anecdote that the hon. member may find helpful. One day, a Japanese minister threw out a challenge to his Canadian counterpart, probably the finance minister, to see which of the two groups, the Canadians or the Japanese, would be able to row across the St. Lawrence River the fastest. The Japanese team showed up with four rowers and a coxswain. The Canadian minister of finance, mightily amused, turned up with one rower, two section chiefs, one director and an assistant deputy minister.

The race began. Half way across, the Japanese were already ten minutes ahead of the Canadian team. No matter, not to worry. The Canadians added another section chief, to motivate and encourage the rower. On they went. Three quarters of the way through the race, the Japanese had a 20 minute lead. Something had to be done. The deputy minister himself was called in, took up his spot in the boat and on they went. The rower must not lose motivation. Not surprisingly, the Japanese won the race hands down, with a 30-minute lead over the Canadian team. What had happened?

There was a *post mortem*. Many months and many hundreds of thousands of dollars later, a report concluded that they had fallen down in organization, productivity had not been good, and communications between management and employees poor. So they abolished the position of rower.

This joke is instructive. What we have here is the same thing. A committee will be created, that we in the Bloc Québécois do not necessarily want—but since it is the wish of the Minister of Finance—a committee of experts to analyze business taxation. We say to you: “This committee should include members of all parties, who could contribute their knowledge, speak directly to the friends you have appointed, and try to get them to face the facts”.

No, you say. You have things to protect, but it will end up the same as the joke I just told. After spending hundreds of thousands of dollars, and probably holding hearings across Canada, the conclusion will be that the rower was no good. In the end, it is the economy that is no good, with all your interfering.

*Supply**[English]*

Mr. Shepherd: Mr. Speaker, I thank the member for his question.

Once again something is missing in relation to this committee. It is not an end in itself. People with expertise in the area of business taxation are being asked to provide their comments. Legislation is still the venue of this House and debate will occur here. You are attacking the whole concept of governments seeking outside expertise. You could use this argument with any area of government legislation.

The member's discussion concerning the Japanese and Canadians is quite apropos. In 1951 Japan and Canada had the same gross domestic product. That is quite interesting because by the year 2000 Japan's gross domestic product will exceed that of the United States. Japan is a country with half the U.S. population and almost none of its natural resources. We have to get on with the reality of making this country a more effective and dynamic economic institution.

I note some of the complaints the Bloc has about creating a national securities market. Capital has no boundaries. We have to create more dynamic markets to get our business community up and competitive in a global environment—

The Deputy Speaker: I would ask all colleagues please to address their remarks to the Chair. If they say who or you it should be to the Chair, not to their colleagues across the aisle.

[Translation]

Mr. Jean-Guy Chrétien (Frontenac, BQ): Mr. Speaker, I remember very well that, in the report he submitted 12 months ago, the auditor general, Mr. Desautels, talked about \$6.6 billion in unpaid taxes. Most of this \$6.6 billion in unpaid federal taxes was owed by very wealthy people and large corporations.

• (1320)

There is no need to spend \$700,000 or \$800,000 on friends of the government to find ways to collect the money owed us. One of my neighbours owed money to the government, so they seized his assets. He was an ordinary man of modest means. They seized his assets, sold his pick-up truck and gave him about \$100 that was left over after they collected their taxes. No review committee is needed to go after this \$6.6 billion. Only \$200 million was recovered after a year. This is no cause for celebration.

[English]

Mr. Shepherd: Mr. Speaker, the \$6.6 billion is not all related to corporate income tax. Surprisingly enough, I believe almost

\$1 billion of that relates to single mothers whose child support payments are delinquent and therefore not enough cash flows into those households. It was the government that changed the income tax system to make that a non-taxable transaction.

The member is suggesting that we should go out and put the squeeze on these single parent families which has nothing to do with corporate taxation.

Mr. Dick Harris (Prince George—Bulkley Valley, Ref.): Mr. Speaker, I am pleased to speak today to the motion put forward by the separatist Bloc Party. This is a very peculiar motion. I wonder if the Bloc has a hidden agenda. After all we know its purpose in this House is not to support policies and positions that Canada may take for the good of Canada as a whole.

As I read the Bloc's motion today, I became suspicious about what exactly is behind it. It appears that Bloc members are asking the House to form a joint committee of business experts and members of Parliament, which would include the separatist Bloc members, to come up with a plan on how to address corporate taxes and the regulations that corporations live by in doing business inside and outside of Canada.

However, it is almost hypocrisy that the Bloc Party would want to have members on this committee, which would be looking for ways to benefit the whole of Canada, when its agenda is simply to break up Canada. This motion by the Bloc is very hypocritical and, I suspect, has a hidden agenda.

The committee proposed by the government is a good idea. It is going to bring together business leaders and experts to examine the tax laws in Canada dealing with corporations. When the committee has reports from time to time, it will turn them over to the finance committee which is comprised of members from the government, the separatist Bloc and the Reform Party, the unofficial opposition party in this House. Members will discuss it openly in committee and all will have a chance to have input into the reports. Therefore, there is a decent amount of transparency and openness which the Bloc says there will not be in this committee.

I cannot really see, considering that MPs will have the last say on any report or recommendation in the committee and in the House, how the Bloc members can say there is not enough participation by members of Parliament in the process. I do not think there is any reason to be concerned about the lack of input from experts in this field should this joint committee that the Bloc is proposing not be established.

These are only some minor points that I raise relating to the wording of the Bloc motion.

• (1325)

The Bloc has really missed the target and has wasted a supply day that would enable its members to talk about taxation in general. It wasted that day by preferring to attack the membership of a committee on corporate tax reform.

This was an ideal opportunity for Bloc members to tell the House and Canadians about the unconscionable taxes that are being charged to working men and women.

Canadians in every province are crying out for tax relief whether they live in Newfoundland, Quebec, Ontario or any of the western provinces. The average Canadian is overburdened with taxes. Taxes have increased to the point where both parents working in a household has become commonplace. Because of tax levels, disposable income has continued to shrink while the cost of living has gone up.

This whole spiral of taxation increases was started by the Liberal government of Mr. Trudeau and carried on to the government we have today.

The Bloc has failed Canadians by not putting forward a motion that deals with taxation levels in general. As members know, since Reformers came to this House, we have stood up over and over, day after day, crying out for tax relief for overtaxed Canadians. The reason why jobs are not being created by the private sector and the corporations is because taxation levels and the cost of business are too high.

The Canadian Business Council and every business organization in the country have told the government about the high levels of taxation that corporations are facing. They have said that if you want us to create jobs, then give us some tax relief. We will create them.

The finance minister in 1994 even talked about how many jobs a decrease in the payroll tax would create. What have they done about it? Nothing. Since the government has come to power it has increased taxes from all sectors by a total of some \$11 billion. These are tax increases in all forms. Canadian business, Canadian corporations, average working Canadians were not excluded. They are paying the bills.

The Reform Party released a taxpayers' budget which called for balancing the budget in three years and getting rid of the deficit. This would lead to the tax relief that is needed and that will create jobs.

Reformers have criticized the government for its continued use of taxation measures to deal with the out of control deficit. We have argued in favour of a reduction in expenditures since the government has a spending problem and not a revenue problem. There is enough money coming in. It is just that the government is spending too much.

Supply

Today, on the supply day of the separatist Bloc party, not a peep is heard from its members with respect to the taxation levels on average Canadians. There is not one word about the taxation levels of average Canadian working men and women inside and outside Quebec.

They have wasted this supply day dealing with some objection to the formation of a committee. In the whole grand scale of things, when one considers the whole tax problem and how important it is, how could they feel that a motion dealing with that committee is of such magnitude that they are going to waste a supply day?

They have not come close to such a statement in this motion. It fails miserably, which is too bad since it leaves only Reformers in the House to stand up on behalf of Canadian taxpayers and point out the devastating situation that Canadians find themselves in.

• (1330)

As I pointed out, since the Liberals were elected taxes have risen by \$11.4 billion. This country does not have a revenue problem, it has a spending problem. If we assume there are 13.5 million taxpayers, that represents an average tax hike to Canadians of \$840.

As the official opposition—and there is some question as to the reality of that—those members should be standing up for the 13.5 million Canadians, using their position to attack the government's taxation policies. Did they? No. They want to deal with a committee process. I say shame on them. They have wasted a supply day.

Bloc members have demonstrated a disdain for corporate profits. They are prepared to bite the very hand that creates jobs in the country, that creates jobs in Quebec. The corporations are creating the jobs. Do they think the government will continue to try to create jobs? What happens when the money runs out, as it does with any government program? Yet Bloc members are standing today to say that the nasty corporations are ripping everyone off.

Any average citizen knows who creates the jobs. The Liberals would have us think differently. The Bloc would have us think differently. However, the average Canadian knows it is the private sector that creates real, long term, good paying, reliable jobs.

Would the Bloc not do better to discuss measures which would reduce the level of taxes on Canadians and Canadian business on its supply day? Certainly these are matters which the Bloc should bring forward to the government on behalf of Canadian taxpayers. But why should we expect that when clearly the Bloc does not have the interests of all Canadians at heart?

It is the Reform Party that continues to bring these important fiscal matters to the attention of the government on behalf of the taxpayers. We are proud to do it.

I do not support this motion. It is a waste of a supply day.

*Supply**[Translation]*

Mr. Dan McTeague (Ontario, Lib.): Mr. Speaker, I think it is always interesting to hear the comments of the hon. member for Prince George—Bulkley Valley. I represent a riding in Ontario, where the people have elected a provincial government with policies and interests similar to those of the Reform Party.

My question for my dear colleague is very simple. Since people in Ontario are rejecting the policies of premier Mike Harris, which sound a great deal like my colleague's comment, does he really think that his party can do anything more to garner support in Ontario, since these policies hurt the economy and the people as a whole?

[English]

Mr. Harris: Mr. Speaker, let me point out that the fiscal policies of the Mike Harris government in Ontario were supported by a vast majority of people living in Ontario.

If we multiplied the crowd which is causing the problems at Queen's Park one hundred times, it would not even make a dent in the number of people who elected the Mike Harris government because of its fiscally conservative policies. It is because of the policies which that government took right out of the Reform blue book that the majority of the people of Ontario voted for it. If we multiplied the crowd which is demonstrating outside Queen's Park one thousand times, we would still not make a dent in the number of people who voted for that government and its fiscal conservative policies. Those same policies have been in our blue book for a number of years.

● (1335)

Mr. Ian McClelland (Edmonton Southwest, Ref.): Mr. Speaker, I was asked to speak in this debate today and it is right up my alley. I have spent most of my life in entrepreneurial business ventures and I will get into that.

I would like to put on the record and bring to the attention of the House that in my mind the response to the last question typifies the problem this country has and why it is in the mess financially and emotionally as far as unity is concerned. The reason is that for all of my adult life politicians have been motivated by politics and not principle. There is a difference.

If a government is given a mandate by the electorate to achieve a particular end, then principle and character come into play. If that government is swayed from its pole, if it is swayed from north, if it is swayed from what it was elected and given a mandate to do, then it is playing politics. It is the playing of politics and the pandering

to the flavour of the day which has got our country into the mess it is in.

If we are ever going to get our nation back on track, we are going to do so because we put politics in its rightful place which is somewhere distantly behind principle and behind character. It is a sign of character that a political party would have the fortitude to brave the weather, the storm that is taking place in Ontario right now, to do the right things for the right reasons. Having weathered that storm it will find itself in exactly the same place as the Government of Alberta. It did exactly the same thing and retains a 67 per cent popularity rating, even higher than the popularity rating of the Liberals opposite who have achieved that for no discernible reason.

It is interesting to note that the government members opposite are pursuing a fiscal regime which has Liberals of the past 30 years spinning in their graves. They cannot recognize the Liberal Party today because it bears no relationship to the Liberal Party of the past. It is an interesting observation that members opposite would make when they show a lack of fortitude, a lack of strength and a lack of principle in not carrying forward the reforms that absolutely must be achieved if we are going to pass along the country to our grandchildren in the shape we found it.

Members of the Liberal Party opposite should get down on their knees every night and say: "Thank you, God, for having Reform Party members facing us who give us the fortitude and the courage to do what we know must be done. Without them we would not have gotten anywhere. At least we are now taking the first few tentative steps on the road to recovery of our country. You should know that we are magnanimous in accepting your good graces".

As Lincoln said, if you do not care who gets the credit, there is no end to what you can accomplish, although at times it is very trying as we stand here and see the Liberals getting credit for the good works we have brought to our country. However we are happy to do so in the name of our grandchildren.

Having said that, let me get to today's Bloc motion. Usually the Bloc supply day motions are pretty well thought out. I have not looked at any Bloc motions thus far, prior to this one, and wondered what it was trying to get at. Usually it has been direct.

The Bloc motion speaks to the recent budget and it speaks to something in our budget which I thought really made a whole lot of sense. For the benefit of those members who have not been here for all of the debate and for those viewers at home who are just tuning in, the Bloc supply motion moved by the member for Saint-Hyacinthe—Bagot states:

That this House deplores the fact that the technical committee set up by the Minister of Finance to analyse business taxation is comprised of members who are both judge and judged with regard to business tax reform; and that, this being so, the Minister of Finance should set up a joint committee of experts and parliamentarians to examine business taxation in an impartial manner according to an open and transparent process.

• (1340)

I looked at that and wondered what it implied. It is implicit that the government should not put together a group of experts strictly because of the group's knowledge of the corporate income tax world, that parliamentarians should be involved in it. There is also the implication that somehow, at least in my interpretation of the motion, corporate Canada gets up in the morning and asks how it can screw the country, how it can rip off the country, what it can do wrong. Corporate Canada is somehow the bad guy.

Corporate Canada is us. We are all corporate Canada whether we are owners, shareholders, or whether we work for a business enterprise in Canada. It is us. Corporate Canada makes the world go around as far as business and employment are concerned. It is not the government but corporate Canada.

It seems to me the budget makes eminent sense. I will quote from the budget document: "Finally an effective business tax system should not only raise revenue, it should be designed to help create jobs. We believe it is time for a comprehensive look at this issue. In order to identify any obstacles to job creation currently contained in its tax act and to suggest reform, we are announcing today" the implementation of a group to look at it. That group would obviously include people from corporate Canada who are experts in tax law.

The question then is: Will Parliament have a chance to debate it, to get involved in it, or is it strictly a one way deal? There is cause to be cautious. Very often we find that legislation comes to the House as a fait accompli, or once the government has a report and there is political baggage associated with it, the government is loath to change it.

It is important that this information be vetted through Parliament while it is still in a very malleable condition. There is no reason to believe that would not be the case. Any potential legislation would go to the various committees of the House of Commons and would be thoroughly vetted.

The part of the Bloc motion that speaks to input of parliamentarians and through them citizens in general to changes in the corporate tax act is pretty bogus. Perhaps the most important issue in the Bloc's motion is the presumption that somehow corporate Canada is a bad guy. If I were a representative of Quebec, I might be a little further down that road than I am since I come from Alberta which is known as the bastion of free enterprise in Canada.

If we were to dispassionately examine the attitude of fear, an attitude that is represented in the Bloc motion toward corporate Canada, and look at what has happened to Quebec in the last 20 years or so, we would find that an attitude which puts down or somehow looks at corporate Canada as being the bad guy results in a very negative atmosphere for business and business investment

Supply

in the jurisdiction. I would support that claim by quoting some statistics.

This is where I believe the Bloc is doing a great disservice to the people it wishes to serve. I do not suggest for a moment that the Bloc in its heart of hearts is not trying to do the right thing for the people of Quebec. However, inadvertently it is creating a disaster for the people of Quebec and the people of Canada by suggesting that somehow corporate Canada is a villain and should be treated that way.

• (1345)

At the beginning of the last referendum in 1980 the business vacancy rate in Montreal was 3.3 per cent. Today it is a 19.7 per cent. I believe this is a direct result of the way that the separatists treat corporate Canada as a villain.

The whole notion of separation and the climate of uncertainty that it brings to the table has caused a flight of capital and entrepreneurship from Quebec. A motion such as this is very poorly considered. I would accept and welcome any questions that anyone would have on this.

[*Translation*]

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, I have listened to the words of the hon. member from Alberta with considerable interest, as he described Alberta as the bastion of free enterprise. We have been aware of just that, on several occasions, at the time the Act to amend the Interest Act was introduced in order to restrict the banks and financial institutions to a penalty of three months interest when loan capital is paid back before the due date. The Reform Party voted against this.

We also saw the Reform Party oppose an amendment to the Bankruptcy Act, which introduced by a member from the Quebec City region, more precisely the member for Portneuf, my colleague to the right here. What he wanted to do was to put ordinary workers and low income people at the top of the list for collocation of creditors in the case of a bankruptcy, in front of banks, guaranteed creditors and so on. Again, the Reformers voted against this.

This is not the first time the Reform Party has been against anything that could show a little compassion, bring a little relief to the low wage earner, the most disadvantaged of our society. Then, to be really sure to have the upper hand over this group, the Reform Party recently sent one of their gang over to Asia to learn about caning and corporal punishment of offenders.

The hon. member referred to the vacancy rate in Montreal, referring I believe to unoccupied office space. It is true, unfortunately, that it is much more related to the tax policy of the City of Montreal than to the political situation currently prevailing in Quebec or in Canada.

Supply

I would like to ask the Alberta member who has just spoken, whether just once, some day, or once in a while, these people could show a glimmer of compassion? I would imagine that, even in Alberta, the bastion of free enterprise, not everyone who lives there, who moves about the province, who eats, sleeps and lives in Alberta, is a millionaire. I assume there are also some people who are less well off, and some who are poor, as there are everywhere, and these people need some compassion.

Would it be betraying their mandate if, for once, during the 35th Legislature, these people showed a bit of compassion for the least well off, the poorest, the disadvantaged, those less gifted to succeed financially? We have never yet had any evidence of this, in two and one half years.

I would ask once again: before taking the irreparable step of voting against the motion by the member for Saint-Hyacinthe—Bagogot, just try to understand the poor, the disadvantaged, those members of our society whose need is greatest.

[*English*]

Mr. McClelland: Mr. Speaker, beauty is definitely in the eye of the beholder.

I am reminded that it is nice to have a soft heart or a soft head but you had better not have a soft heart and a soft head at the same time. It is probably wise to have a soft heart and a hard head.

The reality of the situation in which we find ourselves in life is that if you cannot first look after yourself, how can you possibly look after your neighbour? That does not mean we do not have to look after our neighbours or that we do not have compassion. It means that we have to make a basic, philosophical decision. Are we to be personally responsible for the good and bad in our lives or are we to say that society is primarily responsible for what happens to us?

• (1350)

How can we be interdependent if we are not first independent? I guess that is a basic contradiction between the whole notion of common law and civil law. Do we put individual rights ahead of collective rights?

This conversation typifies the debate that rages in our country from east to west and north to south.

Mrs. Eleni Bakopanos (Saint-Denis, Lib.): Mr. Speaker, I will be sharing my time.

[*Translation*]

In his budget speech, the federal Minister of Finance clearly expressed his intention on the business tax system. He said that a technical committee would take a comprehensive look at the

business tax system guided by three main objectives: to promote jobs and growth, simplify the system and make the system fairer.

The technical committee examining the business tax system will look at corporate income tax and tax paid from commercial activity revenues and will evaluate the level and make-up of these taxes. This measure, also found in the budget, is neither spontaneous nor improvised. In fact the government, and this is something the opposition often forgets, set up a process for consultation and co-operation as part of the last two budgets. This is not the first time, and in fact each time we consult Canadians from one end of the country to the other.

These unprecedented public consultations have encouraged Canadians of all walks to debate the economic and financial problems facing the country as a whole.

On January 1, 1994, for the first time in the country, the House of Commons as a whole met to prepare the budget. In 1995, co-operative efforts to prepare the budget were on an even larger scale.

On October 17, 1995, the Minister of Finance made public a document entitled "New Framework for Economic Policy", which outlined a broad job creation strategy.

As for the 1996 budget, the co-operative effort was still greater in that the Standing Committee on Finance and the minister took more time to listen to views and recommendations on approaches taken to improve the financial situation. Canadians also feel that the Liberal government listens to them in order to achieve the economic, fiscal and financial objectives that have been set.

Although, from the time of its election, the opposition was in agreement on the urgency of tax reform, it nevertheless made a number of proposals. Until now, the Bloc proposals have precluded the achievement of the two objectives essential to any tax reform, namely: that government should be able to collect the taxes it needs to function and that economic development should be encouraged.

[*English*]

Bloc members often harp on loopholes, as do other parties, and claims of overly generous corporate tax regimes, as if these were the only reason for the deficit. They have no conception of how to use the tax system in a balanced and judicious way to collect revenues and promote economic development.

Let us look at the response to the budget measure reducing the labour sponsored venture capital corporation, the LSVCC tax credit. The LSVCC has more than three year's worth of capital to invest. However, the Bloc wants that credit in place, I guess to ensure that high income Canadians do not miss the beneficial tax break.

In the minority report on the finance committee's prebudget consultations, the BQ recommended a complete review of the tax system be undertaken. Apparently it is not satisfied even when the government agrees with it as we have in this case. The Bloc went on to criticize Canadian businesses that use loss carry forwards which allow businesses to balance their tax loads over good and bad years. The Bloc wants this eliminated and replaced with a minimum corporate tax on small business. This would not create jobs, just the opposite. The Bloc clearly still does not get it: Canadians want jobs and its recommendations would not create a single one.

• (1355)

Let us not forget what the Quebec minister of finance said recently in a speech. I do not have the exact quote but he said that Quebec will be a tax haven after separation. I would like to have hon. members tell me exactly what the minister of finance of Quebec meant by a tax haven.

Later in the minority report under the heading, Recommendations for an Effective Attack on Unemployment, Bloc members tell the federal government to get out of regional development and tourism altogether and transfer more tax points which they have elsewhere claimed are worthless to the provinces.

None of these measures would create a single job either in Quebec or elsewhere. Let us not forget it does not fit in the ultimate scheme of Bloc members because if we create jobs, the Canadian federation works. That is exactly what they do not want. They do not want it to work. Their ultimate aim is the breakup of this country, a separation.

The government, the provinces and the private sector are working together constructively on the Canadian Tourism Commission, an initiative that has been praised as both effective and harmonious by all participants. Nobody on the commission would support the Bloc's contention that the federal government should abandon its initiative.

[Translation]

The most astonishing thing of all in the Bloc's arguments is their claim that the government is not acting with complete transparency. On the one hand, they criticize the fact that the technical committee set up by the Minister of Finance is composed of members who are taxation experts, whom they describe as judge and judged, when the whole process is public, from the preparation of the budget down to the discussion concerning the taxation review, as mentioned by the Minister of Finance during question period last Monday, and I quote:

Any discussion concerning the taxation review will certainly be public, because the objective of that committee is really to prepare a background document that will be used for consultation, undoubtedly by parliamentarians, including members of the finance committee with his colleague.

Any government turns to experts when looking at more specific questions. Contractors are then engaged from outside the government without calls for tender.

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Do not forget that the Government of Quebec also called on experts recently during the Quebec referendum. And do not forget the billions of dollars spent by the Quebec government for the very purpose of consulting the experts, friendly experts of course.

[English]

I would like to finish by saying that once again—

[Translation]

The Speaker: My dear colleagues, it being 2 p.m., we will now proceed to statements by members.

STATEMENTS BY MEMBERS

[Translation]

SEMAINE NATIONALE DE LA FRANCOPHONIE

Mr. Benoît Serré (Timiskaming—French River, Lib.): Mr. Speaker, I am very pleased to rise in this House today to draw attention to la Semaine de la Francophonie. This is a time to realize the important role played by the French language and culture as a basic element of our collective identity.

As a Franco-Ontarian myself, I have always vigorously defended the rights of francophone minorities, because I believe it is possible for us to develop wherever we are in Canada.

In a spirit of co-operation and solidarity, we, francophones, are proud of our language and culture, and we would like to strengthen our sense of belonging to the Francophonie.

I wish to salute and thank the francophone institutions and associations which, through their achievements, have greatly contributed to the French language being taught and used in the education, socio-cultural and institutional sectors, both nationally and internationally.

I wish all francophones from coast to coast—

The Speaker: I am sorry for having to interrupt the hon. member, but he has run out of time. The hon. member for Longueuil.

* * *

QUEBEC SOVEREIGNTY

Mr. Nic Leblanc (Longueuil, BQ): Mr. Speaker, the Bloc Quebecois promotes a sovereign Quebec. But we are being accused of trying to destroy Canada in the process. Nothing could be further from the truth. We have the future of Canada at heart, and both our countries stand to benefit from Quebec's sovereignty.

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While it did not go into all of the many aspects of sovereignty, the recent Wood Gundy study at least had the great merit of stressing the fact that, from an accounting point of view, Quebec would benefit from sovereignty without Canada being hurt.

From 1995 on, the federal government will run an operating surplus, both for Quebec and for the rest of Canada. Achieving sovereignty in Quebec is no easy task, but now at least we know that all involved can do well for themselves, which means that sovereignty will benefit us all.

* * *

[English]

ONTARIO

Mr. Stephen Harper (Calgary West, Ref.): Mr. Speaker, Canadians were disgusted last night to watch the goings on at Queen's Park. As provincial governments struggle to deal with federal Liberal budget cuts to the provinces it becomes increasingly obvious the Ontario Liberals, NDP and other leftist organizations hope to block the Harris agenda through an orchestrated campaign of strikes, intimidation, violence and general thuggery.

It is evident the Ontario left hopes to achieve through force what it failed to achieve at the ballot box.

The common sense revolution is no longer merely about restoring fiscal sanity and hope to Canada's heartland, it is now also about preserving democracy and protecting the right of taxpayers to control their government.

At this time of grave threat to democracy and the economy of Ontario, the Ontario provincial government can count on the support of Reformers for our common objectives.

I call on the federal PC leader to end his silence and to do likewise.

* * *

HUMAN RESOURCES DEVELOPMENT CANADA

Mr. John Solomon (Regina—Lumsden, NDP): Mr. Speaker, the federal income securities program branch of Human Resources Development Canada and other federal government departments in Regina have lost 50 public service positions because of a decision by the former minister of HRD, the current Minister of Foreign Affairs, to take the jobs to his own riding in Winnipeg. This decision was slipped through on the minister's last day on the job of that department.

The chair of the economic committee of cabinet, the federal minister of agriculture, has remained silent as these jobs are moved from Regina.

The move makes no sense. It will cost taxpayers up to \$2.6 million to pay for the move alone and it will take jobs in the valuable public service from the residents of Regina and Saskatchewan.

Seniors groups such as Seniors Action Now have expressed their concern that by sending these positions to Winnipeg seniors and the disabled in Saskatchewan will see longer delays to the processing of their applications and inquiries.

I challenge the minister of agriculture to take action on behalf of his constituents and his home province to reverse this politically motivated bad decision.

* * *

RACISM

Mr. Janko Perić (Cambridge, Lib.): Mr. Speaker, in 1966 the United Nations declared March 21 the international day for the elimination of racial discrimination to commemorate the sacrifices made by peaceful demonstrators who were killed and wounded while protesting against the government in South Africa in 1960. This year marks the 30th anniversary of the UN declaration.

Canada is recognized around the world as one of the best countries in which to live. Unfortunately racism and racial discrimination are a reality in Canada. They are everyone's problem and we all need to take responsibility for them.

I hope my colleagues in the House will take up this challenge and will remember to honour the spirit and intention of March 21, the international day for the elimination of racial discrimination.

* * *

EMPLOYMENT

Mr. Gurbax Singh Malhi (Bramalea—Gore—Malton, Lib.): Mr. Speaker, the number of Canadians working for temporary help agencies grew by 15 per cent in 1995, 17 per cent in 1994 and 29 per cent in 1993.

Workers at these agencies earned on average \$383 a week last year; more hours for less money. Some private employment agencies pocket hefty premiums from both the workers and their place of work.

We must therefore encourage government departments and the private sector to post a far greater number of job openings in Canada employment centres, which offer free services to all.

* * *

RACISM

Mrs. Beryl Gaffney (Nepean, Lib.): Mr. Speaker, as Canadians we cherish the values of dignity and decency. We believe in fairness and freedom. We honour our reputation for generosity and

compassion. We know of the importance of respecting differences. We realize that citizenship brings obligations as well as opportunities. As Canadians we have achieved great things together.

The Prime Minister said in his address to commemorate the 50th anniversary of the United Nations:

The highest hope of the global community is to achieve what we in Canada have achieved for ourselves. A means of living together in peace and understanding. Not an answer to every problem, but a means to pursue those answers together—with respect, tolerance, accommodation and compromise.

• (1405)

This is the message to be given of March 21, the international day for the elimination of racial discrimination.

* * *

CHURCHILL FALLS CONTRACT

Mrs. Diane Ablonczy (Calgary North, Ref.): Mr. Speaker, last night Liberal members from Newfoundland and Atlantic Canada showed their true colours. They defeated a motion that condemns the injustice of the Churchill Falls contract, toeing the Liberal Party line instead of representing the interests of their own constituents.

This contract sucks over \$800 million every year from Labrador's economy, relegating the province to a have not second class status within Canada. The Liberal government looks on in silence while Labrador suffers without a fishery, without jobs and without basic services like roads which other Canadians take for granted.

This fossilized government is incapable of addressing the inequalities within Confederation. It is time for the people of Newfoundland and Labrador to stop trying to change the system from within. It is time for them to reform the system from the outside by embracing real political change. It is time for Newfoundland and Labrador to vote Reform.

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[Translation]

AID TO AFRICA

Mr. Philippe Paré (Louis-Hébert, BQ): Mr. Speaker, in this Semaine de la francophonie, we are very pleased with the project launched by the United Nations to promote Africa's development. This special initiative will focus on education and health.

The UN secretary general, Boutros Boutros-Ghali, said in Geneva that the UN wanted to solemnly tell Africa that it would not be abandoned. This special initiative, which is under the financial responsibility of the World Bank, provides for the injection of \$25 billion over the next ten years, and for maximizing the efforts and

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resources of the major United Nations agencies and of the international community.

The Bloc Québécois hopes that the Canadian International Development Agency and the Canadian and Quebec NGO's will take part in this courageous fight for peace, development, democracy and the respect of human rights.

* * *

RACISM

Mr. Ronald J. Duhamel (St. Boniface, Lib.): Mr. Speaker, March 21 is the International day for the elimination of racial discrimination. I invite Canadians, including my colleagues, of all races, colours, ideologies and religions to take part in this event.

It is in everyone's best interests to build a country free of racism. We must eliminate racism. We must take the responsibility for creating for our children communities that are sound and free of bias.

Canada has a reputation for being a tolerant and compassionate country. We are privileged to live in an environment where various cultures coexist. More important still is the fact that these cultures celebrate, share, communicate and work together to promote peace.

[English]

Let us work together to eliminate racism and racial discrimination. The various languages, peoples, cultures and religions are what make this country so very special. Let us all make a personal commitment to improving this superb country.

* * *

[Translation]

SEMAINE NATIONALE DE LA FRANCOPHONIE

Mrs. Georgette Sheridan (Saskatoon—Humboldt, Lib.): Mr. Speaker, there are one million French speaking Canadians who are not Quebecers, but have deep roots in the French culture and language, of which they are very proud.

Tomorrow marks the beginning of the Semaine nationale de la francophonie. I come from Saskatchewan. Back home, the Franco-Saskatchewanian flag will be raised in several rural and urban communities to recognize the contribution of Franco-Saskatchewanians to the development of our country.

Many French speaking residents of my riding are getting ready for the cultural activities that will take place, including a wine tasting contest in Bellevue, as well as a wood-carving demonstration by Robert Gareau. Many other events are also scheduled in Saskatoon, Prud'homme, St-Denis and Vonda.

Congratulations to all!

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[English]

SIR WILFRID LAURIER

Mr. Pat O'Brien (London—Middlesex, Lib.): Mr. Speaker, 100 years ago in 1896 Wilfrid Laurier became the first francophone to be elected Prime Minister of Canada.

This great Liberal leader served Canadians as their Prime Minister for 15 consecutive years until 1911. Sir Wilfrid Laurier is well known to history as a man who recognized that Canada would succeed as a nation only if our citizens are willing to be tolerant and respectful of each other and our many differences.

His approach was to find compromise solutions to the problems Canadians faced in his times.

• (1410)

This method proved successful for the most part in keeping Canada united. Today in 1996 Canadians must be just as determined to respect our differences, to compromise when necessary and to work tirelessly, as did Laurier, to always keep Canada one great united nation.

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[Translation]

CANADIAN COAST GUARD

Mr. Yves Rocheleau (Trois-Rivières, BQ): Mr. Speaker, last week, the Commissioner of the Coast Guard announced the third change in eight weeks in the marine services rates. After each change, Quebec comes out a loser due to pressures from both Western Canada and the Maritimes.

Several representatives of the Saint Lawrence shipping industry criticize the lack of vision of the Coast Guard, which seems to view the Saint Lawrence as a mere regional terminal.

This latest decision is but one of the many irresponsible measures taken of late by the federal government against Saint Lawrence harbours. This reminds us of the imposition of the Borden line, in the 1960s, which contributed to the closure of several refineries in the eastern sector of Montreal and to the loss of thousands of jobs in the city.

Before making any decision on this issue, which might have a serious impact on many areas in Quebec, the fisheries minister must order a social and economic impact study.

[English]

STANDING COMMITTEES

Mr. Bob Ringma (Nanaimo—Cowichan, Ref.): Mr. Speaker, recently I rose in the House to report on the Liberal government's shameless support of separatism in the election of standing committee vice-chairs.

At that time 33 out of 34 Liberals had supported separatists over federalists. The 19 committee elections are now over and the tally is Bloc, 18 vice-chairs and one chair; Reform, zero. This separatist sweep was accomplished with the support of 91 Liberal MPs who time after time blindly followed the direction of their whip and voted for the Bloc.

These results are not only a slap in the face to the over 20 million committed federalists in the country, they are an insult to all Canadians who believed the Liberal red book promise to reform Parliament and govern with dignity.

The actions of the government during these elections bring forth what Tommy Douglas said more than 30 years ago. Listen up, guys: "The Liberals talk about stable government, but we did not know how bad the stable was going to smell".

* * *

GOVERNMENT OF NEWFOUNDLAND AND LABRADOR

Mrs. Bonnie Hickey (St. John's East, Lib.): Mr. Speaker, I rise today to congratulate the new Liberal cabinet of the Government of Newfoundland and Labrador.

Keeping his election promises, Premier Brian Tobin has appointed four of the six elected Liberal women MHAs to his cabinet team, more than any previous administration.

Assisting Premier Tobin to create jobs and economic growth are Judy Foote, Minister of Development and Rural Renewal, Julie Bettney, Minister of Works Services and Transportation, Sandra Kelly, Minister for Tourism, Culture and Recreation, and Joan-Marie Alyward, Minister for Social Services.

Given their strong backgrounds in community and economic affairs in the province, they will bring a fresh new drive to the cabinet table and serve as great role models for all women of Newfoundland and Labrador.

My congratulations to Premier Tobin and these four dynamic women who are helping to lead the charge of increasing the number of women holding public office in Newfoundland and Labrador.

Oral Questions

[Translation]

FRENCH LANGUAGE

Mr. Geoff Regan (Halifax West, Lib.): Mr. Speaker, in the next few days, thousands of stakeholders, thinkers, scientists, and researchers from across the world will be making comments and recommendations on the health of la francophonie internationally.

The French language is one of the most beautiful there is. It is all nuances, subtleties and finesse. It is one of the preferred vehicles for those who have chosen to express themselves through various art forms.

On this Semaine internationale de la Francophonie, let us say again how proud we are to live in a country where French is one of the official languages.

* * *

[English]

BOSNIA

Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.): Mr. Speaker, the implementation force in Bosnia is saving lives and our troops are doing an exceptional job.

However, Bosnia is unstable, its federation held together tenuously and artificially. The war has sown the seeds of ethnic hatred for generations to come. I warn the House of the following.

First, Bosnia will fracture into two or three pieces. We must be attuned to this to ensure the break-up occurs at the negotiating table and not at the end of an assault rifle.

Second, reconstruction of the economy is imperative for peace.

● (1415)

Third, we have to put increased responsibility on the European Union and its members.

If we do not do this Bosnia will descend into a cauldron of bloody warfare and like the many civilians who died before, thousands will die in the future. It is up to us to beware of this and prevent this tragedy.

ORAL QUESTION PERIOD

[Translation]

MANPOWER TRAINING

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, yesterday, the Minister of Human Resources Development, in response to his Quebec counterpart, Louise Harel, confirmed the federal government's intention to maintain a presence in the area of manpower, thus maintaining costly and ineffective

overlap and duplication, contrary to the consensus so often expressed in Quebec.

Does the Prime Minister confirm that his Minister of Human Resources Development's position formally contradicts his referendum commitment, reiterated in the throne speech, to withdraw from job training?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, it is indeed the government's intention to withdraw from manpower training, but managing the UI fund comes under the responsibility of the federal government. As confirmed in the Canadian Constitution, we intend to leave manpower training to the provincial government and to pay for those who will receive this training without imposing, as Mrs. Harel herself admitted yesterday, any conditions with respect to the training itself.

The provincial government itself will decide the kind of training to be provided. We will pay for federal clients who receive training services, which are in fact and will clearly become the responsibility of the provincial government.

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, I do not know if the Prime Minister realizes that his government is imposing, once again, negotiating terms on Quebec that can only lead to failure, since he is offering to withdraw from manpower training provided that Quebec signs an agreement confirming the federal government's role in the area of manpower and job training, which is totally unacceptable to Quebec. And the Prime Minister knows it.

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I just made a clear statement. We want to withdraw from manpower training and to transfer the funds needed to pay for training services that the provincial government will provide to unemployed people receiving UI benefits from the federal government. That is clear.

The federal government, however, is responsible for managing the UI fund. We pay UI benefits to unemployed Quebecers and we want to remain in charge because, as far as employment insurance is concerned, we are the ones who collect contributions from employers and employees across Canada and redistribute the money in all regions of Canada among those who are unfortunately without jobs.

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, after so many negative experiences, how can the Prime Minister fail to understand that it is precisely because of this tendency to stall and delay the federal government's withdrawal from manpower training that it cannot come to an agreement with the Quebec government, because the federal government is never able to make up its mind when it should?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Our mind is more than made up. I say to the Leader of the Opposition: We want to withdraw from manpower training. That is clear.

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If they are talking about manpower training, we will indeed withdraw. But they want the whole UI sector, which is the responsibility of the federal government. We will abide by the Constitution and continue to manage the UI fund.

• (1420)

Mrs. Francine Lalonde (Mercier, BQ): Mr. Speaker, my question is for the Minister of Human Resources Development.

Because of the consensus reached in the Quebec national assembly and among all stakeholders, the Government of Quebec is requesting the unconditional transfer of all budgets allocated to active manpower measures.

Will the minister admit that all he has offered so far is to formalize the transfer of programs that the Government of Quebec is already administering, namely the institutional training program, which is a far cry from what was requested by the consensus his predecessor claimed to respect?

Hon. Douglas Young (Minister of Human Resources Development, Lib.): Mr. Speaker, I hope that the letter we sent yesterday to the Government of Quebec will serve as a basis for the negotiations both parties will undertake in good faith. In fact, we will hold talks with all the provinces, because this is an approach that will be made available to all the provinces, not just Quebec.

In light of Quebec's suggestion that the basis and terms of negotiation be laid, of the ministerial document received from the other provinces, which also showed an open mind, and of Part II of the employment insurance legislation currently before Parliament, we should have enough principles, bases and parameters to be able to find a way to transfer responsibility for manpower training to those provinces that want it.

Mrs. Francine Lalonde (Mercier, BQ): Mr. Speaker, at a time when all Quebec decision makers are meeting, the minister, in his written response yesterday, did not seem to understand that a clear signal was given on October 30.

I ask the minister to admit that this is a pressing matter and, as the Liberal minister, Mr. Bourbeau, himself said, that the issue of manpower in Quebec is a manifestation of the confusion, red tape and inefficiency that come from having two systems. I urge the minister not only to respect the Quebec consensus but also to abide by it during negotiations.

Hon. Douglas Young (Minister of Human Resources Development, Lib.): Mr. Speaker, we will certainly do our best to respect the interests of all concerned during these negotiations. I have no reason to believe that we will not have, between officials of both governments, discussions that will be profitable to both levels of government.

However, I must point out to my hon. friend that all the other provinces of Canada also attach a great deal of importance to this whole issue. That is why our offer to withdraw from the area of manpower training applies to all the provinces. I hope that an agreement can be reached as soon as possible with Quebec as with the other provinces.

* * *

[English]

MINING INDUSTRY

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, one of the biggest obstacles facing mining projects in this country is the mountain of government red tape. Regulation is often split between two jurisdictions. Development is often delayed and often environmental community concerns fall through the cracks. This government has talked about the need to consult and reduce red tape for projects such as Voisey Bay in Labrador but we have seen very little in the way of action.

My question is for the Prime Minister. Has his government discussed a simple one window regulatory system for Voisey Bay with the premier of Newfoundland and Labrador? If he has, can he tell us what progress has been made?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, we are very enthusiastic to see that the hon. member has discovered eastern Canada lately. I speak regularly with the premier of Newfoundland, whom we all know very well, and so far we have always agreed.

• (1425)

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, if the Prime Minister has had these frequent and in depth discussions, then perhaps he can answer a simple question. Have he and the premier of Newfoundland agreed to establish a simple one window regulatory framework for Voisey Bay?

Hon. Anne McLellan (Minister of Natural Resources, Lib.): Mr. Speaker, it is with great pleasure that I answer the hon. member's question. The premier of the province of Newfoundland has been having ongoing discussions with the Government of Canada, with the Prime Minister, with colleagues such as the Minister of Indian Affairs and Northern Development, the Minister of the Environment, and myself.

We are working on a process with the province of Newfoundland, with aboriginal communities, with the industry involved to ensure that we have an efficient and timely regulatory approval process for Voisey Bay.

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, Ottawa's track record for facilitating big resource projects and for reconciling conflicting interests up front is hardly impressive. While the government dithers, the people of Labrador will be left

in limbo. Preliminary development is proceeding at Voisey Bay but so far with no real input or participation from the people of Nain or from the Inuit.

What steps is the government taking to ensure that Labradorians who have been shafted before on resource projects will receive their fair share of the economic benefits, spinoffs and jobs from the development of their natural resources?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, with the permission of the minister I would like to say to the hon. member that indeed there has been much discussion between the different ministers and the government to make sure that everybody is involved and it is working very well.

There are far fewer problems among the ministers and the Government of Newfoundland and Labrador than we see in the Reform Party.

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[Translation]

CANADIAN COAST GUARD

Mr. Yvan Bernier (Gaspé, BQ): Mr. Speaker, my question is for the Minister of Fisheries and Oceans.

For the third time in eight weeks, the Canadian Coast Guard commissioner announced new changes to the service fees relating to navigational aids. Benoît Massicotte, the director of the Association des armateurs du Saint-Laurent, rightly pointed out that each successive review costs Quebec a little more.

Will the minister recognize that the new proposal made by the Coast Guard directly hits ports in the St. Lawrence by increasing the fees charged to navigate in that river?

[English]

Hon. Fred Mifflin (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, of course the hon. member knows we are going through a consultation process.

We have looked at different systems to impose these marine service fees. There are many ways we could go about doing this. We are now on the second iteration, some would consider the third depending on how we go.

The hon. member would also know that we are working very closely with the marine advisory board representatives across Canada and with all stakeholders in the industry. We have one goal in mind, which is to come up with a system that is the most fair and equitable to all Canadians.

[Translation]

Mr. Yvan Bernier (Gaspé, BQ): Mr. Speaker, the minister recommended that the commissioner set up a consultation process, but he must know that people will not be content with minor

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changes. This is the third time that the commissioner goes back to the drawing board.

Even Mr. Thomas, the Coast Guard commissioner, admits that new impact studies must be done. How can the minister accept that a tariff which could have a disastrous effect be imposed without a proper review of its economic impact on the affected regions?

[English]

Hon. Fred Mifflin (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, in response to the hon. member I would like to make two points.

He used the term disastrous effect. We are looking at the range of fees all across Canada in all the ports which is not more than 3 per cent of the total fees represented in the shipping business.

I share the hon. member's concern about what impact this is going to have after we have finished with the input and see what effect it will have on the industry. We are in the process of doing two impact studies. I will make them available to the member and indeed to the House.

* * *

• (1430)

GOVERNMENT AIRCRAFT

Mr. John Williams (St. Albert, Ref.): Mr. Speaker, waste, waste and more waste. This government seems to be committed to keeping it, not getting rid of it.

On the very day that I released my third waste report, what do I find? I find the cabinet ministers have logged 50 per cent more flying hours in the corporate jet than the year before and that DND estimates the use will increase even more this year.

Can the Prime Minister please explain the lavish use of corporate jets at taxpayers' expense?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the member should check the extravagant level he mentioned. It is less than 40 per cent of what it was under the previous government.

Of course, we want to visit the country. The ministers are just using this facility to make sure they can get the message to the people. Since we have used it less than 40 per cent of what it was used in previous years, this is showing the people that we are putting these Canadian planes to good use, that we are not abusing their use.

Mr. John Williams (St. Albert, Ref.): Mr. Speaker, that is some message. Taxpayers pay and they waste. That is the message that is getting out.

The Minister of Finance said in the budget: "If there is one area where we must never let up, it is the effort to root out waste and inefficiency". Will the Minister of Finance put his money where his mouth is, tell his colleagues that actions speak louder than words, that corporate jet travel has to go down and not up?

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Hon. David M. Collette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, there are very strict guidelines for the use of the executive fleet. We changed the regulations after some discussions and quite frankly after some criticism by the auditor general a couple of years ago.

We have reduced the fleet from six to four planes. We are very assiduous in determining when ministers make bona fide requests that there are no commercial arrangements that could get them where they are going.

The point made by the Prime Minister about the 40 per cent reduction is something that can be examined at committee when the estimates of the Department of National Defence come forward.

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[Translation]

AIR TRANSPORTATION

Mr. Paul Mercier (Blainville—Deux-Montagnes, BQ): Mr. Speaker, my question is for the Minister of Transport.

The federal government supports Canadian Airlines' efforts to be exempted from the scope of the U.S. antitrust legislation, so as to integrate more completely with its U.S. partner, American Airlines. However, such a decision would have a disastrous effect on Canada's air transportation industry.

Will the minister recognize that allowing Canadian to do that will result in that company being fully integrated with American Airlines, thus increasing U.S. control over Canada's air transportation industry?

Hon. David Anderson (Minister of Transport, Lib.): Mr. Speaker, the hon. member is wrong. The government's decision to support Canadian's request to be exempted from the application of the U.S. antitrust legislation fully complies with the open skies agreement on air transportation. That agreement has enabled air carriers to maximize their benefits, according to their own corporate strategy.

Mr. Paul Mercier (Blainville—Deux-Montagnes, BQ): Mr. Speaker, in any case, does the minister realize that, by supporting Canadian—because his support is necessary—he is jeopardizing the future of civil aviation in Canada and of the whole aviation industry? Does the minister realize that Air Canada could also end up under American control?

Hon. David Anderson (Minister of Transport, Lib.): Mr. Speaker, the hon. member is wrong once again. A three year protection is afforded to Canadian air carriers, that is Air Canada and Canadian. During those three years, there is absolutely no chance of any such thing happening.

What we are doing is giving Canadian and Air Canada a chance to maximize their business on the American market. Thanks to the changes that we made, both companies are registering a remarkable and very profitable increase in their activities.

* * *

• (1435)

[English]

GOODS AND SERVICES TAX

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, the finance minister seems to be a fairly recent convert to the idea of harmonizing the GST. Going back to the time he pursued the Liberal leadership, he sang a very different song. I will quote from the *Calgary Herald*: "Describing the GST as a tax that discriminates against the regions"—the current finance minister—"said he would get rid of it, if possible. However, he said, it would be difficult to do that if the federal tax becomes integrated with provincial taxes". In other words, harmonization means never having to say you are sorry for failing to scrap the GST.

If the finance minister feels that harmonization will make it impossible to get rid of the GST, why is he continuing to pursue harmonization?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, Monte Solberg's flying circus rides again.

Some hon. members: Oh, oh.

Mr. Martin (LaSalle—Émard): The most recent statement, prior to questions in this House, that I had anything to do with in terms of the GST said, and I quote from the red book: "A Liberal government will replace the GST with a system that promotes federal-provincial co-operation and harmonization". That is the most recent thing I have had to say on the GST.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, I guess it depends on which day we catch him. At any rate the question is: Does the finance minister believe that once the GST is harmonized it will then be virtually impossible to get rid of it?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the decision any individual government chooses to take on any individual tax is obviously up to that government at that time. It is very clear that consumers and small and medium size businesses want us to harmonize it.

It seems to be clear that the Reform Party thought it wanted us to harmonize it but obviously, given the tremendous unity which exists within the Reform Party, it is quite hard to determine what in fact its real position is on anything.

Oral Questions

[Translation]

BUDGET FOR CULTURE

Mr. Gaston Leroux (Richmond—Wolfe, BQ): Mr. Speaker, the cultural community is dismayed over the recent budget. Despite the promises made by the Liberals in the red book and the last throne speech, the heritage department's budget for programs and institutions will be cut by 30 per cent over four years.

My question is for the Deputy Prime Minister and Minister of Canadian Heritage. How can the minister explain to the cultural community that she was unable to protect the budget for culture, which will be cut by 8 per cent more than the national defence budget?

Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, when I became heritage minister, I said from the outset that the budget decisions regarding culture had already been taken.

I must add that, if we take, for example, the case of the NFB in Montreal, the Juneau report points out the most effective way to modernize the NFB. This is precisely what is now being done by the executive committee. That said, I was also assured by the Minister of Finance that the government will go ahead with a culture fund that will make possible the creation of a new system of funding for the production of Canadian cultural initiatives under circumstances that will be announced very shortly.

Mr. Gaston Leroux (Richmond—Wolfe, BQ): Mr. Speaker, if I understand the beginning of the minister's reply correctly, she is not in agreement with the cuts that have been made.

I therefore ask her a supplementary question. At a time when the Minister of Canadian Heritage is cutting millions of dollars and thousands of jobs throughout cultural institutions and programs, how can she justify the fact that the only budget that has increased in her department is the administrative one, which rose 8 per cent between 1994 and 1997?

• (1440)

Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, we know, for example, that the CBC is a very important institution in our country. The proposals contained in the Juneau report, which were rejected outright by the Bloc Québécois, offer the possibility of obtaining long term funding.

Having pointed this out, I am proud to say that at least the budget cuts imposed by this government have been much gentler than those carried out by the PQ government in Quebec with respect to Radio-Québec.

[English]

TOBACCO ADVERTISING

Mr. Sarkis Assadourian (Don Valley North, Lib.): Mr. Speaker, my question is for the Minister of Health.

Over 40,000 Canadians die each year as a direct result of tobacco related diseases. The recent advertising campaign by tobacco manufacturers was obviously targeted at teenagers and school children.

Can the Minister of Health inform the House of the government's strategy to eliminate the threat to Canadian youth that tobacco advertising poses?

Hon. David Dingwall (Minister of Health, Lib.): Mr. Speaker, I want to thank the hon. member for his question. The government is very concerned about the increasing number of young people who are smoking.

The Supreme Court of Canada has made a decision, some of which is very positive for the government in that it confirms some of the government's statistical background data. However, the government has some concerns with that decision.

We do have a blueprint which is being circulated across the country. Consultations are taking place as we now speak. We hope they will be completed by the end of the month.

I hope to come back to Parliament with a package which will address not only the concerns of teenagers and young people, in terms of their smoking habits, but the country as a whole, to put a comprehensive package before parliamentarians.

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CLIFFORD OLSON

Mr. Art Hanger (Calgary Northeast, Ref.): Mr. Speaker, my question is for the Solicitor General of Canada.

The solicitor general's parliamentary secretary told the House yesterday that he is not aware of any student loan funding granted to child killer Clifford Olson. On the other hand, Clifford Olson brags about the law courses he is taking.

Either Clifford Olson is receiving student loan funding or he is not. Which is it, yes or no?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada, Lib.): Mr. Speaker, I have been advised that Clifford Olson is not receiving a student loan. If that information is incorrect, I would like to have information to the contrary.

The latest information I have is that what the hon. member is asserting is not correct.

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Mr. Art Hanger (Calgary Northeast, Ref.): Mr. Speaker, how then is Clifford Olson paying for his law courses? That is the question. It is still on the backs of the taxpayers.

When Olson is not studying law he is making videotapes about his crimes and his victims' families are outraged about it. How much did the Correctional Service Canada pay to produce the 12 tapes? Who gave Olson permission to copyright the tapes? Who decided to make the tapes in the first place?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada, Lib.): Mr. Speaker, it has already been stated by the correctional service that the decision to have the tapes made was taken by the then warden of the penitentiary in question back in June 1993. I am advised the tapes were made by correctional service officials rather than by Mr. Olson himself.

With respect to the other points which he is raising, I will inquire further and get back to the hon. member.

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[Translation]

HUMAN RIGHTS

Mr. Maurice Bernier (Mégantic—Compton—Stanstead, BQ): Mr. Speaker, my question is for the Minister of Justice.

When he presented his annual report, Max Yalden, chief commissioner of the Canadian Human Rights Commission, severely blamed the government for going back on its promise to amend the Canadian Human Rights Act to include non-discrimination based on sexual orientation. The commissioner even added that this action on the part of the government was a setback for moral logic.

• (1445)

Does the Minister of Justice recognize the government's blatant lack of courage on the issue of discrimination against gays and lesbians, when even the chief commissioner of the Canadian Human Rights Commission blames the government for acquiescing to intolerance by not respecting its election promises?

[English]

Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, the hon. member should know that for some years it has been the policy of this party and the government that the human rights act be amended to add sexual orientation as a ground on which discrimination is prohibited. That is a commitment we made and a commitment we will respect.

I would also draw to the attention of the House and the hon. member to those many passages in the annual report of the chief commissioner where he praised the government for initiatives taken, specifically by the way, in relation to sexual orientation matters in Bill C-41 dealing with hate motivated crime, with those

matters of criminal procedure involving the testimony before courts of persons with disabilities as well as initiatives in relation to employment equity.

The government has acted on a broad range of fronts to further human rights in this country and will continue to do so.

[Translation]

Mr. Maurice Bernier (Mégantic—Compton—Stanstead, BQ): Mr. Speaker, there none so deaf as those who will not hear. The commissioner was very harsh with the Minister of Justice and the Liberal government.

The minister said he had to put back implementing his election promises. After such a harsh reprimand, will the minister commit himself to immediately act on the government's promise and put an end to discrimination against gays and lesbians by amending the Canadian Human Rights Act?

[English]

Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, the chief commissioner performs a helpful role in identifying areas where reform is needed. Perhaps he is not best placed to decide what the priorities of government should be.

The government has acted in a number of fronts in relation to human rights since its election in 1993. It will continue to do so. It will respect its commitments and that is very clear.

* * *

IMMIGRATION

Ms. Val Meredith (Surrey—White Rock—South Langley, Ref.): Mr. Speaker, on Friday the parliamentary secretary admitted that the minister of immigration destroyed all 30,000 copies of a booklet that her predecessor had published with taxpayers' funds.

Can the minister please advise the House what she found so offensive in these booklets that she had \$20,000 of taxpayers' money put through the shredder?

[Translation]

Hon. Lucienne Robillard (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, as the parliamentary secretary said last Friday, when I came to this department, I reviewed all existing documents, all current policies. I revised the calendar and the agendas. The document in question was deemed inappropriate for distribution.

[English]

Ms. Val Meredith (Surrey—White Rock—South Langley, Ref.): Mr. Speaker, it is interesting that the minister finds that it was inappropriate. Will she admit that the real reason she had these booklets destroyed was because she recognized something that the current Minister of the Environment did not, that the use of

taxpayers' money to publish blatantly partisan material is a violation of government regulations.

[Translation]

Hon. Lucienne Robillard (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, when taking over a new department, it is perfectly normal for a new minister to examine all documents, policies, draft policies and relevant agendas, and readjust and adapt the development schedule consequently. That is what was done. Again, I considered this document was inappropriate for distribution.

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[English]

CHATHAM, NEW BRUNSWICK

Mr. Charles Hubbard (Miramichi, Lib.): Mr. Speaker, I have a question for the Minister of National Defence.

The base at Chatham was closed in the budget of 1994. For the last two years local groups: Sky Park, the city, the premier of New Brunswick and the province have been working to determine optional uses for the base.

Would the minister please inform the House what has been the results of the negotiations?

Hon. David M. Collette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, no other member of the House has dealt with the very devastating blow of the closure of a military base in such a professional manner as the hon. member for Miramichi. It has been difficult for the region and for the province.

• (1450)

I know the premier and my colleague, the Minister of Human Resources Development as regional minister for New Brunswick, have worked exceptionally hard with the local member to see if we can apply those moneys that were announced to mitigate the closure of the base in 1994 in a way that will help job creation in that area.

The province has come up with a very novel way to apply the money which is by taking over the base as it closes this spring. In that way, the full responsibility for continued operations and hopefully the attraction of jobs and economic prosperity to that region will result.

My colleague, the Minister of Human Resources Development, and the premier will be making a more formal announcement later this day with the details of this agreement.

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[Translation]

CUBA

Mrs. Maud Debien (Laval East, BQ): Mr. Speaker, my question is for the Minister of International Trade.

Yesterday, the Minister of International Trade and the vice-president of the European Commission discussed ways to convince the United States to restrict the scope of the new Helms-Burton act.

Could the minister tell us about the content of his discussions with the vice-president of the European Commission and the extent of the changes to the Helms-Burton act they demand?

[English]

Hon. Arthur C. Eggleton (Minister for International Trade, Lib.): Mr. Speaker, the vice-president of the European Commission is quite supportive of the position that Canada has taken. It has been well enunciated by the Prime Minister, my colleague the Minister of Foreign Affairs, and myself in indicating our objections to this bill and the extraterritorial measure of the United States as it applies to our country and people who trade with Cuba.

We believe it is fundamentally wrong. We are taking action with respect to NAFTA. We have issued a letter to our partner, the United States, to commence with consultations under NAFTA.

The European Union shares our concerns. In fact, we have had very wide support from many countries right around the world. We will be raising this matter, together with the European Union, in various international forums such as the World Trade Organization and the Organization of Economic Co-operation and Development to get the kind of support needed so that the United States will exercise the necessary discretion not to implement this bill.

[Translation]

Mrs. Maud Debien (Laval East, BQ): Mr. Speaker, the vice-president of the European Commission and the Canadian government examined potential solutions, including—according to Mr. Brittan as reported by the Canadian Press—trying to persuade the United States to restrict the scope of the act in such a way that it would be less harmful.

Are we to understand that the government is about to negotiate with the U.S. minor amendments to make it slightly less harsh instead of going directly to the international courts in order to have this act purely and simply annulled?

[English]

Hon. Arthur C. Eggleton (Minister for International Trade, Lib.): Mr. Speaker, there is some latitude for the President of the United States in terms of the implementation. That is what I think Leon Brittan, the vice-president of the commission, is talking about. We have attempted to urge the administration in the United

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States to use the limited discretion it has to reduce the impact of this legislation.

We will continue to pursue that in our consultations with the United States. However, we are also quite prepared to go into other forums for further discussion to try to bring about a more satisfactory resolution than presently exists with this legislation.

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JUSTICE

Mr. Jack Ramsay (Crowfoot, Ref.): Mr. Speaker, the appointment of Mr. John Desotti to the bench by the justice minister stopped the hearing of an unresolved complaint that was registered against him with the Law Society of Upper Canada by the Roberts family of North Bay. This denied the Roberts family rights granted it under Ontario law to a fair and just hearing.

My question is for the justice minister. Why did the justice minister not wait until the law society had reached its final decision before he appointed Mr. Desotti to the bench?

• (1455)

Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, there are two factual errors in the question as put.

The first is that there was an interruption of a hearing for the purposes of the appointment. That is not so. The second is that the appointment was made before there was a decision on the complaint. That is not so.

As I mentioned to the member when he put this same matter to me 10 days ago, there was a complaint by a former client to the law society in relation to John Desotti from the days when he was in practice. The law society investigated the complaint and determined that there was no foundation to it and that the law society would not proceed against Mr. Desotti. There was no hearing under way and no complaint that was authorized by the law society.

After that happened his name came forward for consideration for appointment and I brought his name to cabinet because he is going to be a very good judge.

The procedure of the law society enables the client to seek a review of the initial decision before a single bencher of the law society. It was while that review was pending that his name came forward. I took into account the nature of the complaint and the facts.

Mr. Cummins: Order. Order.

Mr. Rock: I am responding to the question. I brought the man's name forward because under the circumstances it was the appropriate thing to do in my judgment.

Mr. Jack Ramsay (Crowfoot, Ref.): Mr. Speaker, it is very clear that the judgment rendered by the Law Society of Upper Canada was under appeal. A date had been set for that appeal hearing before the Law Society of Upper Canada and the Roberts family were prepared to attend that appeal hearing and submit further information for consideration by the law society.

The justice minister's intervention by appointing Mr. Desotti to the bench stopped the process that had been granted under the legislation of Ontario.

What is the justice minister prepared to do to ensure that the Roberts family has a fair and just hearing to the complaint it registered against Mr. Desotti before the Law Society of Upper Canada?

Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, the issue is not what I am prepared to do for the Roberts family. The issue is what the Roberts family wishes to do for itself.

The complaint which was made to the Law Society of Upper Canada was fully investigated and a determination was made by the discipline officers not to proceed.

There is nothing in the appointment of Mr. Desotti to the bench of the general division in Ontario which deprives the Roberts family of its civil remedies in law. I am sure the family has legal advice to provide a full description of the rights and remedies available and of which it is still able to take full advantage.

* * *

TRADE

Mr. Bill Blaikie (Winnipeg Transcona, NDP): Mr. Speaker, my question is for the Minister for International Trade. It concerns the negotiations between Canada and Chile toward a new trade agreement.

Both the Canadian labour movement and the Chilean labour movement feel that the negotiations are an excellent opportunity to dramatically improve the NAFTA side agreements on labour and the environment.

Why is the minister not seizing this opportunity by insisting on incorporating within the proposed bilateral agreement provisions requiring both parties to respect and observe a core set of labour rights and standards?

Will the minister show the same courage on labour rights in defence of Canadian workers that he is showing on Cuba in defence of Canadian investors and not be intimidated by American congressional reluctance to see such labour and environmental standards? Or is it Canadian reluctance? Why the refusal to make progress on these issues within the context of these bilateral negotiations?

Hon. Arthur C. Eggleton (Minister for International Trade, Lib.): Mr. Speaker, until recently the parallel agreements which exist in NAFTA with respect to the environment and labour

standards were not part of the Chilean discussion because it was a blocking point for the United States. That is why the U.S. could not get it through congress. The majority in congress did not want to deal with those two issues.

In our bilateral arrangements with Chile we had put them on the table because the questions of the environment and labour standards are important and we are negotiating with them.

Mr. Bill Blaikie (Winnipeg Transcona, NDP): Mr. Speaker, is the minister saying that he will be insisting as a condition of arriving at a conclusion to these negotiations that there be a core set of labour rights incorporated in the agreement pursuant to international conventions like those established by the ILO? Is that the position of the Canadian government? That is not what is understood to be the position of the Canadian government by the Canadian Labour Congress, for instance. Would he please say whether the position of the government has changed.

• (1500)

Hon. Arthur C. Eggleton (Minister for International Trade, Lib.): Mr. Speaker, I have met with Mr. White of the Canadian Labour Congress and his officials. I indicated that what we were doing in the case of Chile was not only a bilateral free trade agreement but was also an effort to bring about its accession into NAFTA.

The NAFTA agreements and the parallel agreements with respect to the environment and labour standards would be our guide in dealing with these negotiations with Chile.

* * *

FOOD INSPECTION

Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.): Mr. Speaker, my question is for the minister of agriculture.

Since 1993 the Canadian government has been right sizing, harmonizing and generally saving Canadians money. Could the minister explain what the single food inspection agency is and how it will benefit and save Canadians money?

Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, I thank the hon. gentleman for his question about what is really a very good news story for Canadians.

We will be consolidating and strengthening all food safety standards setting functions within the Department of Health and we will consolidate and strengthen all inspection and quarantine functions within a new food inspection agency at the federal level that will draw together activities presently spread among three different departments.

This will maintain absolutely the Canadian reputation for food safety. It will improve efficiency and effectiveness, saving something in the order of \$44 million annually, and it will set the stage for a truly national Canadian food inspection system with collabora-

Supply

tion among all levels of government, a good example of how Canadians work well together.

The Speaker: This brings to a close the question period.

* * *

BUSINESS OF THE HOUSE

Mr. Don Boudria (Glengarry—Prescott—Russell, Lib.): Mr. Speaker, I am seeking unanimous consent to move the following motion:

That, notwithstanding any standing or special order, no later than the time when Government Orders is reached following Oral Questions on Thursday, March 21, 1996, the motion for second reading of Bill C-10, an act to provide borrowing authority for the fiscal year beginning on April 1, 1996, shall be deemed to have been adopted on division and the said bill shall be referred to a committee of the whole; and

That, no later than fifteen minutes before the expiry of the time allotted for Government Orders on that day, the Speaker or the chair of the committee of the whole, as the case may be, shall put every question necessary for the completion of all remaining stages of the said bill without further debate or amendment, provided that the motion for third reading shall be subject to a recorded division that day.

The Deputy Speaker: Is there unanimous consent to move the motion?

Some hon. members: Agreed.

(Motion agreed to.)

GOVERNMENT ORDERS

SUPPLY

ALLOTTED DAY—BUSINESS TAXATION

The House resumed consideration of the motion.

• (1505)

Hon. Douglas Peters (Secretary of State (International Financial Institutions), Lib.): Mr. Speaker, I join my hon. colleagues on the government side in condemning this tiresome and trivial supply motion today.

Perhaps we and the technical committee on business taxation can take some small comfort in the words of the great philosopher Immanuel Kant: "Slanders are not long lived; truth is the child of time". It has not taken much time at all to reveal the absurd and unwarranted attack on this committee advanced by the hon. member of the Bloc.

I find it hard to believe. As a graduate economist has little excuse for not appreciating the impeccable stature of the academics on this committee. As an economist and former business executive I do know many of these people personally or by reputation. The government is lucky they have agreed to serve their country in reviewing the business tax system. Their work will certainly be first rate and undertaken without fear or favour or bias. I worked with one of the heads of the committee on a task force some years back on taxation.

Supply

Let me remind the hon. member of the clear and public mandate the committee has been given. Its job is to consider ways of improving the tax system to promote job creation and economic growth, simplifying the taxation of business to facilitate compliance and administration, and enhancing fairness to ensure that all businesses share the cost of providing government services.

Where is the hon. member's beef? Where's the beef? Why does he feel these committee members are unable to fulfil this mandate honestly and expertly? Is it because they are not knowledgeable, experienced, because they represent all regions of Canada? Is it because they are successful people? Those are attributes the hon. member and his party may worry that they do not possess in great abundance but that is no excuse for attempting to impugn the committee and to blockade this important review.

I do not think there is much more that can be said directly about this motion at hand. There are some thoughts I would like to offer relating to the motion that might add some value to this afternoon's proceedings.

Let me address the broader topic of business taxation in Canada. It sometimes concerns individual taxpayers because they hear certain groups claim that business is getting an easy ride at a time when all of us feel somewhat overtaxed.

Fueling this concern is the fact that corporate income taxes today do provide a much smaller share of federal revenues than they did some decades ago. There is no conspiracy, no favouritism at work. Let me explain why.

Corporate income taxes are tied to income and so corporate tax revenues have been lower in recent years mainly because corporate profits have been hit sharply by the recessions first in the early eighties and more recently in the 1990s.

That situation is turning around. Since profits began to rebound in 1992 corporate income tax revenues as a share of federal revenues have been increasing steadily.

Let us also understand, which the proposer of this motion may not, that the increase is not a lock step process. Even if some sectors are recording significant renewed profitability, that does not immediately translate into equal revenues gains for government. The reason is the tax system recognizes the fairest approach to business taxation is to view earnings over a period of time. That is why firms can apply loss carry forwards which reduce potential taxation even when profits begin to grow again. The logic is proper and fair.

If a company loses money over a number of years and then records a profit, is it equitable to tax it as a fully healthy operation? This could jeopardize its ability to repay loans it has incurred to

keep going, its capability to invest and to further strengthen the firm. The point is taxation applied without consideration of the broader success of a firm is no boon to anybody. If the company cannot achieve appropriate profitability it cannot preserve jobs, let alone create new jobs. The people who ultimately suffer are the employees and their families.

• (1510)

This does not mean the government must bend over backwards on corporate taxation, and it has not. The evidence is clear. All three of our budgets have included concrete measures to make the corporate tax system fairer, to guarantee to Canadians that businesses are an active part of our fiscal discipline.

We have introduced higher rates for the large corporation tax, which applies to all corporations with Canadian capital in excess of \$10 million. There is a special capital tax designed to act as a minimum tax on financial institutions. In the 1995 budget we imposed a special levy on deposit taking institutions which will generate an additional \$100 million in revenue. Earlier this month in the 1996 budget we extended the levy for another year.

The bottom line is clear. Corporations do pay substantial taxes. In 1993 they paid almost \$51 billion in taxes to all levels of government. The banks are not excluded from this discipline. Over the last three years the largest banks have paid close to \$1 billion annually in income and taxes to the federal government alone.

Let me underscore that federal taxation represents only a portion of the taxes businesses pay. When all taxes are taken into account, income taxes, capital taxes, payroll taxes and property taxes, corporations paid about two-thirds of their before tax profit in taxes in the last year we have numbers for, 1993.

Let me confess that this government has some biases when it comes to business taxation, as have previous governments. It is a bias in favour of research and development and a bias in favour of small business. These are vital sectors for Canada's long term economic growth which will create new jobs.

That is why the Canadian tax system provides special advantages to certain activities and certain sectors. For example, Canada's federal tax system for medium and small enterprise is among the most attractive in the world. Special deductions and other tax provisions deliver about \$3 billion in federal tax assistance to small and medium size enterprises. It is likely no coincidence that this is the sector which has been the major job creator over the last decade.

Do the hon. member and his party object that the small business deduction cuts the basic corporate tax rate from 28 per cent to 12 per cent on the first \$200,000 of business income? By contrast, the

similar deduction in the United States applies only to the first \$50,000 U.S.

This is the type of bias of which Canadians should be proud. It aims at using the tax system to deliver the jobs and the growth we need and which our children deserve.

That is not to say the system is working as well as it should or that there may not be better ways which can contribute to achieving our economic goals. That is why we have established the technical committee. It is the first step in a substantial process of review of business taxation. By doing so the government is honouring its obligation to Canadians to obtain the best and fairest tax system possible.

[*Translation*]

Mr. René Laurin (Joliette, BQ): Mr. Speaker, on the subject of business taxation, I would like to resume the debate where I left off when I responded to the budget speech of the Minister of Finance. At that time I was talking about the debt that Canadians have accumulated over the last 20 years.

• (1515)

I think it would not be a bad idea to repeat the image I was using when I demonstrated to Canadians, and Quebecers in particular, where we are when we talk about the national debt.

We are in a huge black hole, the vastness of which we can barely imagine. It is not unlike the black holes astronomers are looking at in the sky. They try to measure their size, but in order to do so they need very sophisticated instruments, like telescopes. Yet, even with these instruments they can barely gauge the size of these holes.

To visualize the Canadian debt, this huge black hole, to allow the individual not familiar with large figures to grasp its size, we have to use instruments which talk to people. We can use figures. As I said at the end of my speech, last week, between 1993-94 and 1997-98, the debt will go from \$508 billion to \$619 billion, which means an increase of \$111 billion. It does not look very big, it sounds like a small number, but when you think about it and when you compare it with other figures you are familiar with, you realize that it is really enormous.

I used the example of a person playing Loto-Québec and winning a million dollars. One million dollars is enough to make you a millionaire, to reach the dream of anyone, becoming a millionaire.

But, one billion dollars is \$1,000 million. This means that, over the last four years, if the federal government had distributed that money to Canadians, it would have created 111,000 millionaires, but it did exactly the opposite.

Supply

Since 1993-94, Canada has deprived itself of 111,000 new millionaires because it increased its debt. A thousand millions is a one followed by nine zeros. This means that any new Canadian born this morning already has a \$20,000 debt. If he had any trouble breathing, such a knowledge would be enough to choke him. You know, when an infant is born, a small slap on the buttocks is usually enough to give it life, to force it to breathe for the first time. But, if an infant could understand what is going on and if we showed him the debt, it would refuse to breathe and say: I would rather not be alive in this country. However, each week in this House our Prime Minister praises the merits of this vast and beautiful country, the best in the world with its \$619 billion debt.

Last week, I said: "If this is the best country in the world, we can stop travelling, we will never see any better". It is true. It is impossible to find beauty in figures such as these. However, this is what our Prime Minister does. He finds it beautiful. He boasts about it and tries to have people believe that we are reaching our goals.

• (1520)

Of course success can mean different things to different people. The Prime Minister says that the deficit was reduced from \$42 billion when they formed the government to \$24 billion this year. It is true there has been an improvement in the sense that every year people are getting a little bit less in debt than they used to do. They still pay groceries with money they have accumulated or that they did not have. They still buy groceries on credit, they borrow money from abroad, from the United States, from Japan, from England, all around the world, from Germany. They are borrowing to buy groceries.

As my grandfather or my father would have said: "We are living too high off the hog". Perhaps this is not parliamentary language, Mr. Speaker, but it allows those who usually use colorful imagery to better understand what we mean. It means having a lifestyle that we cannot afford. It means that if we wanted to pay off this debt, because we are not paying it off right now, we are only slowing its growth. Instead of increasing by \$42 million a year, it is increasing by \$24 billion a year.

But we will have to pay that debt one day, and to be able to do so, there must come a time, somewhere in the history of Canada, when the government takes in more than it is spending. Only then will it be able to reimburse a part of the debt. And how can we expect this to happen quickly? I will give you an example: with a \$619 billion debt, assuming that we managed to save \$1 billion a year on that \$619 billion without increasing the debt—we would not increase the debt each year, but on the contrary, we would put aside \$1 billion a year to pay it off. Well, the way things are going now, it would take 619 years.

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This week, we celebrated the 109th birthday of the oldest woman in Canada. Poor lady, she will not have lived long enough to see the end of the debt, even if she holds a longevity record.

But let us go further than that. Let us try even harder to save, to cut spending and let us assume that in the next few years, in four or five years, we can manage to have a zero deficit, and even better than that, to put aside \$5 billion a year that we would use to reduce the \$619 billion accumulated debt. Well, even at \$5 billion a year, it will take us about 120 years to pay off all the federal government's debt. Of course, this does not take into account the fact that we as taxpayers have to pay off provincial, municipal, school board, personal debts, etc.

There again, it would take 120 years. I could be long gone and Canada's debt would still not be paid off, which comforts me in a way, because it reminds me that, considering the amount, I could not pay it off by myself no matter how long I live. This is small comfort to me, but it is far from being one to my children.

Such is the situation in Canada now. In fact, what is being proposed to change this situation? We heard the budget speech and we realized that it contained nothing. It did not propose any measure to eliminate the deficit and the debt. On the contrary, we are just coasting along. Two years ago we adopted measures that were supposed to be implemented one, two, or three years down the road, others five years later. For now, taxpayers are not hurt because these measures are not being implemented right away. That makes them easier to swallow.

• (1525)

That does not hurt taxpayers for the moment. They are told that it will not be implemented right away, which is a little easier to take.

The only new measures that have been adopted will not be implemented now either, but at the end of the Liberals' mandate. They only have one or two more years to go, because the Prime Minister is already starting to lay down the background.

So, there is no action here. We were expecting the Prime Minister to assume his responsibilities and take strong measures, particularly with regard to business taxation. However, what do we see under the guise of measures about business taxation? The finance minister has told us that there will be a review of business taxation. That will hurt. When the government sets out to study something, it usually means that it does not know what to do. That is exactly what we are being told. There will be a review, not some kind of a review, but a thorough review. That means, first, that it will be a lengthy process, and, second, that once the review is over, the government will be aware of all the problems because they will have been thoroughly reviewed. So an in-depth review of business taxation is to be conducted, not by just anybody, Mr. Speaker, but

by a technical committee with a view to three general objectives. First, to promote job creation and economic growth; second, to simplify the taxation system; and third, to enhance its fairness.

First of all, let us have a look at the membership of this committee. Since this is meant to be a serious committee that will make in-depth studies, the Minister of Finance preferred not to take any chances. He appointed the most eminent experts. Who are the greatest experts to advise the government on tax havens and tax avoidance? We know the measures under consideration are legal for the time being, but the tax loss runs into the hundreds of millions of dollars annually.

So, the government decided to appoint responsible, experienced and highly qualified people to this committee. Let me give an example: someone from Price Waterhouse, a company that has expertise in this area. Why is it so? Because it has many clients who use tax havens that it had recommended. I will not go through the whole list of companies that sit on this committee, because the minister did it on budget day. There are about ten members, not taking academics into account. A few more experts have been appointed on the basis of their knowledge, because they are experienced managers or advisers in companies that already use tax havens. You can be sure no mistake will be made.

When these companies advise the government, I would be very surprised if they recommended ways to go after their main clients. And if they do so, they will first warn their clients that they should beware because the government is about to strike.

This is not a very good way of examining this issue, because these experts are in conflict of interest.

Of course, we asked the minister of Finance why he was appointing these people who are obviously caught in the middle of a conflict of interest? The minister told us that, in order to get good advice, he needed to hire the best experts around. It is a bit like the police chief who would set up a committee made up of Hell's Angels to fight crime, because no one else knows the crime scene better than these bikers, who deserve then to sit on the committee.

I do not want to make any comparison between these accountants and the Hell's Angels. This is not what I want to do. I just want to show how ridiculous the whole situation is and how these people, in both cases, are in a conflict of interest.

• (1530)

In how many months will the committee table its recommendations? No one knows. But one of its goal is to promote employment. I would imagine that these same people also advise banks. We can see how deeply the banks are committed to solving the unemployment situation and how they perceive the growth problem.

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This year, Canada's four or five major banks made billions of dollars in profits, one billion and some hundreds of millions of dollars in profits, which, of course, had some impact first and foremost on the income of the presidents of these banks. As for the second consequence, one would have expected that the increase in profits—which is growth—would have translated into the creation of new jobs but we realized that, on the contrary, the number of jobs in these five banks either remained stable or decreased. This is how these companies conceive employment and growth. I certainly hope that the committee of experts will examine at length this philosophy of the banks and that it will be able to recommend other ways to revive the economy.

The system must be simplified. Sure, suggestions to that end were often made to the government. Each year, at the time of the budget speech, suggestions are made to the government on ways to reinvent business taxation in order not only to put an end to loopholes but also to find longer term solutions. The present policy is only aimed at putting an end to loopholes. We put an end to loopholes and we think that the whole system is fixed.

This way, new loopholes soon appear and experts are usually quick to detect them and take advantage of them.

The only solution is to simplify the system so that we know once and for all where taxation is headed. Businesses need stability. We are told year in and year out that businesses cannot prosper without a stable economic and political situation. They need a stable climate.

I imagine that such a stable climate also starts with fiscal goals. We must tell businesses what lies ahead for them. We must tell them, we must tell the thousands of businesses that have made profits for 15 years and do not pay one cent in taxes that, starting tomorrow, they will have to pay a minimum tax. This is what we must tell them and we must ensure that these measures will not apply only for one year or until the next elections. We must tell them that they will pay taxes as long as they will be in business. It is a matter of distributive justice.

It is a matter of having each citizen pay, whether it is an individual or a corporation. It is a matter of ensuring that each Canadian, each citizen pays his fair share of tax. Therein lies stability. When corporations know that, they make plans and they anticipate. In any case, with the benefits they already have and they will keep, you can be sure that corporations, even if their net profits decrease, will use their expenses to pay less taxes. Corporations can buy themselves many things.

Business executives include in their expenses many things that we, as individuals, cannot. Once they have charged all that, they can afford to have lower revenues; they do not have any more expenses to pay; everything else has been paid by the corporation. Under these circumstances, leftover profits could be taxed at a higher rate and there would still be some left.

• (1535)

Lastly, the taxation system which, hopefully, will be implemented would take into account the fact that at present, if we look at taxation—and I will conclude with this—in 1993-94, personal income tax represented 44 per cent of all the government's tax revenues, while corporate tax accounted for only 8.1 per cent. In 1997-98, and notice the change, individual taxpayers will pay a little more, that is 47.6 per cent of all taxes in Canada, while the corporations will pay only 12 per cent. It was the same in 1961, corporations paid 15 per cent, and individuals 27 per cent. Look at that increase. Who absorbed that increase since then? The individual taxpayers, not the corporations.

The analysis that the technical committee will make will have to focus especially on that. The problem no longer lies in the pockets of individual taxpayers, but in the pockets of other taxpayers, namely, of course, the big corporations.

[English]

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, as one of the two chartered accountants in the House of Commons today, I cannot resist responding to the member.

The member talked quite a bit about corporate taxation. At the end of his speech he indicated that the percentage of the government revenues contributed by the corporate sector has continued to go down. He painted a picture that somehow there has been some change in the laws, some change in something which has meant corporations are paying less than they were before.

Quite the contrary, there has been no change. The corporate tax rates are still the same. The member should know the difference is there are some rules in the corporate income tax system which account for the reduction or elimination of taxes otherwise payable by corporations. I will give him a lesson later on if he wishes.

There are three ways. The first one has to do with dividend flowthrough. It means that when one company pays a dividend to another and the second company pays it out to its shareholders, the company in the middle has a dividend income but pays no tax because there is an equal and offsetting part IV tax. The income statement shows taxable income, or income from operations or from the business, but no tax is payable because it flowed through.

The second way in which corporations do not pay tax has to do with loss carry forwards and loss carry backs: seven years forward, two years back. It means in bad times corporations can incur substantial losses. While in following years they may have substantial high profits, the taxes payable on those profits will be zero. The reason is that under our current tax act income taxes or losses from

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prior years can be carried forward seven years and back three years. There should be a change here.

The third way relates to deferred income taxes. They are not legally owing but they are virtually certain to be owing to the government. It also has to do with the difference in the write offs of capital assets, whether it is capital cost allowance or depreciation.

I am not going to go any further into the tax thing, but I do want to defend the integrity of the CA profession. The member criticized certain of the appointees, one of whom was Mr. Bob Brown of Price Waterhouse. I am proud to say that I worked with Mr. Brown when I articulated at Price Waterhouse. I know of no finer professional in Canada, particularly in relation to taxes and with regard to personal integrity. Mr. Brown is a gentleman who has worked and advised this government over many years. Despite the fact that his firm has clients who do certain things, he is a man of integrity. He is a man who will be able to assist in dealing with the questions raised by the finance minister.

It is really presumptuous and possibly inappropriate to personally attack someone who is in a profession that prides itself on integrity in providing service honestly and with professionalism to Canadians as investors, as shareholders and as people looking for professional advice on their financial affairs. That is what is true. I will simply say to the member, let us be careful about being critical of those who are trained to help all Canadians.

[Translation]

Mr. Laurin: Mr. Speaker, I thank my colleague opposite for listening to what I said. However, it is unfortunate that he did not listen a bit more carefully because he would have understood a whole lot better.

• (1540)

I never meant to question the integrity of the advisers that were chosen by the government. What I am saying is that you cannot serve two masters at the same time. Would the member accept that, for the next election campaign, the same strategic advisers work for both the Liberal Party and the Bloc Québécois? Can he imagine that? Does he think that a perfectly honest person can advise both parties at the same time on the strategy they must follow to win the next election? If he understands that, he will certainly understand that an accounting firm, as honest as it may be, is in a conflict of interest position when it must advise both the government and those who take advantage of tax havens on the means to avoid one another. That is what it means to be in a conflict of interest position.

I just want to add a few words concerning other tax havens. There are things that are difficult to verify, but when you realize that 57 of the 119 subsidiaries of our six major Canadian banks are located in the West Indies, an area where tax havens abound, you

have to wonder. There are 28,000 businesses for a population of 30,000 in the Cayman Islands. Unemployment must surely not be a problem in that area: 28,000 businesses for 30,000 people. If these corporations are not there because it is a tax haven, then we must ask ourselves some serious questions.

[English]

Mr. Rey D. Pagtakhan (Parliamentary Secretary to Prime Minister, Lib.): Mr. Speaker, the member for Joliette made two points: concern for the national debt and the appointment of the technical committee. However, when we pause and reflect, the member did not offer any solution at all.

To truly encourage investment in business in this country we need to have the climate of certainty, real confidence and unity. Would the hon. member not agree to work toward that?

Would the member not also agree that having reduced the level of foreign borrowing and the deficit to GDP ratio, we are indeed the best country in the world as declared by the United Nations and we are only asserting our pride in the declaration? Would he not agree those are achievements of the Government of Canada?

[Translation]

Mr. Laurin: Mr. Speaker, there is one thing on which I can agree with the government member. We have been saying it to the government for three years now. Even before the first budget was brought down by the Minister of Finance, and before every budget since, we suggested that the government create a special working committee including not only experts chosen by the government, but also some hon. members from every party in the House. That would be the right way to have a problem studied not only by experts, but also by members of Parliament who, because they have been elected by their fellow citizens, are responsible for ensuring openness and for making sure that the government's recommendations will not favour a social class over the others. That is what we want. That is what we have been recommending for years to Parliament and to the government. But the Minister of Finance, the Prime Minister and the Liberal Party as a whole rejected our proposal.

Our proposal is still on the table. Tomorrow morning, if the Minister of Finance wants to strike such a committee, he will find us ready. We will be the first to bring a positive contribution, to offer suggestions, and to sell them to the people affected by the measures.

The Deputy Speaker: There are two minutes left. One for the hon. member for Longueuil and one for the hon. member for Joliette.

• (1545)

Mr. Nic Leblanc (Longueuil, BQ): Mr. Speaker, I would first like to thank the member for Joliette for his excellent speech.

Supply

I would also like to mention the excellent speech we enjoyed yesterday by the Premier of Quebec, Lucien Bouchard, who has really decided to slash spending and resolve Quebec's deficit problems. Mr. Bouchard said as well that the deficit and the accumulated debt in Quebec represented roughly 18 per cent of Quebecers' costs. Federally, the figure will be 50 per cent next year.

We should perhaps explain more clearly what this means. I would ask the member for Joliette to do so in his response. Federally, it means that only 50 per cent of the money we give to the federal government will come back to us in services.

Mr. Laurin: Mr. Speaker, I thank my colleague for giving me the opportunity to acknowledge the Quebec government's initiative in economic reform.

When we talked earlier of setting up a committee to provide help, which we would be part of, this is what we were thinking of. What is the Government of Quebec doing at the moment? It is turning to experts, obviously. Dozens of experts will be there, along with union presidents and business leaders who know about creating jobs or not creating them, about making profits and avoiding taxes. It means bringing these people together around a table, forming a consensus, assessing the situation and then dealing with solutions together and this is the only way we will pay off our debt.

[*English*]

Hon. Raymond Chan (Secretary of State (Asia-Pacific), Lib.): Mr. Speaker, before discussing today's motion I would like to take this opportunity to briefly point out to members of the House the reaction of my constituents in Richmond to the finance minister's 1996 budget.

The budget is further proof that the voices of my Richmond constituents are being heard in Ottawa. In my town hall meetings, in discussions with community groups and in my regular meetings with the non-partisan community liaison committee in Richmond the message has been very consistent: maintain vital social programs but reduce the deficit with spending cuts, not tax increases. That is the message I brought to Ottawa.

This budget delivers. After a lower than projected deficit last year, the government is on track to meet or better its target for 1996-97, reducing the deficit from 6 per cent of gross domestic product to 3 per cent within three years of taking office. As a Liberal candidate I made a promise to the people of Richmond that we would meet this target. We are on track to deliver on that commitment, but our work does not stop there. Our ultimate goal has to be deficit elimination and paying down the debt.

Also in the budget the government reallocated funds to new initiatives to support youth, technology and international trade, which are areas critical to future jobs and growth. If our future is to

be brighter and more prosperous, we have to invest in it. We have to apply our successful Team Canada approach right here at home to establish partnerships with the private sector that will create opportunities for young people.

The budget also announced a system of secure, stable and growing federal support for medicare, post-secondary education and social assistance which will see Canada health and social transfer payments increase within a few years.

The deficit is on a permanent downward track. The finance minister's firm but steady approach to deficit reduction is working. It is improving the economic environment for jobs and economic growth. Let us look at the evidence.

Short term interest rates have declined by about three percentage points since March 1995. Canada's cost competitiveness is the best it has been in 45 years. Our merchandise trade surplus has reached record levels and the current account deficit as a share of GDP is at its lowest level in 10 years. Canadian dependence on new foreign loans has fallen from \$29 billion in 1993 to \$13 billion in 1995. Every year that dependency will decline more and more.

• (1550)

At the same time we are restoring growth to provincial transfer payments and we have guaranteed that the cash component of the CHST will not go below \$11 billion per year for the next five years.

Jobs and economic growth remain our government's priority. We are investing in three priority areas: youth, technology and trade, areas critical to future growth and jobs.

People I have talked with in Richmond are worried about the sustainability of the public pension system. They want us to act now. The new seniors benefit targets help to seniors with low and modest incomes, ensuring the system is fair and sustainable for the future.

I believe Canada is on the right track. The federal deficit will continue to decrease. Our dependency on foreign lending markets is going down. Personal income tax rates have not gone up and we are restoring growth to provincial transfers for social programs. In my continuing discussions with constituents, they support the measures this budget takes to secure Canada's social and financial future.

The budget reflects our government's commitment to put in place the strongest possible economic framework for sustained growth and jobs. We are also providing funding to encourage development in key fields such as the aerospace sector and biotechnology, important industries for Richmond and British Columbia.

Securing our financial future is not just about cutting spending. It is also about creating an environment where business can grow

Supply

and create jobs. The federal government plays an important role in creating that environment. We have to ensure the tax system is as fair and as simple as possible.

Canadians want a system that encourages economic growth and job creation. To that end the finance minister announced in his 1996 budget the establishment of a technical committee to consider ways in which Canada's business taxation system could contribute to the creation of jobs. Given the complexity of this task the government has decided to undertake a review of those aspects of tax law that most affect the creation of jobs.

The technical committee will consider ways to: improve the tax system to promote job creation and economic growth; simplify the taxation of businesses to facilitate compliance and administration; and enhance fairness to ensure that all businesses share the cost of providing government services. The committee will also consider the interaction between taxes paid by business, including corporate income tax, capital and payroll taxes, and taxes paid by individuals on income derived from investments.

The motion put forward by the member for Saint-Hyacinthe—Bagot clearly questions the integrity of the members of the technical committee on business taxation. The finance minister has brought together a distinguished and capable group of professionals who will meet the challenging mandate that has been set before them. The technical committee will be composed of a panel with legal, accounting and economic expertise in the tax field.

It is also important to remember the technical committee will report to the Minister of Finance later this year and that public consultations will follow the release of this report. This government has consulted Canadians on all three of its budgets. We are consulting Canadians on changes to public pensions. Canadians will also have a say on the technical committee's report.

An effective business tax system should be designed to create jobs. It is time for a comprehensive look at these issues. The technical committee's first objective should be to identify any obstacles to job creation in the tax system and to suggest reforms. All of our efforts to cut costs, reduce the deficit, redefine government and reform the tax system have a common goal: the creation of secure, meaningful jobs for Canadians. Every effort of government, including the technical committee on business taxation, should be directed toward that end.

• (1555)

The Deputy Speaker: There being no opposition members rising, the hon. Parliamentary Secretary to Prime Minister.

Mr. Rey D. Pagtakhan (Parliamentary Secretary to Prime Minister, Lib.): Mr. Speaker, I thought there was one question from the opposition and I would have deferred to the opposition.

I have to seize the opportunity to congratulate the member for Richmond, the Secretary of State for Asia-Pacific. He has clearly identified for the Canadian public the commitment of the government to good governance along the lines of increased efficiency, increased effectiveness, defining priorities for Canadians and the initiatives that will result in the creation of jobs. Again, I would like to compliment the hon. member.

The hon. member indicated there is a guarantee by the government that there will be a level of no less than \$11 billion a year for medical programs. Perhaps the member could elaborate further on the impact of this cash flow floor to ensure the survival of the five principles of medicare—

The Deputy Speaker: The hon. Secretary of State for Asia-Pacific.

Mr. Chan: Mr. Speaker, it is important to note that social transfer payments to the provinces are composed of two components: first is the tax points which were transferred to the provinces in previous years and second is the cash transfer.

As we cap the total transfers to the provinces and as the tax points which were transferred earlier continue to increase, the cash component of the transfer will continue to decrease. According to the experts the cash transfer would be reduced to zero in 10 or 15 years time if we did nothing about it.

It is important for the government to recognize if the cash transfer becomes zero, then it is impossible for us to influence the provinces to uphold the Canada Health Act. This is why it is so important for us to establish a cash floor to be transferred to the provinces. It will maintain our influence on the provincial governments for the delivery of medicare.

The Deputy Speaker: It is my duty, pursuant to Standing Order 38, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for The Battlefords—Meadow Lake, Employment; the hon. member for Chicoutimi, Government buildings.

Mr. Andy Mitchell (Parry Sound—Muskoka, Lib.): Mr. Speaker, I am pleased to have the opportunity to speak to the motion.

I was quite surprised last night to see the motion in which the official opposition criticized the establishment of the committee. The committee is being established to do something I believe all members of the House would like to see happen. It will review the present corporate tax structure and make suggestions on how it can be improved, made more efficient and operate to the benefit of all Canadians far beyond what it does now.

Our corporate taxation system has to be more than just a means of collecting revenue. An effective taxation system must be

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designed so that it will encourage the expansion of the economy, encourage the creation of employment and encourage economic activity.

The committee is being charged to look at the corporate taxation system and to ensure it is designed in a way that will not curb employment. When the Minister of Finance announced the establishment of this technical committee in his most recent budget he made it very very clear that its job was to find out what the facts were, to investigate the existing system, to change things that are presently there, making them far more effective.

• (1600)

It is high time this was done. The last time this was looked at was nine years ago. That has been far too long. I think there is a consensus among most Canadians and in the House that what the government does needs to be done in the most efficient way possible.

I will leave aside the issue of whether the appropriate level of taxation is there or whether corporations are paying their fair share. It is generally agreed there is a desire to make sure the administration of tax collection in this country is efficient, that it is done in the least expensive way possible and that the least number of public dollars are used in operating government to do those things.

That is what this technical committee is all about. It is all about making sure that things are done more efficiently and that resources are not being wasted unnecessarily on administration.

I was very surprised to see the contents of the motion that was put forward by the official opposition. It seems to suggest that it is inappropriate to have people look at a problem who are best able and most knowledgeable in that area. It is common sense that if a technical area of concern such as the corporate tax structure is being studied, the initial investigation should be done by people who have a good academic background, who have a good practical background, who have a good understanding of the tax system.

It makes little sense to seek out individuals who do not understand the system and who are not able to address some of the problems. It makes perfect sense to seek out experts in the field. I almost get the impression that the concern across the way is that their experts, their people were not picked. They are complaining about that. It is like "if you don't play the ball game my way I am going to take the ball and go home". It does not work that way.

The people who have been selected to sit on this committee are very knowledgeable. I have a list of the individuals who have been selected. As you go down that list you will see the names of individuals with very strong credentials. These are people who understand the tax system. They understand how the system works and can provide some very solid recommendations on how it can be improved.

It should also be made clear that the individuals on this technical committee will not provide the final word. They are not going to create policy. They are not going to come back and tell us this is the way it is going to be. That is not the intent.

This is the beginning of a process that I hope will lead to some very concrete changes that will make the system cheaper to run administratively, that will make it simple and fair. Most important, the process will lead to making economic fundamentals right and will lead to increased job creation.

It is important to understand this is the beginning of the process. It is simply an opportunity to have some people who are experts in their field take a look at the problem and come up with some possible alternatives.

• (1605)

At that point, the government will have some sound, in depth public input and public debate on it. That is when we, as parliamentarians and Canadians, either as individuals or as groups, will have an opportunity to look at the study and some of the recommendations and come back to have a public debate.

We can and will discuss things such as whether the corporate sector is paying its share of taxation as opposed to the personal sector. Are there appropriate trade-offs in the tax system where certain things are done in order to enhance investment and help job creation? Are those appropriate?

Members will have an opportunity for public debate about those things. Before beginning that debate, the minister is absolutely correct in having a technical committee take a look at the present system, study it in depth, look at some of the ways in which it can be made fair and simple. From looking at the list of individuals the minister has appointed to this committee, there are some very eminent individuals with a lot of knowledge and expertise who are going to be able to do this job in a very confident way.

The idea of having this committee and the selection of individuals sitting on this committee is really indicative of the approach the Minister of Finance has taken to the budget. He has taken a balanced approach and has tried, quite successfully, not to fixate on any one part of his responsibilities toward the budget but has taken a widespread and comprehensive approach.

In the budget, work is being done on deficit reduction. The deficit needs to be reduced. Work is being done on job creation. Job creation should be encouraged. There is a desire and a need for government to target specific areas, to help with job creation such as with youth unemployment. The government is working toward helping the least advantaged in society.

The minister has taken a very constructive, broad based approach, as can be seen with the technical committee. He under-

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stands the issue which is the reform of corporate taxation. Rather than simply jumping into it willy-nilly, he starts at the beginning.

He starts by gathering the facts and determining the issues. That is what this technical committee is going to do. I am pleased it has been appointed. I have confidence in the people he has appointed. I know they will do an excellent job. I look forward to reviewing and debating their report.

[*Translation*]

Mr. Nic Leblanc (Longueuil, BQ): Mr. Speaker, I would like to point out that what we really want is tax reform. Bloc members have been asking for this since they were elected to the House of Commons. We know that an in-depth tax reform is urgently needed.

What we disagree on is how the Minister of Finance proposes to reform the tax system, by appointing friends of the Liberal government whose final report will probably suit the government in place just fine.

This is not tax reform, which should be a much more open process. This committee must include members of the opposition, of the two and even three parties in opposition, to ensure that tax reform is fair to everyone.

To give you a few examples, how come people making around \$6,500 still have to pay taxes? These people can barely make ends meet on \$6,500 and they must still pay taxes. It is high time that we revised the income tax calculation tables instead of taxing those poor people and then mailing them tax refund cheques to show that people need us. We should have a quick look at this to make things more equitable.

Should we raise the GST? Perhaps. Should we increase GST refund cheques to the poor? Maybe we should do that, too. I do not know but that is the kind of thing requiring an in-depth review.

• (1610)

There are, of course, tax shelters that need to be reviewed seriously without affecting the competitiveness of our businesses. We must, however, ensure that our businesses pay their fair share with respect to tax shelters. We have been demanding for years an in-depth tax reform.

Now that they are in power, the Liberals have started setting up a kind of private club, a private club including friends of the government, whose report will no doubt suit the government just fine. That is not what we want. I think the hon. member should tell people the truth and explain his real intentions. Does he really intend to carry out an in-depth tax reform or to set up a private club of friends of the government, whose report will suit the government in office?

[*English*]

Mr. Mitchell: Mr. Speaker, I will respond to two of the points made by the hon. member.

If one honestly and without political rhetoric or without trying to score political points takes a look at the membership of the committee, one will see a group of eminent individuals who have proven track records in the field they are being asked to review. To suggest for a second that these individuals are lackeys of the government is to do them a disservice. I have a lot of respect for the individuals I see on this list. I have confidence that they are going to do their job well and properly.

On the point that they want to reform the tax system, I do not believe anyone in the House would not agree with that. Probably most Canadians agree with that. However, there is a process that needs to be followed.

When I was in the private sector and had to make important decisions, I did not off the top of my head figure out what I was going to do. What I did and what the government is doing is gathering the facts, the information and getting an opinion. That is what this committee is going to do.

The committee is the beginning of a process of gathering information so that just as in the private sector where decisions are made based on the information, so too can we as parliamentarians have a good, sound and knowledgeable debate and make good decisions because we will have gone out and gathered the facts, had the information and had been able to do our jobs properly. That is what this is all about. That is why I applaud the Minister of Finance for this initiative.

[*Translation*]

Mr. Paul Crête (Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, I am very pleased to rise in this House today to speak to the opposition motion condemning the establishment of a technical committee by the Minister of Finance to examine business taxation. We are deploring the fact that this committee is comprised of members who are both judge and judged with regard to business tax reform, and we feel that the minister should set up a joint committee of experts and parliamentarians instead.

Why put such a motion forward? We are obviously not against tax reform. The Bloc Québécois has been advocating reform for a long time and we think it is essential, especially since it is being requested from all parts. In our ridings, people ask us: "Are businesses paying their share of taxes at present? Could adjustments not be made to increase their efficiency as far as job creation is concerned?" The problem with the government's action in this regard is that it is putting the cart before the horse. Taxation is a tool, not a goal in itself. In my opinion, any tax measure should reflect political will. It is not simply a juggling game.

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• (1615)

Let me give you an example: the scientific research and experimental development tax credit. This is an interesting example in that it has a positive impact on productivity. But at the same time, as it is being implemented and becoming operational, it is becoming obvious that it can also have negative impacts in terms of a decline in employment for unskilled workers.

Choices need to be made that are not technical but rather political in nature, and I think that, by having only legal, accounting and tax experts sit on this committee, the minister is limiting the scope of the debate, thereby denying the people of Quebec and Canada the real debate they may have wanted to have on this issue.

Political consideration should be given to this beforehand and, to do this, I think that two other groups of people should be represented on this committee. I am referring to parliamentarians, individuals who can rightly claim to represent the people, who can convey to the committee suggestions made by citizens from all walks of life.

Someone in my riding came up with this idea: Would it not be possible to tax robots—advanced technology if you will—in such way that productivity gains thus achieved could benefit the workers who may have been displaced when advanced technology was introduced? Parliamentarians are the ones who can raise such arguments. It is certainly not tax experts who know about fiscal issues, who have past experience, who are often there to defend the way things were done, and who are often responsible for the complexity of the current system. Above all, people want transparency in the tax reform process.

Even if we end up with the best tax system in the world, we will have missed the boat if people do not feel that it is a fair system. To some extent, this is what will happen with the committee that is being set up by the minister. Even with the best possible recommendations, the minister will have a hard time preserving his credibility since no parliamentarians and no experts from other fields will sit on that committee.

Indeed, when reviewing a tax related issue, why not also have experts from the employment sector? These people could offer a different perspective than that provided by tax experts and accountants. As well, we could have legal experts whose experience is totally different. In Quebec, such an exercise is currently taking place in the social assistance sector. This process allows us to get different ideas, different visions on how to deal with the issues.

The federal government's way of doing things is certainly very different from that of the Quebec government. In Quebec, all the stakeholders in the social and economic sectors are sitting together to decide what should be done. Technical committees could

eventually be set up following that round table, and that would be a good thing. But the federal government has it all backwards: it creates a technical committee first, and then it will set up a consultation process. This does not seem appropriate, given the mandate that the committee gave itself.

Let us not forget that this committee is there to examine how the tax system could help promote job creation and economic growth, and how the system could be made simpler and more equitable. Should the committee be made up of tax experts who helped develop the current system? Are these people the ones most able to look at the issues from the perspective of ordinary citizens? I feel we could use their expertise, but after the first stage, we ought to consult to find out what people really have in mind in connection with these various elements.

I also think that this technical stage ought to follow on a political debate on what the government's priorities are. What its objectives are with respect to the employment of workers, or in other words, what levels of unemployment the government would be prepared to set as a target to be attained in order to decrease unemployment and make better use of human resources. Is the government prepared to make choices on criteria for assessing the efficacy of its government, or of Canadian society, that are based on something other than gross domestic product or export figures? Is the government prepared to say that one of the criteria it will assess its efficiency against is the use made of the work force?

Is there a vision of development which goes beyond mere market forces to ensure that people and places are being properly utilized? There is a direct link between this and taxation.

• (1620)

If we want to see Canada develop, to see each region develop independently, there must be taxation measures relating to this. There must be political choices behind it. A technical committee is not the way to go to meet that objective. In fact, it will tend to duplicate what has been done before.

In conclusion, having taken the step of finding what Quebecers and Canadians want through political debate, we can then make a technical examination of how to arrange things so as to do away with the famous problem of tax havens. Might there not be a way to revise taxation agreements to accomplish this? As far as trusts and foreign assets are concerned, could not the underlying principle be adopted, promptly, that the income of Canadian citizens earned anywhere in the world would be the figure considered for taxation purposes, in order to be sure that taxes are paid on all earnings?

As for tax expenditure accounts, for example investment credits, the \$500,000 capital gains exemption, the preferential rate for small business, deferred taxes, all of these must be looked at from the employment aspect. That is what the young people of Quebec

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have told us, pointing out that the entire taxation issue must be looked at to ensure that it guarantees their future.

This requires us to go beyond the confines of the technical committee. There must be a political debate. I feel that the government needs to reverse its present position and to ensure that those on the committee will be joined by parliamentarians, by other experts, so that the task can get finished as expeditiously as possible, and so that a subsequent budget may really contain tax measures with more bite than this last insipid budget did.

Mr. Dan McTeague (Ontario, Lib.): Mr. Speaker, I listened carefully to the remarks of the member opposite. I would simply like to make a few comments, before asking a question. I do not know whether the member realizes that what the government is proposing is really the starting point for the process leading to another budget within the next year?

Although I found some of the member's comments interesting, I would like to find out from the hon. member whether he does not agree with me that the place to perhaps put his words into action is the House of Commons committee? Therefore, would he not agree that his comments, interesting though they may be, have an option, which is the parliamentary finance committee?

Mr. Crête: Mr. Speaker, I am surprised to hear the hon. member say that, two and a half years into this government's mandate, this is a start as far as taxation is concerned. Frankly, this is a very late start.

The Bloc Québécois, the other parties, the people of Quebec and Canada have all been asking for taxation reform for a quite some time already. We would have expected the thinking process to be over by now and a real tax reform to be included in this budget, following consultations with parliamentarians, but that has not been done. That is why setting up a technical committee at this stage sounds like not much compared to the real effort that could have been expected.

As for having the committee work done in here, there is no doubt that suggestions can be made in committee but, in terms of efficiency, would it not be better to have a joint committee, where parliamentarians and experts can share and exchange ideas immediately, so that it can lead somewhere?

Instead, a few months will go by before this committee makes any recommendations; in the meantime, conflicting proposals will be made by the parliamentary committee. All this work will have been done for nothing by both committees. I think that a more serious approach that could be taken by the government would be to accept the opposition's proposal and say: "Fine, a joint committee it will be, a great deal of thought will be given to the issue and we will make sure that what comes out of this reflection is

promptly brought up for discussion and included in next year's budget choices made by the government." Thus, we would be certain to act on this tax reform request that has been on the table for the longest time, a request made by the people and which reflects very unfairly on the federal government.

• (1625)

Everywhere, the public keeps hearing: "Is everyone really doing his share at present?" A technical committee like this one will not make it possible for the public to determine if indeed everyone is made to do his share, whether everybody helps promote job creation. At present, do companies take into account, when making decisions, the impact their decisions will have on employment? Creating this kind of committee does not resolve any of these things, and I hope that the government will take note of this fact.

Mr. Réal Ménard (Hochelaga—Maisonneuve, BQ): Mr. Speaker, I am very happy to take part in this opposition day, which we have set aside to consider an issue that, in my opinion, is extremely important and should concern all parliamentarians who still believe in social justice and reject the status quo.

May I remind you that what we are discussing is an in-depth review of the tax system. We will not be satisfied with half-measures in light of three basic facts.

The first basic fact—which I would like to dedicate to my good friend, the hon. member for Longueuil—is that, as we speak, only 11.8 per cent of federal taxes, not the GDP but the government's tax revenue, comes from businesses. On the other hand, 60 per cent of federal tax revenue comes from individual Canadians like you and me.

So it is fair to say that corporate Canada does not contribute to the public purse as much as it could.

The second and probably most important fact is that—as strange as this may seem, as this would not be tolerated at the individual level although it is possible at the corporate level—there are now 40,000 profitable businesses that do not pay any taxes. I am not talking about the little convenience store where you go buy a candy bar before going to bed, but about profitable businesses. There are 40,000 companies that do not pay taxes and we know them.

If a member really wants to raise a point of order later on to ask me to table these figures, I am prepared to do so, because it is professor Lauzon, from the Université du Québec, in Montreal, who examined this whole issue.

We now get to the third variable—and I sense that some members are getting a little worked up—which is just as important. We are discussing taxation in a context where some individuals and some corporations make excessive profits. When we rise in this

House, we should never forget that some businesses are making excessive profits. I will, of course, use the example of the major banks.

Would you believe that, in the 1994-95 fiscal year alone, the six major chartered banks in Canada made profits of \$5.8 billion? These unprecedented profits were made by very important corporate citizens that are getting richer. However, that does not stop them from laying off large numbers of employees.

These are the three premises that have convinced the opposition that we raised a real issue by asking Parliament to look into this matter.

Let me be clear: I do believe that it is legitimate to make profits. I do not agree, for instance, with the philosophy of the British Labour Party after the second world war, which wanted banks to be nationalized.

• (1630)

I admit that in our system it is desirable and legitimate for individuals to invest and make profits. But I believe we have reached the point of no return, where the people of Canada and Quebec are truly convinced that something illegitimate is taking root. There is a feeling that some people are not doing their part, that they are not contributing their fair share to the public coffers.

I would like to throw out a challenge to the government. I am strongly tempted to throw it to the hon. member for Outremont. Just imagine, the member for Outremont, a lawyer, is shamelessly courting the business community. To the member for Outremont, who at this period in his life is discovering the business community through the responsibilities entrusted to him by the Prime Minister—and I take this opportunity to congratulate him—I would throw the following challenge: Just imagine, the United States, a rather fertile ground for business, has a law, passed by Congress in 1977, called the Community Reinvestment Act. This law is really quite extraordinary and should inspire us as parliamentarians, because it lets regulatory bodies evaluate banks.

There are four bodies, which I will enumerate for the edification of the hon. member for Outremont. There is the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the director of the Office of Thrift Supervision and the Comptroller of the Currency.

In the United States, there is a law under which the four supervisory agencies I have just mentioned evaluate banks contemplating interstate expansions or mergers. An evaluation is made of the degree to which these banks have made credit available in their immediate community.

I represent a relatively disadvantaged community. There are people in my community without enough money to open a bank account. Could we not, as parliamentarians in Canada, give some

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thought to the effort that banks must make in the communities of which they are a part?

The effort that could be required of them would be to review the availability of credit. Not only could the availability of credit be reviewed—I do not hear the hon. member for Outremont, but I know he is anxious to ask me a question and I am already dying to answer him—but partnerships could be established between the banks and disadvantaged sectors. This is something that is within our reach.

Occasionally, the hon. member for Outremont attends the committee on industry, although not with his past attendance record, and from time to time he has been known to make contributions that are always noteworthy. The paradox lies in the fact that, for two years in committee, we studied the connections between banks and small business, without every questioning the concept of profit, and without ever looking at how the six major chartered banks in Canada could manage to take a more active role in the communities in which they are located. By so doing, they would contribute to a more equitable taxation system.

I truly believe that, if we want to address this seriously, there is something very, very important that must be examined. I could even give the hon. member for Outremont a piece of news by saying that, if the opportunity permits, it is very tempting to introduce a private bill, one which he might very well support in his capacity as a member, and even as a minister.

Allow me to give you an example of what happened with the Community Reinvestment Act in the U.S. In 1985, an agreement was signed between the Boatmen's National Bank of St. Louis and the Association of Community Organizations for Reform Now, in which the bank in question agreed to provide mechanisms for mortgages and home improvement loans.

• (1635)

Mr. Speaker, that meant lower administration fees for disadvantaged communities. When I think of taxation, this is the type of approach that interests me. You will never see me here attacking those who make profits, but I can always be counted on to speak out in debate to encourage them not to forget that they are part of a community and that it is very important for them to make an effort to plough as much as possible back into that community.

Hon. Martin Cauchon (Secretary of State (Federal Office of Regional Development—Quebec), Lib.): Mr. Speaker, I listened to the comments of the hon. member. Permit me to point out a few things with regard to the matter of the banking community. As you know, it is currently subject to a surtax. The banking community too must live according to the ebb and flow of the economy and not only the national economy, but the international economy and therefore must make the same economic shift as the G-7 countries around the world are obliged to. It involves a shift from a banking system that capably handles what is known as the tangible—real

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estate and securities—to a banking system that will work much better with the intangible.

During this time, the federal office of regional development—Quebec, which I head, is working with financial institutions to set up funds providing financing on a patient capital basis to enable an SMB in high tech operations to obtain funding quickly, during the time it will take the regular financial institutions to make the change.

Secondly, I think the banks definitely pull their weight in working with the federal office. Even better, I realize, after a two week tour of Quebec, that there are agencies throughout Quebec that look after regional economic development and that take the time to target the priorities of the individual regions. This shows a taste for partnership and also what a partnership can do when the partners believe in it and really want to work together.

Allow me to conclude by mentioning an organization the hon. member is very familiar with, the Prouesse organization, which I recently came into contact with, which is looking after economic development in the east end of Montreal and which has targeted certain priority sectors, including the petro-chemical, plastics and rubber sectors. They are building on these economic realities and strengths, which have grown up over the years in the east end of Montreal.

Mr. Ménard: Mr. Speaker, we would have been very surprised had the minister not referred to the Federal Office of Regional Development. He cannot help it. I think that the hon. member will agree with me that members on both sides of this House will be under enormous pressure to review the tax system and that saying banks must also face the pressure of international competition will not help generate support. Although this is true, they should not be judged on that basis. The fact remains that, during the last two recessions, two industrial sectors made what can certainly appear as inordinate profits.

The first sector is the drug industry, to which I will get back later. The second sector is the banking industry. It is no sin to make profits, as many members would agree. In this day and age, however, profitable businesses must act like good corporate citizens, which is not so obvious. The hon. member referred to various local partnerships like the economic development corporations that have managed the transition to partnership. I am tempted to remind the hon. member that we would be hard-pressed to find examples of banks that get involved in their communities to a really meaningful extent.

• (1640)

Humanitarian involvement is still marginal. The purpose of my speech and of the bill that I may be bold enough to table some day

is to ensure that banks, like other stakeholders such as the local economic development corporations the hon. member likes so much, are motivated to become partners in economic development.

[*English*]

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, I possibly will be splitting my time with the member for Bramalea—Gore—Malton, not necessarily equally.

The Speaker: You are going to have to work that out.

Mr. Szabo: Mr. Speaker, on March 6 the finance minister delivered his budget for 1996-97. Part of that budget included a very important aspect, one which was not incorporated in the detail to make changes, but rather a proposal. That proposal was to establish a technical committee on business taxation.

There has been a great deal of discussion within this House, across the country, and particularly in the United States presidential primaries on issues such as a flat tax on corporations and individuals. This is a much broader technical consultation.

With regard to the terms of reference, the finance minister said that Canadians want their tax system to generate a revenue in a fair and simple manner and that they also wanted to encourage growth and job creation. Given the complexity of combining these objectives, the Government of Canada has decided to undertake a review of those aspects of the tax law which most affect the creation of jobs.

In dealing with the terms of reference, the finance minister appointed a technical committee made up of I believe 10 professionals. Today we are debating a Bloc Québécois opposition motion that deals with this technical committee. The motion states:

That this House deplores the fact that the technical committee set up by the Minister of Finance to analyse business taxation is comprised of members who are both judge and judged with regard to business tax reform; and that, this being so, the Minister of Finance should set up a joint committee of experts and parliamentarians to examine business taxation in an impartial manner and according to an open and transparent process.

The Bloc Québécois motion includes a couple of elements I want to deal with. It was very clear in the debate the first thing it wanted to deal with was the conflict of interest or compromise with regard to some of the participants.

One of the Bloc members who participated in the debate went so far as to name a particular member of this committee set up by the finance minister, Mr. Robert Brown of Price Waterhouse. First I want to deal specifically with that because I know Mr. Brown. As one of the two chartered accountants in this House of Commons, in this 35th Parliament, I have to take the opportunity to defend my profession whenever possible.

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When I was an articling student at Price Waterhouse, I met Mr. Brown for the first time. I worked with him over a number of years and came to know him as one of the most outstanding and revered professionals in the taxation field in all of Canada. Everybody knew who Bob Brown was.

If members would only appreciate that in a large multinational CA firm with international affiliations there are competitors even within the firm's own client base. How is it that a CA firm could opine on financial statements, could provide consulting advice and represent not only one oil company but also represent another? Is there a conflict of interest? Clearly if there were no rules of the game, if there were no professional rules of conduct, that could not happen. Within a CA firm there are rules. There are rules of confidentiality and conflict of interest. Members who work on certain files do not work on others.

• (1645)

The firm as a whole has a professional responsibility to the entire profession because it is the CA profession that has developed a set of standards and a code of conduct. The Canadian Institute of Chartered Accountants has a handbook which guides all accountants on not only their conduct but also on the rules of opining on various and sundry matters, particularly financial statements.

Canadians and people around the world look to the chartered accounting profession to provide a professional standard. The standard is set so high that only 37 per cent of CA students who wrote their final exam this past year were successful in meeting that standard. The profession is extremely proud of its high standards. It basically means we are there to protect the professionalism and integrity of the profession and to ensure that nothing that happens will bring disrepute to the profession.

Under the CA rules of professional conduct, if you are a member of the institute, as I am, and you become aware that something may be happening with regard to another member which may bring disrepute or which may reflect badly on the profession, you have a professional duty to bring it to the attention of a committee of the Canadian Institute of Chartered Accountants and let it investigate. If you do not and it is subsequently determined there was a problem and that you failed to bring it forward with full knowledge you could be equally culpable for the wrongdoing.

On the point of the integrity of the individuals and whether they can opine or participate in a technical committee even though their firm, an international firm, deals with clients who are taking advantage of certain tax measures today, they still can as professionals deal honestly, fairly and with credibility with issues they have been asked about with regard to the taxation of corporations by the Minister of Finance.

The second issue has to do with whether on this technical committee we need to somehow consider this as subverting the process and parliamentarians should be here, which is the insinua-

tion of the motion. It basically states we cannot second this responsibility to these outsiders. We need to have hands on. There is no question we do, and we will.

However, as in all things, unless there is a motion on the floor and a focus to what is being discussed there is clear chaos. In this case the finance minister has basically said: "Let us have a technical committee. I want the people best qualified to analyse objectively the present situation. I want the expertise not only from the professional accounting side but from the economic side and the academic side. I want to establish that there are implications and detriments as well as those things that act positively in terms of job creation".

Now we are talking about giving it some focus. I compliment the finance minister on making the decision that we must have a review of business taxation. I would have gone a little further and said I want to extend it to personal taxation as well, but that will come. This is a starting point.

All of the members of the House have had communications from their constituents from time to time suggesting corporations are no longer paying their fair share of taxes. Individuals are paying a higher proportion of the total government revenue than corporations. The proportion that corporations have been paying has been going down. This is wrong and we have to do something.

In terms of raw data that is absolutely true. Corporations are paying less of a proportion of government revenues in terms of taxes than they used, but there is a reason. It is because of the character of corporate income taxation. The tax rate a corporation pays on its profitability has not changed.

• (1650)

A large corporation continues to pay a tax rate of about 50 per cent on its income. A small business pays approximately 25 per cent, under certain criteria. The rate has not changed. What has changed is that in determining the amount of taxable income a corporation has there are certain adjustments made.

When we look at an annual report it shows the revenue, the expenses and the net income from the business before taxes. When we do our tax return we take our net income before taxes, adjust it for certain things and then calculate the taxes owing.

There are three important items which would reduce or eliminate corporate taxes.

Number one is the existence of loss carry forwards or loss carry backs, seven years forward, three years back. If a corporation were in a bad situation because of an economic downturn or bad business decisions and lost a substantial amount of money, the taxation rules for business say it can carry the amount forward up to seven years and apply it against future income. That means that even though in a subsequent year a financial statement could show the corporation made \$100,000, it would show it paid zero taxes, the reason being it had \$100,000 in losses the previous year.

Supply

That is not to say this is right. I have recommended to the finance minister that the generous provisions of loss carry forwards and carry backs be scaled back. I am suggesting that if a business makes a bad business decision, maybe the taxpayers should not be subsidizing—

The Speaker: My colleague, perhaps you could enlighten the Chair. Is it your intention to take the full 20 minutes? If so, that is fine.

Mr. Szabo: Yes, Mr. Speaker.

The point with respect to the loss carry forwards has to do with the fact that businesses can be sheltered from a prior year's losses. A business could make a mistake which could cost it a lot of money. It may very well turn out that it had nothing to do with an economic downturn, it was just a bad corporate decision. The question one should ask, which I hope the technical committee will ask, is whether the taxpayers of Canada should underwrite or subsidize the bad decision making of businesses.

Maybe there should be some loss carry forward provisions, but not seven years forward and three years back. That is more than generous. It may be more than fair. I hope the technical committee will deal with that question.

The second point has to do with the flow through of dividends. I will not be able to explain this very clearly. Very simply, if a company receives a dividend from another corporation and turns around and pays out the same amount of money in dividends to its own shareholders, the company which received the dividend would show an investment income profit, but it would show no taxes payable, which is the problem our constituents have been raising.

However, it is right that no taxes should be payable. It pays taxes on the dividend income it receives, but it also receives a part IV tax credit on the dividends it paid out to its shareholders. The shareholders are the ones who ultimately will pay the tax. Therefore the liability flows in and out of that corporation. The corporation shows income but no taxes. There is not a problem but the optics certainly do not seem to defend that.

The third point has to do with deferred taxes. The study of deferred taxes was one of the most difficult for me. It has to do with concepts such as virtual certainty. Not only can we have deferred tax credits, we can have deferred tax debits.

Deferred tax credits can arise for something very simple such as the write-off rate for an asset. For instance, if a corporation were to buy an automobile for use in its business, for accounting purposes the corporation would generally write off the automobile over the useful life of the asset on a straight line basis. Under the Income Tax Act, however, the corporation has an opportunity to claim a

capital cost allowance, which basically allows the corporation to write off an automobile on a faster basis. It is 30 per cent but it is on a declining balance basis. I will not explain the technicality but it basically is a different number for write-off for tax purposes than there was for accounting purposes. That means the bottom line for tax purposes is different from the bottom line for accounting purposes.

• (1655)

Therefore there is an item called deferred taxes. It is in fact a timing difference. It means those taxes will be paid eventually. It will catch up at the end of the time when the asset is fully written off. At any point in time there will be either more or less written off depending on what happens.

The reason we have all these different rates in the capital cost allowance is that there was some engineering in terms of trying to stimulate capital spending so that fast write-offs were available for computers and software, for manufacturing and processing, things that would help stimulate capital investment so that jobs would be created. I am sure this is an area the technical committee will get into.

I know we all want to know more about offshore tax havens. Last November 1995 I wrote to the finance minister about offshore havens, among other things I asked him to consider in the budget.

It dawned on me that there were certain situations in which corporations could transact certain financial affairs with an offshore country and there would be no record. There was no way to track it and there would be no tax treaty between the two countries. The issue I raised with the finance minister was that in certain countries where we do have tax treaties we can deal with some of these problems associated with offshore havens.

For those countries where we do not have a tax treaty and where those countries want to have relations with Canada I recommended to the minister that we ought to seek to enter into accommodation agreements so that when there are financial transactions of note the governments would co-operate in making sure that knowledge of those transactions would be brought up. Each of the countries would be able to determine whether there was an activity going on not in accordance with the intent of the legislation or whether it was illegal. No doubt there are a number of other areas the technical committee has to get into.

Another thing I want to raise is the integrity of the individuals involved. There is no intent on behalf of any member in the House, I am sure, to personally point out to anyone that there is a problem with their personal integrity. We understand that in asking these people to put some focus to some of these serious and complex matters, as the finance minister has laid out, it will allow us a better

opportunity to do a better job in the House once we get the details and we identify them.

Ultimately history will judge whether they did their job well because we will have an opportunity to scrutinize their work.

[Translation]

Mr. Philippe Paré (Louis-Hébert, BQ): Mr. Speaker, it seems to me that the hon. member opposite spent much time defending the accounting profession. I do not think that what is at issue here, basically, is the profession per se. Part of the problem but not all of it rests with accounting.

The big question has more to do with figuring out why, two years into its mandate, the government has decided all of a sudden to set up a committee of experts to review the Canadian tax system. What is rather despicable about this approach is the fact that this committee is being formed after the Canadian government has already cut \$7 billion in transfers to the provinces, taken billions of dollars away from UI recipients and drawn \$5 billion on the UI surplus.

• (1700)

All of a sudden, out of the blue, it occurred to the government that perhaps it should have a committee of experts examine taxation, after all the chopping in social programs has been done.

I do not think that what is mainly at issue is the ethics of accountants. I think that accountants are totally within the law; however, and this is an important difference, something legal is not automatically ethical. When the legislation is unjust, inequitable and unfair to all citizens and that accountants operate within this legislation, while not being illegal, what they do may not be very ethical either.

I think, however, that we must agree that accountants are specialized in advising their clients on tax avoidance. How can we put any trust in these people to advise the government in reforming the Canadian tax system? I think that any involvement on their part in a process that the government might have wished to be perfectly serious and credible would defeat the purpose. That is why I contend that this cannot be a serious process, since some experts will be both judge and judged.

I would say that the hon. member for Joliette made this point very clearly today.

[English]

Mr. Szabo: Mr. Speaker, the answer is no, no and no. The member is still saying, when referring to the motion, that the members of the technical committee will be judge and judged.

Supply

In his intervention the hon. member said there is a conflict of interest. He asks how can they advise their clients and at the same time advise the government when they are on different sides of the fence.

Maybe the member missed the part of my speech where I said that there are professional rules of conduct. One cannot serve two masters. These people are not making decisions for us. They are going to assemble the information and the issues and put them in terms that are consistent with the terms of reference laid out by the finance minister. That does not exist anywhere.

The member also talked about tax avoidance. I want to share with members of the House a saying that accountants always use. Tax avoidance is necessary, tax evasion is illegal.

Tax avoidance is managing one's affairs in a way in which one minimizes the amount of taxes paid. Businesses do that. If they do not do it and every other business is doing it, they have a competitive disadvantage. Tax avoidance is not a bad thing. It is a necessary thing. These business people are going to consult with Canadians. They are going to provide the professional expertise just as any other consulting group would.

At the end of the day, members will have an opportunity to participate in a full dialogue based on the input received from this technical committee.

Mr. Paul DeVillers (Parliamentary Secretary to President of the Queen's Privy Council for Canada and Minister of Inter-governmental Affairs, Lib.): Mr. Speaker, earlier in debate the hon. member for Joliette, in replying to a question posed by the hon. member for Mississauga South, compared the conflict of interest that he was discussing to something similar to, in the next election, the Bloc Québécois and the Liberal Party of Canada having the same political advisers.

He used that to compare the potential alleged conflict of interest that is the subject of this motion. Could the hon. member draw a distinction for the House between political advisers and the professionals sitting on this technical committee?

• (1705)

Mr. Szabo: Mr. Speaker, one thing I have learned about this profession is that in debate, depending on whether one has the last word, one can say some pretty bizarre things.

The analogy of one person being a political adviser to two opponents is certainly preposterous. First, it would tell me more about the two parties than it would about the consultant. Second, if

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the consultant had integrity he would accept only one engagement. That is the difference.

I said earlier that professional rules of conduct are very strict. If a member within a profession is in a conflict situation and does not disclose it and it becomes known to some other party who is also a member of the profession, the rules of conduct require that the member bring it to the attention of the discipline and standards committee of the Canadian Institute of Chartered Accountants for investigation. If it was not reported and there was a conflict of interest, both parties would be equally culpable for the damages. This is not to be taken lightly.

The integrity of the profession is its bread and butter. If it has no integrity then the opining on financial statements and providing professional advice to people on matters ranging from taxation to investment to accounting to good business practices and insurance measures, all goes out the door. Integrity is the most important commodity the accounting profession provides. That is being protected by the profession.

I can say that participation in the committee will only enhance the integrity of the profession.

[*Translation*]

Mr. Nic Leblanc (Longueuil, BQ): Mr. Speaker, Bloc Quebecois members did not accuse the club set up by the government of being dishonest. Nor are we saying that the people appointed by the government to conduct that review are incompetent. We simply say that the committee is in cahoots with the government, that it is a club which is a creature of the government, which was appointed by the government, and which will tell the government what it wants to hear.

The government is very aware of the whole taxation issue. Numerous studies were done over the years. The government is fully aware of the tax issues, and it also knows that it is its fault if Canada has a problem. The government creates the problem; the government is the problem. It is now asking a club made up of friends to tell it what to do, but it knows full well the cause of the problem. This is why we do not really believe in this exercise. We know that the government is guilty, that it is responsible for the problem, even though it says: "Tell us what the cause of the problem is". This is why the official opposition is very sceptical and why we say that this private club appointed by the government is merely there to hide what the government wants to hide.

[*English*]

Mr. Szabo: Mr. Speaker, I understand where the member is coming from. His allegation has been made.

When I look at the list of members there are eminent partners from two of the top CA firms in the country, professors and

economists from two or three universities, and a couple of eminent lawyers. The allegation is that they are in cahoots with the government. That is an indictment of all those individuals who have through their professions achieved great distinction. It is a personal slight to the integrity of each and every one of those people. It is really uncalled for in the House. It is a very cheap shot.

The member must understand that the committee will not be making decisions on behalf of Canadians, the finance minister or the House of Commons. It is going to be advising the government and members of Parliament about the various situations which exist and the options that may be available so that we may more fully participate in a focused dialogue. It is constructive, it is the right thing to do and that is exactly what we are going to do.

• (1710)

Mr. Gurbax Singh Malhi (Bramalea—Gore—Malton, Lib.): Mr. Speaker, it is an honour for me to address today's debate on the opposition motion on business taxation.

Canada is consistently rated as one of the best nations in the world in which to live. Yet the only way to maintain our position on the world stage is to create a business tax system that not only raises money but also creates jobs. I fully support the attempt by the Minister of Finance to re-examine the tax act.

By establishing a technical committee of outside experts, only through a close examination of the grant system will we be able to encourage economic growth and job creation. Who better than the team of experts that is in the field of taxation to tackle the challenge?

It is my hope that such a professional review might lead to enhanced fairness in the tax system by ensuring that all businesses share the cost of providing government services. Otherwise we are faced with declining trust among Canadians and will have a greater reliance on what is known as the underground economy.

In fact, one of the biggest threats posed to Canada's financial well-being is the infamous underground economy. The Ministry of Finance should be commended for getting tough with tax cheaters in this budget. By reinforcing the existing strategy to combat the underground economy, we are sending a strong message to tax cheaters everywhere. The underground economy is not made up of honest people who are merely bending the rules.

The message we are sending to tax cheaters is clear; in your quest for personal gain, you are endangering Canada's economic future. Tough, fair enforcement programs, aimed at protecting our tax system, will help ensure this country's economic future.

The warning in the section of the budget is likely to deter people who might have been thinking of cheating their government out of tax dollars. Pushing an economy underground simply causes the

main source to dry up. You cannot expect water tomorrow unless you are prepared to prime the pump today.

With this budget announcement, Revenue Canada has put in place a multi-faceted approach that enhances its existing underground economy strategy. This strategy aims at enhancing current levels of respect for the tax system in a handful of especially high risk areas of the economy.

As I said back in 1994, anyone who chooses to live in Canada must be prepared to pay for that privilege. Where there is no honour in the honour system, perhaps the fear of getting caught will now prove to be a sufficient deterrent.

It is essential that we maintain the integrity of our taxation system. If the public's trust in the government's revenue generating methods becomes completely eroded, there is no turning back.

Had we failed to get our economic house in order, we would surely have been heading in the direction of a banana republic by now. The life blood of any economy lies in the level of trust it holds among its citizens. Results from this section of the budget should be quick and significant.

Benefits will come in two forms, both in terms of traditional revenue generated for public programs and of greater fairness to other taxpayers who have always met their obligations. Public trust, being as it is a two-way street, this government has repaid honest taxpayers in the best possible way. For the first time in recent memory a federal budget has not unveiled new taxes.

How and how much a country taxes its residents is critical in determining its future economic success or failure.

Without a doubt, taxes in Canada are still higher than most of us would like. This is why a fiscal turnaround is so vital. Only by controlling the debt can we free up resources to eventually ease the tax burden.

In its latest budget, however, the government has taken what is clearly a step in the right direction. There are no tax rate increases, not personal, not corporate, not excise. There have been no personal income tax increases in any of the last three budgets.

Fairness to taxpayers who comply with their obligations demands effective enforcement of the tax law to ensure everyone shoulders his or her fair share of the burden.

To build on Revenue Canada's highly successful underground economy strategy the budget has proposed to devote more energy to Revenue Canada's audit program for unincorporated businesses and self-employed individuals. A higher audit rate for these two high risk groups is expected to recover about three times the cost of bolstering the program.

Because a technical commitment in the Department of Finance will be examining ways of simplifying the business tax system,

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including corporate income, capital and payroll taxes and personal taxes, taxpayers will be able to more easily comply with the system.

An effective tax system should not simply raise taxes. It should raise awareness of the importance honesty and fairness play in securing the nation's future.

The Acting Speaker (Mr. Kilger): It being 5.15 p.m., it is my duty to interrupt the proceedings and put forthwith every question necessary to dispose of the business of supply.

[*Translation*]

Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Acting Speaker (Mr. Kilger): All those in favour will please say yea.

Some hon. members: Yea.

The Acting Speaker (Mr. Kilger): All those opposed will please say nay.

Some hon. members: Nay.

The Acting Speaker (Mr. Kilger): In my opinion the yeas have it.

And more that five members having risen:

The Acting Speaker (Mr. Kilger): Call in the members.

And the division bells having rung:

The Acting Speaker (Mr. Kilger): Pursuant to Standing Order 45, I have been requested by the official opposition whip and the deputy government whip to defer the division on the question now before the House until tomorrow, March 20, at 5.15 p.m., at which time the bells to call in the members will be sounded for not more than 15 minutes.

[*English*]

Ms. Catterall: Mr. Speaker, may I correct that. I think the deferral should be to 5.30 p.m. tomorrow.

The Acting Speaker (Mr. Kilger): The deferral is to 5.30 p.m. tomorrow.

[*Translation*]

Mr. Laurin: Mr. Speaker, we thought the division was deferred until after government orders. I think that means 5.30 p.m.

The Acting Speaker (Mr. Kilger): We agree. The deferral is going to be until 5.30 p.m. tomorrow.

*Private Members' Business***PRIVATE MEMBERS' BUSINESS**

• (1720)

[English]

CRIMINAL CODE

Mr. Dick Harris (Prince George—Bulkley Valley, Ref.): moved that Bill C-201, an act to amend the Criminal Code (operation while impaired) be read the second time and referred to a committee.

He said: Mr. Speaker, it is my pleasure to lead off debate on my private member's Bill C-201. This bill deals with a very serious and tragic issue, impaired driving. There are people who choose to drink and drive and as a result kill people in this country. This is senseless tragedy that occurs every day far too often.

The bill deals with sentencing and punishment for those who choose to drink and drive and as a result of their choices kill. The bill will amend section 255(3) of the Criminal Code and will impose a seven-year minimum sentence on those convicted of impaired driving causing death.

Bill C-201 has its origins in my home city of Prince George, B.C. In September 1995 David Kevin Johnson chose to drink to the point of utter intoxication and then chose to drive despite his condition. He chose to get into his vehicle and drive. The result was that he recklessly sped through a red light causing a devastating collision in an intersection only blocks from my own home.

The collision killed three members of the Ciccone family, residents of Prince George. Jim Ciccone, his son Rylan and his daughter Emma lost their lives in September because of the completely irresponsible actions of a man who was driving a truck after he had made the choice to drink.

Mr. Johnson was arrested and charged with three counts of impaired driving causing death plus one count of leaving the scene of an accident. Mr. Johnson knew what he did. He knew the tragedy he caused. He fled the scene of the accident.

I witnessed the aftermath of that accident. I witnessed the tragedy and I followed the case as it went through the courts, through the media and other sources. I waited expectantly for Mr. Johnson's sentence with the belief that justice would be done and with the belief that the seriousness of this crime would be reflected in the sentence handed to David Kevin Johnson.

• (1725)

I waited, but these expectations were dashed on December 22, 1995. On that day David Kevin Johnson, who chose to drink, who chose to get into his automobile and as a result killed three members of a family, was given a three and a half year sentence

because the judge said he was bound by precedents which resulted because over time cases had been heard in which defence lawyers had continually chipped away at what was once an appropriate sentence for this crime.

I was outraged that evening when I heard the sentence on the news. Citizens in my community of Prince George were outraged as well, and rightly so.

Public demonstration followed. Later that week there was a demonstration in front of the provincial courthouse. Over 300 people turned out to express their rage, their sense of bewilderment with the failure of the justice system to appropriately deal with this serious crime. People were enraged that such a light sentence could even be considered for such a devastating crime.

The citizens of Prince George were concerned and bewildered about the state of our justice system. Specifically they were concerned about sentencing procedures and practices. Many wondered what could be done to prevent another lenient sentence such as this in the future.

They came to me with their concerns and I heard them. In their view David Kevin Johnson was sentenced to one year for every life he took; one year. To them and to the majority of Canadians, and I sincerely hope to the members of the House, this is simply unacceptable punishment.

Accordingly I looked at the Criminal Code to determine exactly what I could do to change this. What could I do to enhance deterrence and ensure the penalty for this terrible crime would be suitable? My efforts led to the presentation of Bill C-201.

We did a lot of research into alcohol related fatalities and the fact was disclosed that sentencing is extremely lenient when it comes to impaired driving causing death. It is tragically lenient. Statistics show that the average sentence is in the one to four-year range even though the latitude a judge has is from zero to fourteen years. At one time sentences were in the higher range of that latitude. Now because of the system and the way defence lawyers have chipped away at appropriate sentencing, it sits in the very low range of that latitude.

The precedents in law today in no way reflect the seriousness, the tragedy of someone who chooses to drink and drive and who kills a family member, a friend, a neighbour, a Canadian on our highways. Surely life is more valuable.

Sentences handed down today in the courts for this crime, sentences for taking a human life, are not adequate. Drivers are given sentences that are equivalent to those for defamatory libel, possessing a forged passport or dealing in counterfeit money. Surely we must place a greater emphasis on human life. Surely we must do whatever we can to deter people from driving while impaired and killing people. Surely that is the least we can do. That is the purpose of Bill C-201.

Private Members' Business

● (1730)

I sincerely hope all members of the House share with me the tragedy of this crime. The bill seeks to place a higher standard on life. It places impaired drivers on notice that if they take a life because of the choice they have made, they will be subject to serious jail terms.

The lenient sentences that are given out today by the courts of Canada appear to remove the responsibility from the impaired driver who kills. It is as though being impaired allows the individual off the hook, should he or she drive while drunk and kill someone. I argue that this is wrong.

No one forces an individual to become impaired. No one can successfully argue that by any circumstance they are then forced to drive. We are talking about choices. Bill C-201 will hold impaired drivers who kill others responsible for their actions. I remind the House these irresponsible acts are going on all the time. They must stop.

There are some statistics which hon. members will find shocking. In 1994, 87,878 people were charged with the impaired operation of a car, a boat or a plane. It is important to remember this number represents only the people who were caught and arrested. It is estimated that it takes between 200 and 2,000 repetitions of impaired driving to make a single arrest. That means we have no idea of the number of people who are out there today behind the wheel of an automobile while impaired. They can kill.

The true number of impaired drivers will always remain unknown. If the true number were known, I believe there would be a massive outcry, far more than what we are witnessing today, from the people of Canada. If we knew the number of impaired drivers that were out on the streets as we speak, there might be a cry for prohibition, it is so massive. While prohibition is not in the cards, deterrence certainly is.

From the time we woke up this morning until the time we go to bed tonight, four families in Canada will be visited by police officers to be told that a member of their family has been killed by an impaired driver. Think about it. It happened yesterday. It is happening today. It will happen tomorrow and every day. That is the tragedy of impaired driving.

We never stop to think about it until it affects us, until we witness an accident, until a family member, a friend or a neighbour is touched by impaired driving. Who in the House has not been touched in some way? Who in this House has not had a family member, a neighbour, a friend or an associate touched by impaired driving? I would hazard to say there are very few in this House today.

● (1735)

There has been a 40 per cent reduction in impaired driving charges over the last 10 years which can be directly attributed to the harsher way we have been dealing with impaired drivers. Deterrence does work when it comes to impaired driving.

I have talked to many people who previously used to drink and drive who now take taxis or ask friends who have not been drinking to drive them home. I asked them why they changed their habits. Their answer was not that they did not feel capable of driving home but that they were afraid of being stopped by the police and charged. That is clear evidence that deterrence is a factor in reducing impaired driving and in dealing with drivers who drink.

More than ever, drivers are aware of society's contempt for impaired driving and they are aware of how an impaired driving conviction can ruin their chances of ever driving a car again. Nevertheless, as I noted earlier, there remains an untold number of people who continue to drink and drive.

Bill C-201 is targeted at those individuals. By imposing a minimum sentence, this bill will send an extremely strong message that the possible lethal consequences of impaired driving will not be tolerated in this country. The best thing we can do in Canada through this House is to make our impaired driving laws the toughest laws in the entire world. I know it may never get done but by God I will try.

I also put through Motion No. 78 which would see the appropriate sections of the Criminal Code strengthened with respect to impaired driving. This bill and the companion motion will provide a deterrent to keep impaired drivers off our streets, off our highways and out of our neighbourhoods.

There is no question that deterrence is needed. Impaired driving is the most frequent offence dealt with in the courts today. When we consider that impaired driving charges are dismissed or reduced in 40 per cent of the cases, we know that deterrence works and must begin to play a much larger role.

In Ontario impaired charges rose 40 per cent between December 1994 and January 1995. In 1993 in that same province, 565 of 1,315 auto fatalities were alcohol related. In 1994 a total of 1,414 people were killed as a result of impaired driving in Canada. This number is three times higher than the number of people murdered in the entire country in 1994 but the result is the same as murder. Yet impaired drivers who have chosen to get into a vehicle are simply given a slap on the wrist and the result could be that someone is dead as a result of their actions.

I have not talked about the significant financial costs of impaired driving. This is something we have to consider as well. The Ontario Medical Association estimates that it costs \$100 million annually to deal with impaired driving injuries. Our courts spend the

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majority of their time on impaired driving cases. We all know the cost of our court system today. We can quote precise figures when we speak of financial costs. That is easy. We have statistics. However, there is no way of measuring the real human cost when it comes to fatalities as a result of this action.

• (1740)

Of course there is the victim but there are also the victim's family and friends. They are left behind to wonder what they could have done to prevent the tragedy: "Should I have told my friend, my daughter, my husband or my wife to come home earlier, to not go out that night?" Tragically, it is the human cost.

This bill has the support of many organizations including Mothers Against Drunk Driving, Ontario Students Against Drunk Driving, Ontario Community Council on Impaired Driving, Young Drivers of Canada, Families and Friends Against Drunk Driving and Margaret Rywak, chair of the Nepean Committee Against Impaired Driving.

This is an issue which concerns all Canadians. I believe Bill C-201 will act as a deterrent and will more properly reflect the seriousness of the crime of impaired driving causing death. I ask all members of the House to understand the seriousness of the tragedy we are talking about and to support this bill.

Mr. Gordon Kirkby (Parliamentary Secretary to Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, some people share the perception that Canada is soft on impaired drivers, that our laws are weak, that our enforcement is inadequate and that our judiciary is unwilling to impose harsh sentences.

No one will deny the tragic consequences of impaired driving. Certainly, as the hon. member for Prince George—Bulkley Valley indicated, there is hardly anyone who has not been touched or who does not know of an instance of an impaired driving tragedy striking in their community or among their family or friends.

When such a tragedy occurs we should focus on the responsible party, on his or her actions, not necessarily on the law. The assumption is always the same, that a tougher law with a more severe penalty would have deterred the driver from drinking and averted the tragedy. This is not the case.

The causes of impaired driving are complex and the solutions to this serious social problem are not simple. One cannot merely increase the harshness of penalties for offenders and expect this alone will stop people from drinking and driving. Impaired drivers are not a homogeneous group. A variety of measures are needed. For example, while fines or jail sentences may deter some people, alcohol dependent persons may be less susceptible to deterrents when sanctions are severe. Treatment might be a more effective approach in such cases.

In the course of the government's review of the problem of impaired driving in the mid-1980s the experiences and research of many countries were examined. All the evidence suggests that legislative amendments must be considered in the broader context of an overall legislative and prevention strategy to deal with the problem of impaired driving. No single measure can provide the answer.

Legal sanctions for example can only provide a partial solution. Increased law enforcement which accordingly augments the perceived risk of apprehension and punishment may have a greater deterrent effect than increased penalties.

Research conducted since 1985 indicates that changing the prevalent social acceptability of drinking and driving has been a more effective preventive measure than any changes in the law or the degree to which it has been enforced.

While there has been a significant reduction in impaired driving since 1980, I know that impaired driving continues to be a problem in Canada. That problem can be attributed largely to a group of high risk drivers who believe themselves to be above the law and immune to tragedy, disaster or detection.

• (1745)

The great majority of Canadian drivers appreciate the risks to themselves and to public safety and have embraced the message both federal and provincial governments continue to promote, that drinking and driving is a serious crime and a serious social problem.

Changing the law and the severity of the penalties is not a silver bullet. It is not the magic solution that will solve all our problems in dealing with impaired driving.

I do not mean to suggest the law does not have an impact on impaired drivers. Canada has in place strict laws and tough penalties. The Criminal Code comprehensively addresses a variety of impaired driving offences and sets out a range of punishments in accordance with the severity of the offence.

Moreover, the impaired driving provisions provide one of the very few examples in the Criminal Code where a minimum sentence is provided. The following minimum punishments are provided for the offences of impaired driving, driving over .08 and refusal to provide a breath or blood sample. For the first offence the fine is \$300; for the second offence, imprisonment for 14 days; for each subsequent offence, imprisonment for a minimum of 90 days.

Maximum punishments are also prescribed. Where the offence is punishable by summary conviction the maximum punishment is

six months imprisonment. For indictable offences, the maximum term of imprisonment is five years.

The minimum punishment for a second conviction is 14 days imprisonment and a mandatory driving prohibition of 6 months. A person convicted of a third or subsequent impaired driving offence, driving over .08 or refusal would be subject to a minimum penalty of 90 days imprisonment and up to six months on summary conviction or five years on indictment and a mandatory prohibition for driving for a minimum of one year and up to three years.

The Criminal code also provides that upon conviction for an impaired driving offence, a mandatory prohibition from driving will be imposed. For the first offence, a minimum of three months is imposed. For the second offence, six months is imposed and for subsequent offences, a minimum of one year is imposed.

Upon conviction for impaired driving causing death or bodily harm, the prohibition from driving may be up to 10 years. These prohibitions are in addition to any provincial licence suspensions which may be imposed in accordance with provincial highway traffic legislation.

Impaired driving causing bodily harm is an indictable offence and carries a maximum of 10 years in prison and a maximum 10-year prohibition from driving and an unlimited fine. The offence of impaired driving causing death carries a 14-year maximum term of imprisonment and a 10-year maximum prohibition from driving and an unlimited fine.

The penalty imposed on a person in respect of an accident in which death or serious bodily harm has occurred is based on fault. In other words, the impaired driving must be the cause of the bodily harm or death, and therefore the penalty should be proportional to the seriousness of the act that caused the death or bodily harm. This is why there is no mandatory minimum sentence for impaired driving causing bodily harm or death.

The bill before the House today would amend subsection 253(3) of the code to provide a minimum of seven years imprisonment and would retain the present maximum of 14 years imprisonment.

I cannot support such an amendment. I applaud, however, the hon. member's intention to raise awareness about the tragedies caused by impaired driving and to further deter such criminal behaviour. A minimum sentence will not in my view accomplish this. It is inconsistent with the sentencing principles and the philosophy within the Criminal Code.

Moreover, there is a great danger that the minimum sentence proposed will become the ceiling rather than the floor and all sentences for impaired driving causing death will hover around seven years rather than permitting judges to properly exercise their discretion and frame the sentence to address the severity of the

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crime, with the offender's impaired driving record and countless other factors taken into account in sentencing.

Upon proclamation of the sentencing bill, Bill C-41, passed by the House less than a year ago, the Criminal Code will include a statement of the purposes and principles of sentencing. As a fundamental principle, a sentence must be proportionate to the gravity of the offence and the degree of the responsibility of the offender.

In addition to this fundamental principle, the Criminal Code will set out additional principles which will apply in the sentencing of offenders convicted of any code offence including impaired driving offences.

● (1750)

These principles include that a sentence should be similar to sentences imposed for similar offences committed in similar circumstances in order to promote consistency of sentences that an offender should not be deprived of liberty if less restrictive sanctions may be appropriate and that all available sanctions other than imprisonment that are reasonable in the circumstances be considered.

The code will also set out the purpose of sentencing. The fundamental purpose of sentencing is to contribute along with crime prevention initiatives to respect for the law and maintenance of a just, peaceful and safe society by imposing just sanctions that have one or more of the following objectives: to denounce unlawful conduct; to deter the offender and other persons from committing offences; to separate offenders from society where necessary; to assist in rehabilitation of offenders; to provide reparations for harm done to the victims or to the community; to promote a sense of responsibility in offenders and acknowledgement of the harm done to victims and the community.

With these principles entrenched in the Criminal Code we should not need to spell out for judges the sentences that must be imposed in particular circumstances. We have given them the guidance to exercise their discretion.

Moreover, we should not support piecemeal amendments to the Criminal Code. When the government proposes code amendments after comprehensive study and consultation, we are often criticized for singling out certain provisions for amendment rather than undertaking more fundamental reforms.

The amendment proposed in Bill C-201 seeks to impose a minimum penalty on a single provision of the code, impaired driving causing death. No similar amendments are proposed for other offences, for example impaired driving causing bodily harm, criminal negligence causing death or bodily harm, or dangerous driving causing bodily harm or death. Therefore I cannot support the proposed amendment.

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I have a letter from Mothers Against Drunk Driving giving six reasons why the bill ought not to be supported. I commend this correspondence to hon. members who may feel otherwise.

[*Translation*]

Mrs. Pierrette Venne (Saint-Hubert, BQ): Mr. Speaker, our highways are often the scene of slaughter. Several thousands of people are injured in highway accidents and many of them die. Drinking and driving is a terrible thing and I condemn those who dare to get behind the wheel of a car in an impaired state. After all, drunk driving is a criminal offence.

That being said, the hon. member for Prince George—Bulkley Valley is today proposing a bill that is supposed to be a solution to the problem of drinking and driving, to the deaths caused by drunk drivers. Bill C-201 would amend the existing section 255 of the Criminal Code by providing for a minimum prison term of seven years for any person who causes the death of another person while impaired and having an alcohol reading over the legal limit. It is important to note that anyone convicted of impaired driving causing death is already liable to fourteen years' imprisonment and, in the case of criminal negligence causing death, to a life sentence.

At first glance, it would seem like a nice idea to support such a bill. However, when we look at the possible consequences of such an amendment to the Criminal Code, we are forced to conclude that this is the wrong remedy. In looking for a solution to the problem, the hon. member for Prince George—Bulkley Valley is getting dangerously close to repression.

The penalty he is proposing is typical of his party's mentality: government by force. One of the favourite phrases of the Reform Party is: "Lock them up and throw away the key!" To hear them, every day brings a new crisis. The real crisis is misinformation and it has been with us since the Reform Party was elected. Its members peddle dubious ideas about criminality in the country, doctor statistics and start people worrying. The individual cases they tell us about do not reflect the reality around us. They exploit tragic situations to score cheap political points.

• (1755)

The Reform Party grabs every opportunity to get more media exposure. They feel that by taking up the time of this House, they will project the image of a party that offers pragmatic solutions to the problems of our society.

They want to restore capital punishment for adults and teenagers. They want minimum sentences for repeat offenders, whatever their offences. They want to lower the age of adolescence from 12 to 10 years. They do not want 16-year olds to have the right to vote, but they want them treated as adults should they commit an offence. There are many preposterous examples. We only have to look at the Order Paper to realize that the Reform Party is getting desperate.

I expect one of them in the near future to propose that our child care centres be turned into detention centres for prejuveniles, since early signs of delinquent behaviour can be detected in kindergarten.

Bill C-201 is a good example of their lack of vision. By incarcerating for a minimum of seven years those convicted of impaired driving causing death, Reformers think that they will eliminate the endemic problem of drunk driving. Nothing could be further from the truth. The problem of drunk driving can only be solved if all levels of government focus on prevention and education.

In this regard, it is important to point out that impaired driving offences continue to decline year after year. The number of people charged with impaired driving has been falling every year since 1985. This annual reduction is around 6 per cent. This drop is, I think, mostly attributable to the campaigns against drunk driving being waged throughout Quebec and Canada. These awareness campaigns have helped people understand that drinking and driving is socially unacceptable. It must also be noted that road checks do a lot to deter people from drinking and driving.

On the other hand, I seriously question the deterrent effect of increasing the minimum sentence. I would like to point out that a working paper prepared by the justice department on minimum penalties in general concluded that, on the whole, the public was not aware of which offences carry the minimum mandatory penalty.

The same document also shows that, as a disincentive, minimum mandatory penalties have very little impact on whether or not the offence for which a more severe penalty is considered will be committed. Robbery is a case in point. Worse yet, juries are said to be less inclined to return a guilty verdict when they know that the offence the accused is charged with carries the minimum mandatory penalty.

This means that the bill put forward by the Reform Party member will do the exact opposite of what it was intended to do. If indeed juries are less inclined to return guilty verdicts in such circumstances, they will necessarily acquit the accused, who will then be free as a bird. Ironically, in his attempt to put more people behind bars, the hon. member may end up facilitating their acquittal.

On the other hand, if convictions are secured, another serious problem will arise. Imposing a minimum mandatory penalty will make the prison population increase substantially. The hon. member seems to believe naively that detention centres will be able to accommodate this larger number of inmates. He is completely out of touch with the reality.

There is no way of knowing what impact his bill will have on the number of convictions that could result from the application of this provision. Let us not forget that a chain is only as strong as its weakest link. If the hon. member intends to increase the minimum

penalty, he can expect the prison population to increase dramatically and the present infrastructure to fail to accommodate yet more inmates. Also, any increase in prison population will involve an increase in related costs.

• (1800)

Will the hon. member tell this House, in all honesty, how much his bill will cost, if passed, given that, in 1992-93, the average annual cost to keep an inmate in a maximum security facility was \$56,000, and \$110,000 in a medium security facility.

This money should be spent wisely. If money has to be taken out of the public purse, let it be used on education and prevention. Especially since prevention and education always come at a lesser price, in terms of both money and lives.

In conclusion, as regards the argument that judges tend to be too lenient regarding these offences, I refer hon. members to the decision made in March 1995 by the Quebec court of appeal in the Houle vs. Regina case.

The individual pleaded guilty to charges of criminal negligence causing the death of a person, criminal negligence causing bodily harm to four people, and driving a vehicle with a blood alcohol level higher than the authorized limit.

In order to make a proper decision, Justice Delisle reviewed 158 decisions made by various courts of appeal in Canada between 1985 and 1995 regarding similar cases. He refused to reduce the sentence imposed, except to take into account the period of preventive detention. Marc-André Houle received the following concurrent sentences: five years in prison and driver's licence suspended for eight years for criminal negligence causing death; three years in prison and licence suspended for five years for criminal negligence causing bodily harm; one year in prison and licence suspended for six months for driving with a blood alcohol level higher than the authorized limit. The fact is that courts do apply the principles of sentencing with rigour. I continue to trust our courts of justice. Again, demagoguery has no place in criminal law.

[English]

Mrs. Daphne Jennings (Mission—Coquitlam, Ref.): Mr. Speaker, just before I start I would like to mention that the Liberal member spoke about all these laws on the books and how they were being given out as sentences and penalties. The whole reason we are here today is because these things are not happening. There are thousands of cases where they are not receiving penalties and not even being incarcerated. It is a very serious matter and I really hate hearing someone misquote the facts when so many people have been hurt.

Regarding the Bloc member who just spoke, her disparaging comments about the Reform were not too pleasant to listen to, but

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apart from that was her charge on the cost of incarceration. What about the cost to all of the people who are hurt by impaired drivers? Let us get realistic here. I am really tired of the misconceptions uttered by members in this House who should really be committed to honesty at all times.

Bill C-201 deals with amending the Criminal Code to impose a seven year minimum sentence for those convicted of impaired driving causing death.

Mr. Kirkby: Mr. Speaker, I rise on a point of order. The hon. member speaking is raising a question about the honesty of hon. members. There have been—

The Acting Speaker (Mr. Kilger): I take the intervention from the hon. parliamentary secretary very seriously, but respectfully he is engaging in debate.

Mrs. Jennings: Mr. Speaker, I hope I will be allowed the time I need to finish my speech.

At present, section 255 of the Criminal Code provides a 14-year maximum penalty for this offence causing death. However, the type of sentencing we have seen in Canada has been six months, one year, two years and, in many cases, no incarceration at all.

• (1805)

Bill C-201 is placed before the House by my friend and colleague, the hon. member for Prince George—Bulkley Valley. The amendment proposed by the bill would impose a seven-year minimum sentence in section 255, up to a maximum of 14 years.

Is this amendment needed? Do we have a serious problem in Canada with impaired drivers causing death?

Perhaps at this time I should provide the House with some shocking facts. A portion of these facts were already given to the House by my friend from Prince George—Bulkley Valley, but they are so serious we should hear them again. Apparently members of the House do not believe them, do not think they are worth listening to or do not think they are important enough for us to do anything about them. That, to me, is really shocking.

In 1994 over 87,000 people were charged with the impaired operation of a car, a boat or a plane. Notice that trains are not included. We know that impaired train operators have caused death in North America.

In 1994 over 1,000 people were killed as a result of impaired driving. That is three times higher than the number of people who were murdered.

Ninety per cent of impaired drivers are primarily responsible for the fatal crashes in which they are involved.

Out of 1,315 auto fatalities in 1993 in Ontario, 565 were alcohol related.

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In answer to those in the legal profession who try to create sympathy for the impaired driver by saying that he or she is a law-abiding citizen, that in itself is a contradiction of terms. Or they say that it is a once in a lifetime error in judgement or that they do not usually drink.

To judges, who must pass sentences, here are the myths. Myth: The impaired driver is a law-abiding citizen. Fact: Forty per cent to 70 per cent have had prior alcohol related offences.

Myth: The impaired offence represented an isolated error in judgment. Fact: It takes 200 to 2,000 repetitions of impaired driving to produce one arrest.

Myth: Impaired drivers are non-problematic social drinkers. Fact: As high as 85 per cent of first offenders have had problems with alcohol.

Myth: Remedial education could alter an individual's decision making related to impaired driving. Fact: Remedial education by itself is not an effective intervention. It depends on if the impaired driver has a drinking problem and what form that remedial education took. If an alcohol problem is present, then an alcohol remedy is necessary. I would hope that any program in remedial education would involve the AA philosophy, a well recognized authority in successfully dealing with this illness.

Judges and members of the legal profession need education on alcoholism.

We had a victims' rally in B.C. hosted by my fellow Reform MP from Fraser Valley West. Over 2,000 concerned Canadians were there.

The victim speaking from my riding was Betty Cyr. Betty and her husband Gary lost their daughter Sherry to a drunk driver. Others in my riding could have spoken as well in memory of their loved ones who are now dead because of drunk drivers.

I want to share a letter with the House from one such parent, Kate Verhulst, who lost her daughter to a drunk driver. It reads:

On August 10, 1995, my daughter Cindy Verhulst was travelling home with two friends from seeing the fireworks in Vancouver. At the corner of Seventh Avenue and Hurd Street, an impaired driver plowed into the car Cindy was a passenger in. We know that the impaired driver, Geoffrey deJong, had seven roadside suspensions prior to this crash. He was speeding, ran the light and was in the wrong lane. My daughter didn't have a chance. On August 14, 1995, Cindy died surrounded by her heartbroken family, especially her twin sister Sharleen who held her to the very end.

Geoffrey deJong is still drinking and driving. He has been charged with impaired driving causing death one count, impaired driving causing injury two counts, dangerous driving causing death one count, dangerous driving causing injury two counts, and driving over .08—He did not lose his driver's licence. The

preliminary hearing will be June 27, 1996, the trial will be set for late 1997 or early 1998. In the meantime he has the opportunity to kill again. We know that even if he is found guilty on all charges, if the Prosecutor does not plea bargain—

—and plea bargaining is one of the major problems—

—he will serve in actual jail time approximately six months. At present he is still an alleged drunk driver, yet my daughter is not allegedly dead. If he had shot her or stabbed her, this case would be treated as a serious crime, would she be more dead? One of the surgeons at Vancouver Hospital told me that Cindy would have had a better chance against a gun.

I would like to know why the court process is so slow, and why the man who killed my daughter has all the rights and freedoms he robbed her of. I would like to know why this is the only crime that is referred to as an accident. How can a person accidentally commit a crime? I would like to know why the courts treat these cases so lightly. I would like to know how many people deJong will kill before he is stopped. I would like to know why he was given seven road-side suspensions. Isn't it obvious that he was and still is a habitual impaired driver? I think he is a dangerous offender, in that he continues to commit the very crime that killed my daughter.

We need tougher laws against drunk/dangerous drivers, and tougher enforcement of these laws. There should be a minimum sentence required that judges have to adhere to. Impaired/dangerous drivers will injure and kill more people than all the guns, knives and other weapons put together. We have swifter justice for parking violations. What will it take to implement the changes needed?

Kate Verhulst.

• (1810)

I agree with Cindy's mother. There should be a minimum sentence to which judges must adhere. My hon. colleague's Bill C-201 would do just that. I believe it is impossible for any of us here today to know how all-consuming is the distress, hopelessness, frustration that a victim must live through for the rest of their lives when a loved one is taken from them, in this case at the hands of a drunk driver.

Why should the drunk driver or the impaired driver not be held responsible for his or her actions? Because we must all be held accountable for what we do.

Unfortunately past governments were responsible for telling Canadians they deserved everything and did not have to pull their weight or help others or be responsible. The charter of rights and freedoms is responsible for many court actions. Minority groups, anyone who feels hard done by, can go to court claiming hardship in one way or another against them. That charter is for people who continually think me, me, me.

One can initiate court action if the opposite sex whistles at you, if a prisoner slips and falls while playing racquetball in prison, if a restaurant serves coffee that is too hot and a customer spills it, if a citizen drinks too much and then dives into unknown waters. It is always the fault of someone else. No one has to be responsible for his or her actions any more in our country.

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We used to be. There was a time in Canada when parents taught their children to stand on their own two feet, respect others and contribute to your country. I believe the charter must be amended to read the charter of rights, freedoms and responsibilities.

Anyone who drinks and drives has a choice. It is a choice they make to drink. It is a choice they make to drive. What choice did the victim have? None. Absolutely none.

If the statistics are to be believed many who drive under the influence of alcohol may have a drinking problem. I state here in this House alcoholism is a disease, not an excuse. Because we are sick does not mean we are no longer responsible for our actions. It is time lawyers and judges, those representing the law and the rights of Canadians, realize everyone must be held accountable for his or her actions.

Only if we as a society insist on this response will we begin to reverse those terrible statistics that I read earlier. First, the impaired driver must receive a sentence that is in keeping with the seriousness of the offence. When we kill others we do not make excuses. We have to be held accountable. A minimum sentence of seven years for impaired driving causing death removes the drunk driver from our roads and if he or she has a drinking problem it gives them ample time to make a serious decision regarding the terrible consequences of their actions.

There are AA programs in prisons—volunteers will come in on a regular basis—run by recovered alcoholics who volunteer their time. These men and women are the experts. It does not cost the taxpayer anything extra. AA has a proven track record for alcoholics who admit they have a problem and are willing to deal with it.

I ask the members of the House, please consider Bill C-201. Let us know longer make excuses, blame others for our actions or kill with no penalty.

Mr. Rex Crawford (Kent, Lib.): Mr. Speaker, it gives me great pleasure to speak in complete support of Bill C-201, an act to amend the Criminal Code (operation while impaired).

I was honoured to co-sponsor this bill along with several of my Liberal colleagues. I have always been of the firm conviction that if it is a good idea I will support it.

The fact that this bill was introduced by my colleague, the hon. member for Prince George—Bulkley Valley of the Reform Party, supposedly my opponent, has nothing whatsoever to do with the fact that Bill C-201 is a good bill, worthy of approval by all Canadians and by all political parties.

• (1815)

As members have mentioned, the issue of drunk driving causing death is one of great concern to Canadians. By imposing a minimum sentence of seven years for impaired driving causing

death and changing section 255(3) of the Criminal Code, this bill will address these concerns.

Currently there is a 14 year maximum sentence available but how often is that imposed? It is similar to our old gun laws, some of the toughest in the world, but never enforced by a lenient justice system.

I highlight the fact that this bill was supported not only by members of all parties, but even more important by organizations such as Mothers Against Drunk Driving and Students Against Drunk Driving. I had the privilege of meeting Jane Meldrum, the president of MADD Canada, at the news conference announcing this bill. I can fully appreciate and sympathize with her commitment, duty and obligation to raising public awareness on the issue.

The current section in the Criminal Code allows a maximum sentence of 14 years for this horrible crime but that is rarely, if ever, imposed by the courts. Indeed, most sentences are for one or two years even with a previous conviction. That is a joke. Bill C-201 will change that and will better reflect the concern and apprehension of Canadians.

I know we are all pleased that since 1993 the rate of persons charged with the impaired operation of a motor vehicle, vessel or aircraft per 100,000 persons 16 years and over has decreased 7 per cent. It is the 11th straight year of a decrease. But the age of the group with the highest rate of charges was that between 25 and 40 years. The single largest group charged was the 30 to 34 age group. Obviously we must do a better job in educating our young people while still in high school.

The number of drinking and driving fatalities have decreased over the years due to the improvement of general road safety, lower speed limits, increased enforcement and improved vehicle safety such as airbags. However, these facts do not help the families tragically torn apart by a drunk driver.

The hon. member for Prince George—Bulkley Valley outlined an example in his own riding where three family members were killed by a drunk driver with previous convictions and who was sentenced to only three and a half years. People are justifiably outraged at these kinds of sentences as they do not at all reflect the views and concerns of average Canadians.

It should be noted that sections of the Criminal Code dealing with impaired driving were amended in 1985. Basically all punishments were increased and several new offences were introduced. The new offences were impaired operation causing death and impaired operation causing bodily harm. While it is rare for me to do so, I congratulate the former Conservative government for these reforms.

All the punishments however, including the maximum 14 year sentence for drunk driving causing death, are only guidelines. Judges are free to set any sentence. For example, in Prince Edward

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Island almost all persons convicted of drunk driving are sent to jail as opposed to Quebec where probation is the leading sentence.

The U.S. transportation research board has suggested a tough crackdown on repeat drunk drivers which would include impounding vehicles and police stake outs of people convicted of DUI. The board's committee said current policies in Canada have been effective in discouraging most people from drinking and driving, but there remains a group of persistent drinking drivers who do not appear to be deterred by the threat of social disapproval or legal punishment.

• (1820)

According to the report, repeat offenders are four times more likely than other drivers to take part in a fatal traffic accident. Twelve per cent of drivers involved in alcohol related crashes had at least one prior conviction.

There was an interesting and revealing study published by the *New England Journal of Medicine* in August 1994 entitled: "The risk of dying in alcohol related automobile crashes among habitual drunk drivers". It speculated that persons arrested for drunk driving may be at an increased risk for death in the future in an alcohol related car crash and that people who drive while intoxicated do so repeatedly. The deaths of drivers in those types of accidents were studied over a 10 year period in North Carolina.

The scientists linked about 3,000 drivers to their driver history files. Their conclusions are common sense but revealing nonetheless. Their study showed that aggressive intervention in the cases of people arrested for driving while impaired may decrease the likelihood of a future fatal alcohol related crash.

In the United States, motor vehicle crashes are the leading cause of death among people one to 34 years of age. Almost 50 per cent of all traffic fatalities are related to alcohol. Furthermore, 40 per cent of the people in the U.S. will be involved in an alcohol related crash at some time during their lives.

The *New England Journal of Medicine* report suggests that drivers who die or cause death in alcohol related crashes are more likely than other drivers to have been arrested previously for drunk driving. As well, they tried to determine whether the association with death in a drunk crash increases with the number of arrests for drunk driving.

The U.S. study proves beyond a shadow of a doubt that the strength of association between arrests for driving while impaired and alcohol related deaths increased dramatically as the number of arrests increased from one to two or more.

The study had a number of strengths including the completeness with which alcohol level information was collected and reported to the North Carolina medical examiner system. I want to quote from the study: "The likelihood that an alcohol impaired driver will be

arrested is between 1 in 250 and 1 in 2,000. Therefore, strategies to combat drunk driving must reach beyond the drivers who have already been arrested. Our results suggest that effective intervention when drunk drivers are arrested could reduce the number of alcohol related deaths. Since the association between arrests for driving while impaired and deaths increases substantially with the number of arrests, it is important to intervene after the first arrest. Such an arrest may thus present an important opportunity to decrease the risk of death from a future alcohol related crash".

I can offer no better reason to support Bill C-201 and its stronger sentences than the August 1994 report of the highly respected and honoured *New England Journal of Medicine* with its stellar reputation for integrity and principles.

There are similar figures available for Canada. In 1994 in this country 87,838 people were charged with impaired operation of a car, boat or plane, and 1,414 people were killed as a result of impaired driving, three times higher than murder. Ninety per cent of impaired drivers are primarily responsible for the fatal crashes in which they are involved. Out of 1,315 auto fatalities in 1993 in Ontario, 565 were alcohol related.

Bill C-201 is worthy of support by all members of the House. We are here to represent our constituents and I firmly conclude that a majority of Canadians would support this bill and the measures within. It is a votable bill and I will certainly be voting in favour of it because it is a good proposal and partisan politics have no place in private members' business.

The Acting Speaker (Mr. Kilger): The time provided for the consideration of Private Members' Business has now expired. The order is dropped to the bottom of the order of precedence on the Order Paper.

ADJOURNMENT PROCEEDINGS

• (1825)

[English]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

EMPLOYMENT

Mr. Len Taylor (The Battlefords—Meadow Lake, NDP): Mr. Speaker, last week the human resources development minister responsible for the unemployment insurance fund said some pretty incredible things that greatly concerned me. I am concerned because I think the spoken words underline a complete misunderstanding of the needs of Canadians and a misunderstanding of his own ministerial responsibilities.

In the House of Commons the minister responded to a question I asked him by accusing union leaders of forcing ordinary people into the streets of New Brunswick with “all kinds of false and erroneous information to exploit them”. In answer to another question he said that union leaders should “stop exploiting vulnerable people in our society”. I wonder who is exploiting whom.

The people of New Brunswick have had a lot to say about the changes being forced upon them by this government, not the least of which have been the changes to the unemployment insurance fund. We all know that the fund itself is in a surplus position because the government has cut the benefits and restricted eligibility. Where some 70 per cent of the unemployed used to receive benefits, now only some 40 per cent are eligible. At a time of high unemployment, one would expect the insurance fund to be in a deficit but this government is forcing the surplus position and that can only be achieved by exploiting the people who need it the most.

Perhaps the minister has not noticed but the people of New Brunswick and the people of other parts of Canada have noticed and they do not like what they see. Perhaps the minister has not noticed or perhaps he does not care, but ordinary, real people do not go out on to the streets, take up placards and demonstrate against their government unless they are frustrated and angry.

Those are words that accurately describe the feelings of the people who are out on the streets of New Brunswick. They are frustrated and they are angry at the changes being forced upon them. They are also the ones who are driving the demonstrations. They are demanding that their leaders do something about the issue.

Perhaps the minister has not noticed but the democratically elected leaders and those who work for them have recognized this frustration, this anger and this need for social programming that the ordinary, real citizens of New Brunswick and elsewhere have expressed.

The minister has chosen to attack his opponents instead of their ideas possibly because he has no real response to those ideas. If cutting the program and building a surplus in the fund to eventually apply against the national debt is the government's goal, then it is doing fine. However, if it is working with people through the difficult times between jobs or working with the economy to create the jobs needed to put people back to work, then it has failed miserably and it must be held accountable.

When the minister is asked to be accountable, he responds by questioning the credentials of those who express their concerns. When the head of the Canadian Labour Congress asks to be heard and asks for a meeting, the minister says: “I would not speak to Bob White if he was standing in the middle of the Sahara Desert with a glass of cold water and I had been there riding a camel for two weeks and was dry as a bone”. What kind of an insulting comment is that?

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Certainly the minister has a responsibility to meet with and discuss the important issues of his department with the people who are democratically elected to represent the people most affected by the decisions of that department.

I remain concerned that the minister has failed to understand that the real people of New Brunswick and other parts of Canada who are unemployed but want to work are simply looking for work. In the absence of work, they want to know that the insurance program they support will be there to support them. When the large profitable corporations are shedding jobs and the federal government is not there to protect them, they are going to turn to their other representatives for help.

I ask the minister to reconsider his comments and tell us that he will work to design an employment insurance program that benefits, not penalizes, those whose only real goal is to find and maintain a decent job.

Mr. Robert D. Nault (Parliamentary Secretary to Minister of Human Resources Development, Lib.): Mr. Speaker, I take great pleasure in having the opportunity to comment today.

As a unionist myself, one of the problems I encounter on a regular basis is which hat does Bob White really wear? Does he wear the hat of the CLC or does he wear the hat of the NDP? That is probably one of the reasons union movements in Canada today are in such disrepair and have so little time for governments to listen to them. We do not really know whether they are part of the NDP movement or part of the real union movement, which people are looking for.

• (1830)

The issue of the union's lack of interest and solutions was brought up again today in committee. One of the affiliates of the CLC made a presentation of the ideas the member talks about. The conclusion of the ideas was to scrap the bill.

From my experience when I organized anything that took place in the union movement, the whole objective was to make sure we had our voice heard, that we had recommendations and ideas to put forward. From there we would want to meet with somebody.

What Mr. White has done, and I agree with the minister, is he has not given us any ideas to this point. He is just interested in playing politics on the backs of a lot of people who are very concerned about the EI changes.

If the member wanted to be helpful he would say to his friend Bob White, the executive of the NDP, that he should give us some ideas and some recommendations, come to the committee with them instead of what we heard this morning from one of their affiliates to simply scrap the bill. Anybody in their right mind knows that is not any idea or recommendation. A lot of Canadians have had a problem with the CLC for a long time. Those of us in the

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union movement can say we are tired and are not willing any longer to put up with people like Bob White.

I recommend to the member and I say to the minister that he should condone those individuals. He should not stop saying the things he says because there are a lot of people like us out there who believe Bob White is doing a disservice to working men and women.

We will be having the CLC come forward in the next couple of weeks to make recommendations. I hope they are recommendations, not just political rhetoric, which is what we heard so far.

If the member thought the orchestrated demonstrations by union leaders in Atlantic Canada were being helpful and that they would make changes based on that, he should look at what happened in other jurisdictions as far as the union movement is concerned.

Nobody is paying any attention to labour because of comments like that and comments by Bob White. I hope they will change that approach and that we get back to doing business in the labour movement with governments no matter which stripe they represent.

[Translation]

GOVERNMENT BUILDINGS

Mr. Gilbert Fillion (Chicoutimi, BQ): Mr. Speaker, last Thursday I asked a question of the Minister of Public Works and Government Services concerning the relocation of Revenue Canada offices from Hull to Ottawa.

In her attempt to respond, the minister cast some doubt on the transparency of the process in admitting that every effort was being made by her department to have an open and fair process in the call for tenders.

The minister offers us no guarantee that would allow us to be sure all efforts have been expended to ensure transparency and equity in the process. Moreover, does this not make this government appear to the public to be the one with the least transparency?

Once again, the Liberal government has done nothing to restore public confidence. It is now a known fact that it has not been successful in curbing the lobbyists. Yet, when the Liberals were the opposition, they were tearing their hair out over transparency. The famous red book is getting a paler and paler shade of red as more and more promises are not kept.

This is a striking example of a policy with a double standard. How can the minister state that the processes are open and equitable? Why do Quebec property owners have to get tied up in government red tape, while Ontario landlords do not?

A number of questions come to mind. Could barefaced patronage be involved? Is somebody getting paid back for a favour?

A relocation such as this, involving 800 federal employees, is a luxury we could easily do without at this time. Quebec business owners have the same rights as those in Ontario. In particular, they have the right to receive the same treatment as their neighbours in Ontario.

If the minister says that the process put in place by her government for awarding accommodation is open and transparent and that it is intended to ensure equal access to all regions and to all businesses across the country, then she should suit the action to the word. She should go ahead.

The Bloc Québécois is not opposed to calls for tender. The Bloc Québécois would like to see a straightforward and transparent process, free of lobbyists, that leaves no discretionary authority to the minister and that will ensure equity and equality for everyone.

The Bloc Québécois would particularly like access to different government contracts to be based, I repeat, on equity and equality.

[English]

Mr. John Harvard (Parliamentary Secretary to Minister of Public Works and Government Services, Lib.): Mr. Speaker, contrary to what the hon. member opposite might say, there is no conspiracy against landlords on the Quebec side of the river. This lease in question for Revenue Canada's information technology branch is being tendered in a completely open and fair manner and according to normal procedures.

The member said in his remarks that he wanted a guarantee of openness and transparency. He has it.

What the hon. member must understand is that each requirement for space is considered by the Department of Public Works and Government Services on a case by case basis. The department then proceeds in the most appropriate manner based on the needs and constraints of the client department involved.

Decisions about obtaining office space are based on an number of factors. These include the length of the lease required, the cost of moving the client department, how much investment has been made in the location, government downsizing, security requirements, accessibility to the public, to name a few.

The bottom line in all cases is finding the best possible solution at the lowest possible cost to the taxpayer in an open, fair and transparent manner.

Let us briefly examine the facts of this instance. The lease for the Fontaine building expires November 30, 1996 with no option for renewal while Revenue Canada will have an ongoing five-year requirement for about 1,200 square meters of office space.

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We are proceeding with an invited tender based on a recent market survey. This is one of the normal processes by which we acquire leased space. In the case of the requirement in question there is no reason not to proceed in this fashion. The preferred approach is always the competitive route.

Let me make it clear that the owner of the Fontaine building has been invited to participate and will have an equal chance. If the Fontaine building's offer represents the best value for the crown and the taxpayer, Revenue Canada operations will stay where they are.

Contrary to what the member from Chicoutimi has stated, our purpose in doing this tender call is not to relocate public service employees currently in Quebec to Ontario. Our purpose with this tender call is to ensure that all the property owners in the national capital area who can meet this space requirement have a chance to submit an offer. This is an open and fair process to ensure that we get the best value for the government and for the taxpayers.

Furthermore, the number of employees affected, 750 in this branch of Revenue Canada, represents less than 1 per cent of the total federal public services employment level in the national capital area.

What we are talking about is a process that is fair and open to scrutiny resulting in the best deal for the government and the best deal for the taxpayer. That is the way it should be and that is the way it will be.

[*Translation*]

The Acting Speaker (Mr. Kilger): The motion to adjourn the House is deemed to have been adopted. The House stands adjourned until 2 p.m. tomorrow, pursuant to Standing Order 24.

(The House adjourned at 6.38 p.m.)

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