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OFFICIAL REPORT
(HANSARD)

Tuesday, December 3, 1996

Speaker: The Honourable Gilbert Parent

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HOUSE OF COMMONS

Tuesday, December 3, 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.

* * *

PERSONS WITH DISABILITIES

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, the measure of a society is based on how it includes all of its members in an active manner and how it allows them to participate as fully as possible in life.

Government, communities and individuals must recognize the important role they have to play in addressing the needs of Canadians with disabilities. The issues facing them are not theirs alone.

The Government of Canada has traditionally taken a leadership role in addressing the interests of persons with disabilities. My department offers an array of programs and services geared to providing the support necessary to allow persons with disabilities to live and work with dignity and as independently as possible.

We all have a shared responsibility, all levels of government, all political parties and all Canadians, for providing positive assistance to enable persons with disabilities to participate in the mainstream of society as full and equal citizens.

[*Translation*]

The contribution of persons with disabilities is a valuable one and as a government it is inherent upon us to do our utmost so that

they are never excluded from our society. The loss to Canada would be too great.

Together, the federal, provincial and territorial governments, as well as communities, must look at how best to develop and deliver the programs and services that ensure voices of people with disabilities will always be heard.

Last Wednesday, I took part in the federal-provincial-territorial council on social policy renewal. It was a great day for all Canadians. For we witnessed a new spirit of collaboration between levels of government.

In that room, ministers and representatives from across our country identified Canadians with disabilities as one of our key priorities.

[*English*]

I assure members the ministerial council is seeking practical and concrete ways to meet their needs. Through this environment of trust, openness and mutual respect, we will be able to work in partnership to develop measures that will improve programs and services for persons with disabilities.

My federal, provincial and territorial colleagues are committed to working together to harmonize our approaches to better serve the needs of Canadians with disabilities. Federal, provincial and territorial working groups are looking at various options that we can bring back to first ministers in the coming months.

The task force on disability issues, chaired by the member for Fredericton—York—Sunbury, is another valuable contribution on which we can build. It provides the Government of Canada with some valuable information and direction for its activities as well as those it undertakes in partnership with other levels of government.

I am looking forward to developing some substantial measures in collaboration with my federal, provincial and territorial colleagues in response to the issues identified in the task force report.

I am continuing to discuss with my cabinet colleagues actions we can take in collaboration with provinces and the disability community to meet the needs of Canadians with disabilities. Progress is being made on a continuous basis.

[*Translation*]

Canada can play a leading role in the international community to ensure that the needs and aspirations of people with disabilities

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will be met. We have made great strides in the past few years, but we all recognize that much more must be done.

• (1010)

Mr. Maurice Bernier (Mégantic—Compton—Stanstead, BQ): Mr. Speaker, I would like to take this opportunity, on this International Day of Disabled Persons and in what is known as the Week of Disabled Persons in Quebec, proclaimed for the first time this year, to pay tribute to disabled persons across the country who, faced daily with their disabilities, need tremendous courage not only to overcome these disabilities but also to overcome the barriers facing them in their personal and professional lives and in their social activities.

I also wish to pay tribute to the families who are responsible for their care. Families take on these responsibilities in sometimes difficult circumstances and in many cases have to face the same restrictions as the individuals for whose care they are responsible, which may be an emotionally draining experience.

Finally, I would also like to pay tribute to the volunteers who are active in all kinds of organizations to support and promote the rights of disabled persons so that our society will become more open in this respect, and who also provide better services at a time when most, if not all governments are reducing their involvement in this area.

When I heard the Minister of Human Resources Development make a speech which basically only paid lip service to a number of principles, I was disappointed, but I also consider this further proof of this government's contempt for the disabled.

Mr. Pettigrew: Oh, come on!

Mr. Bernier (Mégantic—Compton—Stanstead): I suggest that the minister take a deep breath and listen to what I have to say. I have worked with disabled persons for many years, and I do not need any advice from a political upstart who does not do his homework and does not know what he is talking about.

To prove this, I have two documents that I suggest he read carefully. The first one is the report of the human rights committee, tabled in this House in 1995. The report was unanimous, in other words, it had the support of the members of this government and the members of the official opposition.

Mr. Speaker, I see the minister—

Mr. Bernier (Gaspé): Mr. Speaker, on a point of order.

I am sorry to interrupt my hon. colleague, but everyone here in this House saw the Minister of Human Resources Development give the finger to the member who was speaking. This kind of behaviour is entirely unacceptable, especially since the subject he is discussing, persons with disabilities, deserves all due respect.

I hope the minister will apologize and there will be no more incidents like this one when we are discussing such a serious topic.

Mr. Bernier (Mégantic—Compton—Stanstead): Mr. Speaker, I think the minister's gesture only discredits the minister and underscores the lack of substance in his message and his failure to act in this area.

I shall, if I may, get back to the subject of my speech. I said the minister should read the 1995 report of the human rights committee tabled in this House a year ago in December. This unanimous report was endorsed by the members of his party, the government party, by the members of the opposition and the members of the Reform Party. It provided a concrete response to the demands of persons with disabilities.

• (1015)

Almost a year later, his predecessor decided to use taxpayers' money to set up a partisan committee, which fortunately was joined by representatives of groups of people with disabilities from all across Canada. This committee tabled its report in October. Here is what the Liberal group, the minister's group, said in the first few pages of its report, which the minister has not read—as his comments clearly show. The report says: "While their arguments have been listened to at the political level and by governments, there has been a growing gap between saying and doing".

A little further along, the report states: "At the federal level", this is the Liberals talking, "responses to the report tabled by the human rights committee in 1995 have been equivocal and in some cases non-existent". The response to the framework document, the latest report of the Standing Committee on Human Rights and the Status of Persons with Disabilities intimated that the status quo was good enough. This is the government's response.

And what do they have to say? All puffed up today, the day of persons with disabilities, the minister offers us six or seven pages worth of his desire for governments, various provinces and various departments to co-operate. People with disabilities do not want co-operation, they want action, they want constructive action.

No one is expecting the minister to introduce measures during the election campaign or in version two of the red book; they want action now. However—and I will close on this—the minister's response appears on the first page. You have to read between the lines. On the first page, the minister says: "The measure of a society is based on how it includes all of its members in an active manner—". Fine lip service. The paragraph concludes: "The issues facing them", people with disabilities, "are not theirs alone". That is the government's response. In other words, line up and, when your turn comes along, maybe we will attend to you, if

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we have the time. This is not how the official opposition sees things and this is not what we are going to defend in the weeks to come.

[English]

Mrs. Sharon Hayes (Port Moody—Coquitlam, Ref.): Mr. Speaker, it is a privilege to speak today on behalf of my party, the Reform Party, on this international day to recognize persons with disabilities, particularly in Canada.

Many Canadians with disabilities face many unique challenges each day of their lives. Even in Canada where many external changes have been made to facilitate life for persons with disabilities it takes a level of courage for persons with disabilities to accomplish many of the tasks that other Canadians too often take for granted.

Today I pause as I talk about a faceless mask called persons with disabilities because, as is the case with all Canadians, each of these people with disabilities is unique, and each one has their own disability with its own individual challenges.

When developing public policy we typically talk only about a group of people called persons with disabilities. In that it is too easy to develop one program or one system which is supposed to help that faceless group which has been classified as disabled rather than recognizing the uniqueness of each person's circumstance.

Unfortunately this appears to be the way Ottawa has treated persons with disabilities for decades. It is hardly surprising that a recent report released by the federal task force on disability issues discovered a high level of frustration and some anger among persons with disabilities in Canada.

Lately we have heard the needs of the disabled are being addressed as a priority in the deliberations of the federal-provincial-territorial council on social policy renewal. I believe the needs of disabled persons are far more likely to be met by provinces or levels closer to those individuals that can tailor those services more specifically to the needs of those citizens.

The direction for the solutions for the disabled should be in the hands of provinces or levels even lower than that. The control of and the decisions on these important issues should be made as close to the people as possible to avoid the duplication of bureaucratic costs, needless costs which we too often see in this place.

• (1020)

We need to empower communities. We need to empower families in order that they may address the uniqueness of the disability and of the individual.

Not so long ago in this House we voted on a private member's motion, Motion No. 30. That motion stated that the government should consider amending the Income Tax Act to provide a caregiver tax credit for those who provide care in the home for preschool children and the disabled. That motion looked to the

specific needs of the disabled in order to empower the family looking after the disabled person, which in turn would empower that individual. Unfortunately, the front benches of the government rejected that motion outright. The government said that was not in its plans.

This government refuses to leave money in the hands of the people who can use it with the greatest wisdom. The government continues to believe that it has the solutions for the problems in the homes of this country and for the challenges which disabled people face. I disagree with the government, which feels that all solutions in this nation must come from Ottawa and all solutions must be determined by bureaucracy.

Typically, Ottawa is the source of well intentioned programs, in most cases, but it has the mindset that it is only the federal government which can solve problems. Typically the programs are pulled in a myriad of directions and at the end of the day most programs that are developed lack a substantive review to actually determine if they work. The purpose is too often fuzzy to start with, too influenced by short term demand, perhaps an election call, or perhaps it is a program which reflects the flavour of the month for social programs.

We saw that in the development of the Canada pension plan, which was originally designed to give security to Canadians. That plan has led to untold frustration for the disabled people who must apply for it. It has placed an expense on a public system, which was not originally intended. Again it is an example of a program that has not worked as originally intended. Perhaps governments did not think through the plan and address their real intention.

Government does not solve the problems. Individual Canadians must be allowed to address these problems with a level of support which is closest to their needs.

The report that was mentioned earlier was called "A Will to Act". My hon. colleague in the official opposition mentioned his frustration. I would like to mention my frustration that too often Ottawa acts without achieving the desired results. It is too willing to act without proper evaluation and the end result does not reflect the original intention.

What we need for all Canadians is the will to succeed. We must find the solutions. I believe those solutions are best found not in this place but in the decisions which are made by individual Canadians.

* * *

COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Mr. Paul Zed (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I have the honour to present, in both official languages, the 48th report of the Standing Committee on Procedure and House Affairs

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regarding the associate membership of the Standing Committee on Health.

If the House gives its consent, I intend to move concurrence in the 48th report later this day.

TRANSPORT

Mr. Jim Jordan (Leeds—Grenville, Lib.): Mr. Speaker, I have the honour to present, in both official languages, the fourth report of the Standing Committee on Transport with respect to Bill C-43, better known as the Railway Safety Act.

• (1025)

This fourth report on the bill represents a lengthy process of debate and hearings by members of the all-party Standing Committee on Transport which is chaired by my colleague from Winnipeg South.

It is rewarding to see this important bill take another step forward toward becoming law.

* * *

CANADIAN WHEAT BOARD ACT

Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food, Lib.) moved for leave to introduce Bill C-72, an act to amend the Canadian Wheat Board Act and to make consequential amendments to other acts.

He said: Mr. Speaker, I simply wish to inform the House that in accordance with Standing Order 73(1), it is the intention of the government that this bill be referred to a committee before second reading.

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

* * *

STATISTICS ACT

Mr. Chuck Strahl (Fraser Valley East, Ref.) moved for leave to introduce Bill C-358, an act to amend the Statistics Act.

He said: Mr. Speaker, the national census requires Canadians to include their personal names and addresses on census documents in part so that if they make a wrong or an incomplete statement on the census form they can be prosecuted by the government.

I believe this requirement carries with it an unwarranted distrust of Canadians. Also, since census documents are not anonymous, many respondents are not completely forthcoming with all the information. They feel that if their name is attached to it someone is going to know their history, their income and everything about them that the census takes in as information.

I believe that the information gathered may not be as reliable as it would be in a non-traceable document. I believe there is no good reason for the government to have such detailed personal information about each individual Canadian. Therefore this private mem-

ber's bill would amend the Statistics Act to ensure that Canadians would be able to participate anonymously in the national census. This would lead to both a less intrusive government and a more accurate census.

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

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COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Mr. Paul Zed (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I move that the 48th report of the Standing Committee on Procedure and House Affairs, presented to the House earlier this day, be concurred in.

(Motion agreed to.)

* * *

PETITIONS

YOUNG OFFENDERS ACT

Mr. John Bryden (Hamilton—Wentworth, Lib.): Mr. Speaker, I wish to present a petition from constituents in my riding, calling on the government to reconsider the Young Offenders Act and make such changes that will make sure young offenders are prosecuted according to the nature of the crime and to help deter the type of violent offences that occurred in my riding four months ago when a variety store clerk was shot during an attempted robbery and remains paralyzed from the waist down.

I have before me several petitions involving 22,000 names of people from my riding, ordinary Canadians, who are very concerned that something must be done to change the Young Offenders Act to make young people more accountable for their actions.

[Translation]

ABOLITION OF SENATE

Mr. Bernard Deshaies (Abitibi, BQ): Mr. Speaker, pursuant to Standing Order 36, I have the honour to present a petition signed by 473 people in the riding of Abitibi.

• (1030)

The petitioners draw the attention of the House to the fact that the Senate consists of unelected members who are not accountable for their actions, that its annual operating budget is \$43 million, and that it refuses to account for its expenditures to committees of the House of Commons. Moreover, the Senate does not fulfil its mandate to represent the regions and duplicates the work done by members of the House of Commons.

Therefore, the petitioners ask that Parliament take the necessary steps to abolish the Senate.

Government Orders

[English]

SABLE ISLAND GAS PIPELINE

Mr. Randy White (Fraser Valley West, Ref.): Mr. Speaker, yet again I have two more large petitions from Nova Scotia from people who want to be in charge of their own destiny as far as the gas pipeline is concerned. The petitions read: "That in June 1996 the Prime Minister of Canada announced he would work toward diverting the Sable Island gas pipeline to Quebec City; that it is unacceptable for the Prime Minister to decide the destination of Nova Scotia natural gas without consulting Nova Scotians; that Nova Scotians assert their right to control the destination of Sable Island gas and demand that the federal government cease tampering in this issue".

* * *

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 Deputy Speaker: Is that agreed?

Some hon. members: Agreed.

The Deputy Speaker: I should inform the House that because of the ministerial statement and replies, Government Orders will be extended by 19 minutes.

GOVERNMENT ORDERS

[English]

EXCISE TAX ACT

Hon. Lawrence MacAulay (for Minister of Finance, Lib.) moved that Bill C-70, an act to amend the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the Income Tax Act, the Debt Servicing and Reduction Account Act and related acts, be read the second time and referred to a committee.

Mr. Barry Campbell (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, I am pleased to lead off second reading of important and historic legislation, the introduction of a new harmonized sales tax, or HST, throughout most of Atlantic Canada. With the inauguration of the HST we have begun a process for replacing the GST and providing all Canadians with a better sales tax system.

Today's legislation will enable the federal government and the provinces of Nova Scotia, New Brunswick, and Newfoundland and Labrador to introduce a new harmonized tax effective April 1,

1997. But as the benefits of the HST become clear and concrete, benefits for consumers, for businesses and for the economy as a whole, I am confident that other provinces will put the interests of consumers first and sign on to the HST.

This is extensive legislation covering as it must changes to the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act and the Income Tax Act and related acts. In my remarks today I want to highlight the key elements of the HST and to remind this House why these are important and positive steps forward.

When the current government came to power we said: "A Liberal government will replace the GST with a system that generates equivalent revenues, is fairer to consumers and to small business, minimizes disruption to small business, and promotes federal-provincial co-operation and harmonization". These then were the principles that guided us as we examined all the options for replacing the GST: fairness; equivalent revenues; federal-provincial co-operation and harmonization; and simplification.

[Translation]

The new government followed through with its election promise. As members might recall, the process to replace the GST was initiated immediately following the election.

In fact, it is at that time that we asked the House Standing Committee on Finance to look into every possible alternative to replace the GST and to consult Canadians on the various options.

The committee heard close to 500 witnesses, namely tax experts, business people and consumers from across Canada, and received over 700 briefs.

• (1035)

After reviewing 20 different options, committee members came to the conclusion that a large majority favoured harmonization, that is replacing the current mosaic of federal and provincial sales taxes with a single value added tax.

The Standing Committee on Finance made four key recommendations. First, it came down in favour of a value added tax. Second, it recommended harmonizing the federal GST and provincial retail sales taxes without delay. Third, it recommended streamlining the tax. And last, it recognized the importance of including the tax in the price, so that the price consumers see on the shelf is what they pay at the cash.

The Standing Committee on Finance looked closely into the economic impact of the proposals it received as well as their acceptability to businesses and consumers across Canada. What is more, the committee's recommendations were entirely in keeping with the government's red book commitments.

That is why we are actively promoting the implementation of a new tax based on harmonization with the provinces as the best alternative to the GST.

Government Orders

[English]

To help smooth the way for harmonization and make the harmonized tax as simple and fair as possible, we put together a major package of streamlining initiatives. These initiatives will help to fulfil the recommendation of the finance committee and the commitment of the red book to a simpler sales tax system.

The streamlining package includes over 100 measures. Many of them are technical and sector specific. Quite a few have been recognized as major positive changes for the many sectors they will affect. The proposed changes include new and simpler rules for many areas of the GST, for example for charities and non-profit organizations, for employee benefits, health care and used goods.

Since the streamlining package was announced last April, the federal government also announced on October 23 a 100 per cent rebate for the GST or the federal portion of the HST on books purchased by a broad range of educational institutions and public sector bodies across Canada. This reflects this government's firm commitment to supporting literacy in as cost effective and fiscally responsible manner as possible.

In short the streamlining changes will help to make the harmonized tax a better tax and improve the operation of the GST in the non-participating provinces.

At the same time that we announced this package, we also announced that a memorandum of understanding on a harmonized sales tax had been reached with the three participating provinces. Taken together this signalled the inauguration of a process for harmonization, one under which provinces can come on board with the HST as they are ready. Subsequently on October 23, the governments of Canada, Nova Scotia, New Brunswick and Newfoundland and Labrador announced detailed agreements to replace the GST and the provincial retail sales taxes in the three Atlantic provinces with a harmonized sales tax.

The new HST will apply at a single rate of 15 per cent on the same base of goods and services as the current GST. The rules governing the operation of the HST will be set out in the Excise Tax Act and will generally be those rules on which the GST currently operates subject to the streamlining changes I have already mentioned.

Under the terms of the agreements which are before us now in legislative form, the HST will be administered initially by Revenue Canada and eventually by the proposed border and revenue agency. Businesses that are registered for the GST will automatically be registered for the HST and will continue to use the current GST return. There are no changes there.

The HST base will be the same as the GST base. Vendors will be required to price on a tax included basis to ensure that consumers are aware of the final price before they reach the cash register.

● (1040)

At the same time, because the HST is in large measure about federal-provincial co-operation, the specific situations and the specific priorities of participating provinces are fully reflected in the agreements. The participating provinces will for example provide point of sale rebates for book sales in those provinces. The rules governing rebates for housing and public sector bodies will reflect the particular circumstances of each province.

A further important reflection of the spirit of federal-provincial co-operation that gave rise to these agreements is the transitional assistance that the federal government will provide to help offset revenue shortfalls in participating provinces. Hon. members know that this government has never shied away from important structural change. It has always recognized the importance of providing transitional assistance to make such changes possible, be it with regard to removing subsidies from the agricultural sector or promoting important sales tax harmonization.

In adopting the HST, the Atlantic provinces have replaced a system that is cumbersome, costly and complicated with one that is simpler, cheaper and a lot more efficient. For consumers, businesses and taxpayers in the participating provinces, the result will be one sales tax not two, one tax base not two, one tax rate not two, one sales tax administration not two, and one price not two. These changes will add up to a simpler, fairer system and a stronger economy.

Consumers in participating provinces will benefit in a number of important ways. First among those will be the lower rate of tax. For Nova Scotia and New Brunswick the combined rate of 15 per cent will represent a decrease of nearly four percentage points in the effective sales tax rate. In Newfoundland and Labrador the rate decrease will be close to 5 per cent. Consumers will also benefit from the removal of provincial retail sales tax from business inputs and from lower compliance costs for businesses.

The overall impact of the tax from the perspective of consumers is that prices on most goods will be lower as will the overall sales tax burden.

[Translation]

Including the HST in the prices displayed gives consumers another important advantage. It puts an end to the surprise they get at the cash register, which is one of the most annoying features of the current system. However, the consumers will still know the amount of tax they are paying since the exact amount, or the tax rate, will be printed on receipts and bills.

This approach will reduce unfair competition between businesses that are located in participating provinces and those that are not. Furthermore, businesses will be able to continue using the cash

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registers they have now and still comply with the requirement that the tax be included in the price.

[*English*]

Businesses, like consumers, will benefit from the lower combined tax rate. In addition they will now have to deal with only one set of tax forms, one set of operating rules and one tax administration. By thus reducing the paper burden and administrative hassle associated with a two tier system, the HST will reduce compliance costs for businesses.

The Canadian Institute of Chartered Accountants has estimated that if all non-harmonized provinces were to join in a national sales tax system, Canadian businesses would save between \$400 million and \$700 million in administrative costs alone. The benefits of lower compliance costs will be particularly advantageous for small businesses which bear disproportionately the costs of dealing with the current two systems.

A further benefit to businesses in the participating provinces will be the recovery of HST payable on their inputs. In fact, harmonization will eliminate over \$700 million in hidden sales taxes on business inputs, taxes which have been passed on in the past to consumers. Harmonization will eliminate \$280 million in hidden sales taxes in Nova Scotia, \$265 million in New Brunswick and \$180 million in Newfoundland and Labrador. The elimination of this hidden tax drag will promote the competitiveness of businesses in Atlantic Canada. It will also promote fairness between different kinds of businesses since the tax will not impact differently on businesses just because they are structured differently. The broadening of the tax base will also help ensure a level playing field between businesses that sell different kinds of products.

• (1045)

The proposed legislation also includes rules to ensure a level playing field for all businesses selling in participating provinces. Under the proposed approach, businesses across Canada that are registered for the GST will be required to collect and remit the HST on goods and services sold into a participating province or shipped to a consumer in that province.

[*Translation*]

I want to stress the fact that this is not a new tax on goods and services sold in the participating provinces. Interprovincial sales have always been subject to the sales tax. The new approach simply makes collecting and paying the tax easier.

Not only will the HST benefit consumers and be simpler and more equitable for businesses, it will also generate some overall economic advantages, especially because the provincial retail sales taxes will be abolished on all the business inputs I have just mentioned.

The elimination of provincial retail sales taxes on those business inputs is a benefit not only for the businesses directly affected. It is important to realize that this measure will reduce the overall cost of exports from participating provinces and eliminate the competitive advantage that is now unintentionally extended to imports.

Furthermore, because it will ensure fair competition among various types of products and business structures, the elimination of the tax on inputs will simplify the context for investment decision making.

[*English*]

All of this translates into more economic activity for Atlantic Canada and more jobs. Government administrative costs will also be reduced through the elimination of overlap and duplication in the administration of federal and provincial sales taxes.

As I said earlier, these changes will add up to a simpler, fairer system and a stronger economy. They clearly meet the criteria set out in the red book and in the recommendations of the finance committee for replacing the GST. Equally important, they represent the significant first stage in a process by which I am confident other provinces will come on board. They will do that sooner or later because harmonization offers significant benefits. The more provinces that join in, the greater those benefits because most existing provincial sales tax systems are inefficient and distorting and the provinces know that.

In provinces across Canada, existing retail sales taxes are killing businesses and jobs. Personally I believe the provincial governments recognize this just as they recognize that taxes on business inputs are taxes that are hidden and are currently being passed on to consumers.

The legislation before us improves the operation of the GST across Canada. For the participating Atlantic provinces it provides an even better system, a system that will benefit consumers with lower tax rates and on many goods, lower prices. They will also know the full price of goods before they get to the cash register.

It is a system that will benefit businesses because they will deal with only one tax, one rate, one base, one set of forms, one administration. That system will benefit the economy of Atlantic Canada by making its exports more competitive. It is a system and a bill that deserves the unqualified support of every member of the House.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, contrary to my habit, I am not pleased to speak to this bill, since the government has acquired the unfortunate habit of “tossing”—I think this is the exact term—a bill of over 350 pages on the table about 16 hours before the debate in this House.

Government Orders

• (1050)

On an issue as important as this one, it was inappropriate for the government to table this document yesterday afternoon, as we were forced to work in the evening and all night to do our job as official opposition and find in what ways the government is misleading the people.

Although this is inappropriate, the government has acquired this habit in the last few weeks. I hope this is simply an administrative problem, which I seriously doubt, given the nature of the subject.

You know the GST is a sensitive issue. In the minds of Quebecers and Canadians, the GST is the current Liberal government's worst failure, in that it really betrayed its promise to abolish the GST.

I think this is a rather hypocritical way of ensuring that the debate is quick, succinct and also lends itself to quick analysis and implementation. This is not the way things work in a democracy. I thought that, in a democracy, the government ought to have the courage of its convictions, of the measures announced to the people and give the official opposition time to analyze, criticize and also propose ways to improve bills, because it is our role to make constructive recommendations. I see this is not the case and it is the first thing for which I blame the government.

Bill C-70 is aimed at harmonizing the GST with sales taxes in the three maritime provinces and at providing a federal tax exemption for books that are bought by literacy centres, schools, colleges and so on, without eliminating the GST on books bought by the general public.

This bill is the embodiment of untruthfulness, of the show the Liberals have been putting on for us since the last election. I remind you of the solemn promise the Liberals made with one hand on their heart while looking at the Canadian flag: "That damn GST, we will abolish it when we come to office".

Very interesting quotations were made by Liberals in the last three or four years, including the Deputy Prime Minister and member for Hamilton East who said on March 11, 1996:

[*English*]

"I have already said personally and very directly that if the GST is not abolished I will resign". She resigned, but only for a few weeks. She resigned, but for show, and this show cost Canadians more than half a million dollars for her re-election.

[*Translation*]

The Deputy Prime Minister had said she would resign if the GST was not abolished. Normally, people who have convictions and are loyal to their beliefs and to the public as well do not resign for show

as the Deputy Prime Minister did. They resign and go home, because it looks like the public was deceived.

The Deputy Prime Minister was away for a few weeks and came back with a smile, saying: "The people of Canada have forgiven me; the people of Hamilton East have forgiven me". The Canadian electorate will not forgive the government for breaking such an important promise, one the Liberals used to score political points while in opposition, during the election campaign and, in a different way, with Bill C-70. It is not right to keep deliberately deceiving the public in that way.

I will refer our listeners and our constituents to an article published in *Le Soleil* on Wednesday, June 19. I would say this editorial by Gilbert Lavoie summarizes quite well what the Deputy Prime Minister has put us through by first resigning and then coming back for show.

• (1055)

Let me read you some excerpts from this excellent editorial written by Gilbert Lavoie. The original text has been slightly modified to avoid using the name of the Deputy Prime Minister. It says the following: "Her victory in the Hamilton East by-election on Monday did not prove a thing, except perhaps the cynicism and arrogance of a certain political class. She had promised to resign if the government did not abolish the GST as promised. She did resign, but only to get immediately re-elected in a by-election, standing for the same party, the same government, the same GST. The cost of this operation, amounting to \$500,000, was borne by Canadian taxpayers". Half a million dollars so she could pretend to try to clear her name and that of her government.

I read on, because this is too interesting an editorial not to take full advantage of it: "In politics, anyone who resigns on a question of principle is expected to leave the party to go and sit as an independent member or to found a new party as Lucien Bouchard did. It is, however, difficult to understand how the Deputy Prime Minister, who explained when she resigned that she could no longer look voters in the eye, can now feel comfortable about resuming her functions within the Liberal government. During the by-election campaign, the member for Hamilton East explained her attitude as follows: 'The GST ranks eighth among public concerns, far behind jobs and the preservation of social services. Its importance should therefore not—and I am still quoting the Deputy Prime Minister—be overestimated'".

I will stop quoting the article for a moment to point out that the importance of the GST issue is due to the Liberals themselves, who overreacted at the time, under the Tory government. For a few weeks, they put up a bitter fight over the GST, tearing at their shirts, shouting themselves hoarse, and demanding the GST be scrapped, the hated GST as they then referred to it. You certainly remember that time, Mr. Speaker.

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They are now saying that the importance of the GST must not be exaggerated, but they were elected partly under false pretences, saying they would abolish the GST. They are now telling us not to exaggerate the importance of the GST. This is incredible. No wonder politicians are at the very bottom of the credibility list. When people are deceived in this way by a certain cynical and arrogant political class, it is perfectly normal to find that class at the bottom of the list.

Let me quote Gilbert Lavoie's article again, as it is very interesting and informative: "But her fake resignation from government—from the Liberal Party—is nonetheless sad buffoonery from someone whose presence in politics has always been based on public morality. She has in turn contributed to Canadians' increasingly cynical view of their politicians".

As a Montrealer, Émile Boudreau summed it up very well in a letter to the editor of *Le Devoir*, which reflects public opinion: "You resign, you shed a tear before the cameras, and the very same day you run as a candidate and you are re-elected. You resurface clean, clean, clean. The Liberal Party goes up one notch in the public's opinion, and life could not better be".

Mr. Lavoie's article and Mr. Boudreau's letter reflect a profound public discontent toward politicians. They also reflect the reason politicians feel increasingly criticized by the public, and deservedly so.

When you see an attitude such as the one displayed regarding the GST issue, when you see the Deputy Prime Minister's attitude, when you see the secretary of state introduce a measure like this one as if it included incredible improvements, you realize why people are fed up and why my constituents in the riding of Saint-Hyacinthe—Bagot are also fed up with the federal government and the "frame-up" that is really starting to get on their nerves.

• (1100)

The Deputy Prime Minister was not the only one, with her spectacular resignation, to reflect the whole GST issue. The current Prime Minister had also said, before, during and even after the election campaign, that the GST had to be abolished.

However, there is no mention of abolishing the GST in this bill. This measure is a result of a political agreement signed with three maritime provinces, an agreement which will cost Canadians \$1 billion in political compensation, just to give the impression that the government has done something about the GST.

The Liberals did not promise, during the campaign, to sign an agreement with the maritime provinces and then waste \$1 billion to buy the maritimes' approval regarding the GST. They promised to abolish the GST. The Prime Minister said it over and over again. During the 1993 election campaign, he said: "We will scrap the

GST". To "scrap" means to tear up, to throw out, to get rid of the current GST system and to replace it.

On May 2, 1994, after his election, the Prime Minister said, and I quote: "We hate the GST and we will kill it". But the GST is still there. The only change is that the tax is included in the price. It is now a hidden tax. In the maritimes, people do not realize that the federal government is charging them a 15 per cent tax on goods and services.

I listened to the secretary of state who said the government had extensive consultations with tax experts and the public, in an attempt to justify the government's lack of action on the GST. The Liberals also consulted tax experts and other people before introducing their election platform and telling the public they would abolish the GST, either that or they were saying just about anything during the election campaign.

If they say just about anything during the campaign and could not care less about people, when the next election comes, the people of Quebec and Canada should remember that every time a member of the Liberal Party opens his or her mouth it is to say things that will not withstand close scrutiny, to make promises they will not keep and say any old thing to lie to people.

I think people are beginning to understand what is going on with this government and also that members of the Liberal Party: Liberal MPs and the Liberal candidates in the next election are people who show considerable cynicism and unequalled arrogance. When the next election comes, their cynicism and their arrogance will cost them dearly.

Talking about the government's arrogance, cynicism and total disregard for the public, we must remember there was also a time when the Liberals were the official opposition. There was a time when the Liberals were sitting on these benches. At that time, also, the Liberals were saying just about anything. They made promises they are not keeping today. I would like to recall what the Liberal majority wrote in the finance committee report in 1994: "It would just not be appropriate to hide the GST in the sales price". Yet, the agreement signed with the three maritime provinces includes a provision that will in fact hide the GST in the sales price.

When they were in opposition, the Liberals, in 1989, stated in the dissenting report they tabled that, if the GST were hidden in the sales price, it would make it that much easier for the government to raise it later on. They were condemning the fact that the government wanted to hide the goods and services tax in the sales price. Now, there is no problem. In 1989, they were adamantly against hiding the GST in the sales price, stating that it was a ploy used by the government to be able to raise the tax rate later on without the taxpayer noticing it. And, now, in Bill C-70, in the agreement between the federal government and the maritimes, they are saying there is no problem. It has been hidden in the price. The Liberals tore their hair out, played holier than thou for months and even

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years under the Conservative government, but now there is no problem.

• (1105)

How can we trust this government? Every time eminent members of the government party rise in this House and say: "We are going to do this and that", how can we believe them, when they keep saying just about anything that comes to mind, as they have done with the GST, reneging on their promises and forgetting all about their commitments? The people have to realize that the government could not care less about them.

Let us talk about patronage. The agreement reached with the three maritime provinces is akin to patronage. Given the pressure exerted by Canadians, who wanted the government to keep its promise to get rid of the GST, the finance minister thought it would be better to do something, to pretend once again that he was solving the problem. And that is when he signed the deal with the three maritime provinces.

This agreement came with a price, a compensation of around \$1 billion handed out to the three maritime provinces. The finance minister bought the three provinces with \$1 billion in compensation. He told the maritimes: "I need you to grandstand, to act as if the Canadian government is doing something about the GST, is trying to harmonize it". First, the tax was supposed to be abolished, now it was going to be harmonized.

The maritimes replied: "Minister, if you want to, we will go along with you, but there will be a price to pay". And the finance minister, known for his generosity and his wise management of the public funds, agreed to put \$1 billion on the table. Is it enough? This is \$1 billion the finance minister took out of his pocket, meaning out of our pockets. This is the money that Revenue Canada takes out of taxpayers' pockets year after year.

Given his generosity and his tendency to waste our money, the finance minister has taken out \$1 billion to give it to the maritime provinces. This is \$1 billion that Quebecers and Canadians outside the maritime provinces will have to pay. They will have to pay for this generous gift by the finance minister.

The provinces and especially Quebec are angry about this, but not the three maritime provinces, which will receive \$1 billion. No, those provinces are not upset. But, outside the maritime provinces, people are very angry, particularly in Quebec. Quebec will have to take \$250 million out of its own pocket to pay the three maritime provinces, to pay for the finance minister's patronage.

Quebecers are even more upset, since Quebec has already harmonized its provincial sales tax with the GST. I have been saying and repeating it for a long time because, if there is an example of true harmonization as well as true harmony between the federal government and Quebec, it is the GST.

The Quebec government has acted in good faith. We harmonized the tax. We even agreed to administer it on behalf of the federal government. We are nice in Quebec, but we did not get one penny for all our efforts. The federal government did not compensate us despite giving \$1 billion to the maritime provinces.

The Quebec government is entitled to some kind of compensation, since it has harmonized its tax. To give \$1 billion to the maritime provinces is unfair to Quebec and to the other provinces, which could come on board with the HST but oppose any preferential treatment. If the maritime provinces get to keep the \$1 billion, they want to be compensated as well.

• (1110)

On behalf of the Government of Quebec, the Deputy Premier and finance minister of Quebec, Bernard Landry, repeatedly asked the federal government and the federal finance minister to provide him with the formula used to work out this famous \$1 billion compensation for the maritimes. We have asked for it day after day, we have asked the minister to make the formula used to come up with this \$1 billion public.

By stubbornly refusing to reveal the formula, the government showed that this agreement was a political one, that the agreement providing for the payment of \$1 billion to the maritimes was concluded for the sole purpose of buying the maritimes off. And we can assume that, in the discussions with the finance minister, the maritimes set a very high price for accepting the political "frame-up" that this minister offered them.

The people will also remember this waste of public funds. It is all very well for the finance minister to say to everyone that he is responsible for today's economic situation, but we know he only coasted along with the growth in the economy, he only took advantage of an overall economic climate that was favourable to him, and he only took advantage of extremely low interest rates.

Do you know why interest rates are extremely low? There are three main reasons. First, it is because of the state of the U.S. economy. Second, it is because of the domestic economic climate, that is the chronic lack of jobs for 800,000 Canadians. Eight hundred thousand unemployed means that there are also 800,000 fewer consumers. If there are fewer consumers, prices are lower, so inflation is less likely to increase. And when inflation is low, and even too low—that is close to 1 per cent as it is now—interest rates also go down.

The finance minister is only taking advantage of this situation. If he had been here in 1990 and 1984, the finance minister would have received quite a beating. I will remind you of certain facts that make you smile. You will remember that during those two periods it was not easy to be the Canadian Minister of Finance because

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economic conditions were very unfavourable for a flamboyant character in that office.

But the present minister takes advantage of the situation. However, people will remember that he is wasting public funds. He has no right to waste \$1 billion as he is doing right now on the GST to hide the inertia of his government and its inability to fulfil its promises.

One billion dollars will be paid out, and the Minister of Finance tells us that this is only the beginning. Quebecers and Canadians will have to pay this \$1 billion in political compensation to the maritimes for many years to come. Do you know why? I will give you a technical but very short and, I hope, not too tedious explanation.

The finance minister offered to replace the provincial sales taxes in the maritimes and the GST with a single 15 per cent sales tax. In the maritime provinces, the total of both the PST and the GST averages 19 per cent. The finance minister said: "I will replace those taxes totalling 19 per cent with a unique 15 per cent sales tax". Therefore, the sales tax dropped by 4 per cent in the maritimes. But who is going to pay for that? Who will compensate for lost revenues in the maritime provinces? We, the people from the other provinces, will. And do you know why? Because of something called the equalization formula.

Few people, even on the government benches, understand this formula, but it can be understood if one takes the time to study it carefully. This formula is used when a province, for example one of Canada's poorest provinces, needs help because it is difficult for that province to collect enough taxes from its population to provide public services equivalent to what is provided elsewhere across Canada. That is where this formula comes in.

• (1115)

When a province's tax base—that is its ability to collect taxes—is reduced, the federal government uses the equalization formula to compensate.

In the case of the maritimes, once again, the finance minister, generous as he is with taxpayers' money, told the Atlantic provinces that he would reduce the general sales tax and that the federal government would compensate them for the missing 4 per cent, year after year, until the end of time.

The equalization formula is used automatically when the tax base is reduced. The Minister of Finance has reduced the tax base. Therefore, we, as Quebecers and Canadians, will always be paying for that. As a Quebecer, I am not so sure of that because, one day, we will get out of that system. However, starting next year, Quebecers and Canadians will be paying for the loss of revenues from provincial sales taxes in the maritimes.

So on top of the \$1 billion that the finance minister is wasting shamelessly for purely political reasons, which is already too

much, Quebecers and Canadians will have to pay hundreds of millions more each year to the maritime provinces to compensate for this political decision. This is getting to be very expensive for mere window dressing.

Half a million dollars for the Deputy Prime Minister's election, a billion in political compensation to the maritimes and now the equalization formula that will be there forever, or until the day the decision is made to do away with it within the federal system, or until the day, coming soon, when we decide to withdraw totally from this system, which has nothing going for it. So that is bill C-70, concerning the agreement with the maritimes.

There are two other points I would like to speak to, in order to clarify things for the public. The first concerns the famous national revenue commission. The Minister of Finance has presented us with this agreement with the maritime provinces as a model of harmonization, a blueprint for the rest of Canada.

First of all, if it is a model, it is a very poor one, a very costly one. Second, if it is an augur for the future in the rest of Canada, that is extremely worrisome. It is a deliberate attack on provincial autonomy in collecting taxes. The Minister of Finance has established a national revenue commission which will replace all of the government bodies in the maritime provinces which used to collect taxes on goods and services.

This commission was announced in the government's throne speech, and the government is holding stubbornly on to it. Its intent, using the GST and the maritimes as an example, is to have the federal government one day become the only body within the Canadian federation to collect income tax, and other taxes, from Quebecers and Canadians. Quite a neat trick, especially where Quebec is concerned.

I am very familiar with Quebec taxation history, even what went on in meetings in the time of Messrs. Pearson and Lesage. They started off discussing the exchange of tax points at a time when the idea was to restore the provinces' taxation autonomy, of which they had been deprived during the first world war. Income tax, and other things, were borrowed.

Given this background, the numerous constitutional conferences, the meetings of finance ministers over thirty or so years, I am convinced that, if this is what the federal government has in mind, it will run into a brick wall in Quebec, where they are fed up with the federal government's designs on its taxation autonomy.

• (1120)

Quebecers wanted to have their own taxation system and autonomous institutions in areas like education and others. They would see it as an attack on their own history and their identity if the federal government considered the possibility of introducing a bill allowing a Canada revenue commission to replace Revenu Québec.

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I cannot understand the political logic behind such a measure, unless the federal government is looking for a fight with Quebec. I believe this is what we are heading for. Let us harmonize, no problem. Quebec will receive no compensation while the maritime provinces received a billion dollars. And now this government wants to create a Canada revenue commission. What is it looking for? Sometimes I have a feeling that the federal government is looking for trouble.

Once it has created problems, it pulls out and puts the blame on the separatists of Quebec, on sovereignists who are allegedly against any agreement with the federal government. This is, to a certain extent, the game the Liberals have been playing since they came to power three years ago.

Quebec has some news for the Liberal government if it thinks it will be able to create a national revenue commission and sideline Quebec. We will be ready for them and we will have the official opposition on our side.

I wish to end on a more positive note about the bill. We always keep dessert for the end. There is one small positive aspect to Bill C-70 which is due to the official opposition and it has to do with the partial removal of the tax on books.

In the bill, the government suggests that books purchased by literacy and educational organizations not be taxed. Not just in the maritimes, but throughout Canada. This is good news, but it is not enough.

Most of the books bought in Quebec and in Canada are not bought by educational and literacy organizations. If the government wanted to do something, it should remove the tax on all books sold, because it is just taxing ignorance. We have all heard the slogans about GST on books chanted by those concerned with literacy and the transmission of culture.

I would like to take this opportunity to point out two things. The first is that there is no provincial sales tax on books in Quebec. Zero PST. Culture is important.

The second thing is that, even before the Bloc Quebecois became an official party, back when there were only seven members, with Lucien Bouchard as their leader, those seven members took every opportunity that came their way to rise in their places and criticize GST on books.

They fought against it outside the House too, because back then their time in the House was limited. Those whose decision it was to limit the time available to the Bloc Quebecois must be regretting it bitterly today. They must remember it. We certainly do.

The seven Bloc Quebecois members, including the eminent members for Rosemont and Richelieu whom I can see today, worked very hard to keep the GST off books. When I see a timid little measure, which is a step in the right direction, but not big enough, I cannot help but praise the seven founding members of the Bloc Quebecois for their determined efforts.

Politics is a drawn out process sometimes, but eventually one gets results. And in this case, the result is a watered down one, but it is still a result. I would now like to urge the government, and I think I speak for all my colleagues in the Bloc Quebecois, to remove the tax on all books sold in Quebec and in Canada.

• (1125)

The two founding nations have a duty to promote cultural awareness. They have a duty to see that people read Quebec and Canadian authors. The government has a duty to make sure that our authors can sell their works at competitive prices. The Minister of Finance says public finances are quite healthy, so perhaps he should do something to help culture, to ensure its survival.

That concludes my remarks on Bill C-70. I would like to table an amendment. I move, seconded by my colleague, the member for Trois-Rivières:

That the motion be amended by deleting all the words after the word "That" and substituting the following:

"Bill C-70, An Act to amend the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the Income Tax Act, the Debt Servicing and Reduction Account Act and related Acts, be not now read a second time but that it be read a second time this day six months hence."

The Deputy Speaker: The motion moved by the member for Saint-Hyacinthe—Bagot is in order.

[English]

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, it is a pleasure to speak to Bill C-70, an act to amend the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the Income Tax Act, the Debt Servicing and Reduction Account Act and related acts. Really what this has to do with is the harmonization of the GST in Atlantic Canada.

Before I speak specifically about Atlantic Canada it is important to go back and discuss the chronology of events which led us to this point.

It is accurate to say that this legislation was born of very dubious parentage. We had a promise born of a loose lipped government member and we had a father who could only be called political opportunism. How sad that this young harmonized GST had to be raised in such a dysfunctional home, or should I say house?

Since 1990 it has become very clear that the government was being very opportunistic in discussing the GST and in suggesting to Canadians that when it came to power somehow the GST would magically disappear.

Just to remind hon. members across the way what exactly their record is on this, let me refer to some quotes that came from government members over the last several years with respect to the GST to remind them how far they have gone astray from their original promise.

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Let us go back to government members when they were in opposition, in the wake of the GST coming into place under the Conservative government. Let me start by quoting some members who now hold prominent positions in the cabinet of the Liberal government.

First, let us go to a quote which came from the current Liberal House leader back in the days following the GST coming into place under the Conservative government.

• (1130)

The current Liberal House leader said: “Not only do the Liberals oppose the GST now, that opposition will continue even if the bill is passed. We are not interested in tinkering with the GST. We do not want it at all”.

Meanwhile, the current finance minister said: “I would abolish the GST”. The Prime Minister said: “I want the tax dead”. One of the quotes that came from the Toronto *Star* back then was: “The Liberals will scrap the goods and services tax if they win the next general election, the leader of the party said. He said: ‘I am opposed to the GST. I have always been opposed to it and I will be opposed to it always’”.

We saw the climax of the quotes that came from all the various members in October 1993 on the eve of the election when the current Deputy Prime Minister, on national television—that image will be frozen forever in my mind and probably in the minds of Canadians everywhere—said: “If the GST is not abolished under a Liberal government I will resign”.

We all know that Liberal MPs campaigned in many ridings on the promise to abolish the GST. I know members will say that the red book stated it would be replaced. However, I need to point out that the government did not find the courage to bring the red book out until about a month before the election. They only produced about 70,000 copies. They did not talk about their promise with respect to the GST. Instead, they allowed people to think that they were going to still do what they said they would do early on which is to get rid of the GST altogether, scrap, axe and abolish the GST. However, that is not what they did.

All of this, of course, led up to the event last spring when the government was under great pressure to fulfil the promise made by the Deputy Prime Minister on national television. First the finance minister said that perhaps they had made a mistake. However, a lot of Canadians felt that he was pressured into that position and it was not coming from his heart.

Ultimately the Deputy Prime Minister was forced to resign. She went to great lengths to make it look like she was doing the honourable thing, but we know she polled her constituents first to find out whether she still had enough credibility to win the election

in Hamilton East. Then of course she announced that she had been at the bank machine and could not look anybody in the eye and felt she had to resign. Well, \$500,000 later she was back in the House of Commons.

The whole incident was a black mark on the history of parliamentary promises. There have been a lot of broken promises over the years but none more blatant than that broken GST promise of this Liberal government. I do not think that the government has yet paid the full price for it.

I want to set those incidents aside for a moment and talk about some of the aspects of the bill, the harmonized GST. First I would argue that the harmonized GST is extremely divisive the way the government has brought it in.

Members will recall that the government, to get Newfoundland, New Brunswick and Nova Scotia on side, had to go to them with an offer of \$1 billion if they would come on board. It had to try and save face with \$1 billion because although there was always the opportunity for any province to come on board and say that they were very interested in the new harmonized GST, there were no takers. The government was under great pressure at that point. Therefore, the only thing the government could think to do to bring governments on board was to offer up a billion dollars. It went to the Atlantic premiers and said if they came on board it had a cool \$1 billion in hush money for them. That is insulting and causes great divisions in the country. It encourages dependency. It encourages the provinces to be under the thumb of the federal government. That is not acceptable as we approach the 21st century.

• (1135)

Some provinces are becoming very responsible. They have certainly shown more responsibility in dealing with their finances than the federal government has. They have taken leadership roles in all kinds of other areas. For the government to say it is going to pay \$1 billion for those provinces to come on board if they are kind of quiet about things and just go along with it is insulting.

I want to talk about how divisive that is. I and my friends in the Reform Party, and Liberals if they are honest about it, probably have had constituents come to them and ask why are they are paying more taxes so the government can come up with \$1 billion to give to three Atlantic premiers? It is very divisive.

I received a fax not too long ago from Lorne Taylor, the MLA for Medicine Hat-Cyprus in Alberta. He pointed out that the Alberta treasury had produced a document that said the effect of giving \$1 billion to Atlantic Canada, except for P.E.I., was to lower the GST in those provinces to 5.5 per cent for the first two years of the deal. In speaking up for his constituents, which is the right thing to do, he asked why Alberta did not get that deal.

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Ontario asked why in the world did it not get the same kind of deal. If Ontario were to harmonize, it would cost about \$3 billion. The finance minister in Ontario, speaking for the people of his province, said \$3 billion is what Ontario would require of this so-called adjustment money if Ontario was to come on board.

If I remember correctly, Manitoba and Saskatchewan came up with figures too. They were asking for money as well. I do not blame them. They were simply asking for what the premiers in Atlantic Canada got.

What did the government do? The government said no way, they are not getting any money, it is for those three provinces alone. It is divisive when one or three provinces are treated in a special way and the others are not treated the same way.

This has always been the way of the Liberal Party. It has made a career out of creating these types of divisions. Obviously it has served them well but it has not served the interests of Canadians as a whole. That is one very important reason why Reform is speaking against Bill C-70.

Another concern I have with this legislation is that it raises taxes. I know the government will say that all it is doing is broadening the base in Atlantic Canada and it will be a wash. It just is not so. It is not true.

This is a huge bill with many different aspects to it. It addresses all kinds of different things. One of the most pernicious aspects of the bill is the removal of the notional input tax credit. That was done back in April. I remember when it was announced. A lot of people did not know what it meant. An accounting firm in Winnipeg picked up on it right away. It said that it could amount to as much as \$1 billion a year tax grab for the government.

The government had removed the input credit on used goods thereby ensuring that every time a used good changed hands the tax would cascade. In other words, if that good was bought after someone else had owned it and someone before that had owned it and someone before that had owned it, pretty soon there would be tax on tax on tax paid. There is no input credit going to the person who sold it. Pretty soon the value of that item would be inflated way out of proportion because of tax on tax on tax.

• (1140)

The result is that the government will reap all kinds of new revenue. Of course, a lot of the higher costs would be passed on to consumers. Potentially the government reaps a billion dollars more a year in new revenue.

It is a hidden tax grab, one that was never really debated. We raised it many times in the House. We received responses from RV and car dealers who were concerned and upset about it. To this date,

the government has not given an adequate answer on how it can go ahead with it. People need to be made aware of it and that is why I am raising it right now.

That is not the only way the bill raises taxes. On April 1, when the bill comes into law, as undoubtedly it will, capital taxes will go up in New Brunswick and Nova Scotia. That is one provision of the bill. It allows the provinces to implement capital taxes. That is precisely what two provinces are going to do. The provinces will be given a new lever to raise taxes.

The Nova Scotia finance minister and the Halifax Chamber of Commerce have pointed out that one of the consequences of this bill will be that property taxes in Nova Scotia are going to go up. That is another aspect of the bill that leads to higher taxes.

I want to move on to a related area. This bill will not only raise taxes it will entrench higher taxes. Something which has not been discussed enough is the fact that changes to the provincial portion of the tax are going to be quite complicated, in fact, almost impossible, if governments want to lower the tax, but much easier if they want to raise the tax.

I do not know if members realize that it will require unanimity of all the provinces, should sales taxes be harmonized across the country, to lower the provincial portion of the tax. The provinces are being asked to do what they have probably almost never done before, and that is for the 10 of them agree on one thing at one time, to lower taxes. But they only need a simple majority if they want to raise taxes.

Obviously this gives the governments of the provinces a powerful new tool to go about raising taxes if the government gets its wish and the GST is harmonized across the country.

There is an ongoing debate in the country about taxes and tax increases. However, the debate is not about how high they should be raised, it is about how low they should go. The government has put in a provision to raise taxes, not to lower them. That is ridiculous. Reform cannot support that. Canadians will be outraged when they discover that one aspect of Bill C-70, the act to implement the harmonized GST in Atlantic Canada.

It is important to point out that it is not only the Reform Party that has raised this concern. Back in 1990 when the current finance minister was running for the leadership, and a lot of people would argue that he has never quit running for it, he pointed out that he thought he would scrap the GST. Not only that, he made special reference to the fact that once a harmonized GST is in place across the country, it could not be removed. Taxes could not be lowered.

If he felt so strongly about it then, what happened between 1990 and now? When did the conversion of Paul on the road to Damascus take place? What precisely influenced him to think that

now all of a sudden the provinces are going to fall into line, all 10 at once, and agree to decrease the provincial portion of the GST? It simply will not happen. It is simply not going to happen; 10 provinces agreeing to cut the tax. The finance minister was right in 1990 when he said that it is not going to happen. I think it is right today that it simply will not happen. At a time when we are having a debate about taxes in this country we should be finding ways to lower taxes, not to increase them.

• (1145)

I want to say another word about entrenched taxes and about why harmonization is a bad idea. One of the great benefits of not harmonizing is that it encourages a competition between different jurisdictions to keep taxes low.

We all know about competition in the marketplace but I think competition in government is just as important. That is why for instance in my native province of Alberta, where we have no sales tax, we have low income taxes, we have the great Alberta advantage and people in our province have paid a price to have that advantage. We have had to cut back on our spending so that we could afford to keep those taxes nice and low. Now that we have got to that point, we want to benefit from that advantage. We want to attract business from all over the world. In fact, we are.

The very fact that Alberta has those low tax rates is, believe it or not, a great benefit to the rest of the country not only because the rest of the country gets spin-off benefits from what happens in Alberta and Alberta sends a lot of money into equalization payments, but because it puts a pressure on the province next to it, and the province next to it, and the province next to it to get their taxes into line.

I know many people in the business community have spoken in favour of a harmonized GST. They have made the argument that it would be simpler. The paper work would not be as onerous and all that kind of thing. But that is a minor benefit compared to the benefit of having competition between different jurisdictions to keep taxes low.

I do not understand how that was missed by so many groups when they talked about harmonizing the GST. To me it just does not make any sense.

I would encourage people to look at some of the examples not only in Canada where we have Alberta with the low tax rates but in North America and around the world. When we have low tax rates, when we have competition between jurisdictions ultimately it leads to lower taxes across the board which means that people have more money in their pockets. It means that they have more opportunity and they can create their own prosperity for themselves. They are not dependent on a government.

If there is one thing we have to get rid of in this country it is this dependency mentality that governments tend to breed. They tend to

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breed it and ultimately it is to the detriment of the entire country and to all of society. We have seen it over and over again, and not just limited to Liberal governments. Tory governments have done it over and over again as well. They should be ashamed especially now that they can see the fruits of their actions of the past where we have entire economies becoming dependent on government programs.

This is a very important aspect that the legislation does not address and ignores, the fact that we need some competition between different jurisdictions.

The fifth point I want to make is that this bill will mean, at least in the short run, and I think members have to acknowledge this across the way, higher costs for business in Nova Scotia, New Brunswick and Newfoundland.

I am not going to ask members to take my word for it. I am going to ask them to listen to the words of the Retail Council of Canada. The Retail Council of Canada is in favour of harmonization. It is in favour of it but what it is against is the government's bringing harmonization into three provinces and leaving the rest of the country unharmonized. They are saying to themselves: "Why are we pushing ahead with tax in pricing in particular when the government knows full well that it is going to hurt business in Atlantic Canada and if it hurts business it is going to hurt the Atlantic Canada economy?" Of course there is no economy in the country that needs help more than Atlantic Canada.

Why out of a sort of perverse need to try to fulfil a wonky election promise is the government pushing ahead with this when it knows it is going to hurt Atlantic Canada?

• (1150)

I am not going to ask members to accept my word for it. I am going to quote from a letter written on November 29 by the Retail Council of Canada which was sent to the current finance minister. This letter is rather lengthy so I ask for members' indulgence because the points raised are very important: "Retail council provided you with early estimates of the cost attached to tax in pricing in July of this year. At about the same time, seven national retailers also prepared a paper which explained how tax in pricing harmed their operations and provided estimates of the costs they faced.

"Since then, retail council members have worked to get a clearer understanding of the cost impacts. Ten members accounting for roughly 30 per cent of Canadian retail sales have given us in confidence their detailed estimates of the impacts for their firms.

"As the attached chart shows, these companies alone will incur annual ongoing costs of almost \$34 million. This is only slightly

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offset by input tax credit and other savings of \$6 million, leaving these firms with a continuing annual net cost of \$28 million”.

This is for firms that represent only 30 per cent of the retail sector in the three provinces which have recently agreed to harmonization. It continues:

“Other RCC members have indicated that they will provide similar information on their costs to you directly. Nor are these costs incurred only by national firms. The expert distribution, warehousing and logistics costs incurred by the suppliers to independent and small chain retailers will almost certainly be passed on given the relatively weak negotiating position of smaller firms.

“Second, many of their suppliers are located in provinces that are not harmonizing so they will not benefit from any ITCs”—input tax credits—“in respect to provincial taxes.

“Third, small firms that receive prepriced merchandise will incur the same reticketing costs as larger regional and national retailers. Retailers operating only in the harmonized provinces will face one time costs to reprogram their computer systems but will not face the same continuing system integration costs that come with operating in harmonized and non-harmonized provinces.

“As part of the harmonization agreement, the federal government facilitated the imposition of capital and payroll taxes. Nova Scotia and New Brunswick have taken this opportunity to introduce new corporate capital taxes as of April 1, 1997, further increasing the costs attached to harmonization”.

The letter goes on and on but I will not read any more in the interest of time. It is fairly clear this is a group that is arguing harmonization is a good idea. It wants harmonization but it is saying that the government should not go ahead in three provinces while it leaves the rest of the country without the harmonized tax. The group points out it will cost millions of dollars.

It will not cost the businesses millions of dollars ultimately. They will pass the costs on. So who pays for it? Consumers. Consumers pay through the nose for a broken Liberal government promise.

It would be bad enough if Canadians in general paid for that promise, but it is the people of Atlantic Canada. It is the economy that can least afford to take a tax hit of any region in the entire country. But the government did not care. It was so desperate to save the Deputy Prime Minister’s skin that it went ahead and pushed through this ridiculous measure and it did not care that it cost people in Atlantic Canada jobs. It meant more money out of their pockets. It did not care for a moment.

The government does not care that it is divisive to the country. At a time when we are trying to hold the country together, the government gives Canadians one more reason to be cynical about its desire to treat everybody equally.

I must ask a question that I am dying to know the answer to. Where are the members from Atlantic Canada? Why are they not standing up for their constituents? We know there is a grassroots revolt in Atlantic Canada against the harmonized GST. Recently Greenberg Stores Ltd. announced it was closing a number of stores in New Brunswick. It was closing stores in different ridings. It was closing stores in Beauséjour, Restigouche—Chaleur, Acadie—Bathurst, Fundy—Royal, Moncton and also in Saint John. When stores close as a result of government action and 79 people in Atlantic Canada are thrown out of work, the MPs from those ridings should be on their feet. Where is the defence minister? He should be standing up for his constituents. Where is the junior minister of agriculture? Why is that minister not standing up for his constituents? What about the Conservative member for Saint John? We know that they are lock, stock and tomahawk in favour of harmonization and they are not standing up for their constituents.

• (1155)

That lays out how important it is for us to reform this place so that MPs have the power to stand up for their constituents. My goodness, if that had happened in my province, I would like to think that my colleagues would have jumped to their feet and said: “This is unacceptable. I do not care if it is my leader who is bringing it in. My constituents say it is wrong and I am going to stand up for them and vote against it”.

Where are they? Where are the Liberal members from Atlantic Canada? There are 16,000 names on a petition against this. Where are the MPs from Atlantic Canada? Where are those Liberal MPs? Why are they not standing up for their people?

Their silence speaks eloquently of the need to reform this place. It speaks eloquently of the government’s insensitivity to Atlantic Canada. It speaks volumes about its approach to treating provinces differently, as opposed to treating them equally, something the Reform Party truly stands for.

I am going to conclude my remarks by saying that our party does not believe in this approach. It is wrong. The government should have fulfilled its promise. It made a promise. It said it would get rid of the GST. Its members went door to door and promised it would be gone if they were elected. They were elected in spades; 177 seats and still the GST sits there as a permanent reminder that governments cannot be trusted. People cannot be trusted to come through with their promises when they make them on the doorsteps during an election campaign. The government should have followed through and gotten rid of the GST. That was its commitment to voters. The Deputy Prime Minister said so on national television. It was said over and over again.

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I do not think the government has listened closely enough and, frankly, I do not think a lot of people have listened closely enough to the argument that there has to be competition between jurisdictions. If we do not, we are entrenching higher taxes. The finance minister said it in 1990. That is a very compelling reason to vote against a harmonized GST. We have to have competition. If we do we can all enjoy lower taxes in this country. However, under the current formula, which requires unanimity to lower the provincial portion of the GST, that will never happen, as hon. members know.

Canadians want lower taxes, not different taxes. We are having a massive debate in the House about how we are going to change taxes. When I go around to doorsteps, when I have my town hall meetings in Manyberries, Alberta or in Taber, Brooks or Medicine Hat, Suffield or Empress, or wherever, people do not say: "Boy, I wish the taxes were different". They do say: "I wish the taxes were lower. I wish I could keep more money in my pocket. The government gets its share". It gets 46 per cent of the average person's income. "Then I have to go out and provide my food, shelter and clothing for me and my family. There is not much left". There is hardly anything left, which is why we have record high levels of personal debt in this country. It is why we have record bankruptcies in this country.

• (1200)

Instead of debating how we are going to change taxes, why not have a debate in here about how we can lower taxes? I think Canadians have had it with the government having its own agenda which simply does not reflect at all what the agenda of Canadians is. This bill does nothing to address the overriding concern of Canadians that too much of their money is being spent and wasted in many cases by the government. They want that money left in their pockets.

In conclusion, I urge hon. members not only to listen to my arguments, I ask them to listen to the arguments of people in the provinces where this tax is being harmonized. Opposition parties are raising Cain in the various provincial legislatures saying they are against it. The Retail Council of Canada, the Canadian Real Estate Association, the Halifax Chamber of Commerce and many others are pointing out that the way this tax is being introduced is going to kill jobs in Atlantic Canada. I cannot believe a government that ran on the promise of jobs, jobs, jobs is going to push through with this even though it is going to kill jobs in Atlantic Canada. This is contrary to common sense.

If Liberal MPs in Atlantic Canada will not listen, I ask all members to listen to this. Why will they not listen to the people who have made it clear that they do not want this tax? There were 16,000 names on one petition alone. There may be other petitions out there but I am only aware of one. There are 16,000 people who are opposed to the harmonized GST in Atlantic Canada.

If the Liberals will not listen to me and my colleagues in the Reform Party, then I urge them, especially the Atlantic Canadian MPs, to at least listen to their own constituents and vote against this bill and to forever forget the idea of introducing a harmonized GST across the country.

Mr. Alex Shepherd (Durham, Lib.): Mr. Speaker, I will be sharing my time with the hon. member for St. Boniface.

Bill C-70 is really about re-engineering the Canadian economy. We live in very changing times economically. Surely as if we had lived back in the 1800s when the horse was replaced by the iron horse, today our society is changing dramatically before our very eyes.

When we talk about Atlantic Canada, for instance in the province of Nova Scotia more people today are engaged in education than in the fishery and forestry combined. It tells us that the nature of our society is changing. We have to change our internal and external trade mechanisms because this is becoming a very competitive world.

The harmonization of the GST is just part and parcel of a general program to make our economy much more efficient by stopping the duplication of various taxes and the overlap it causes and make our economies efficient and competitive as we move toward the 21st century.

We have talked about the WTO. It was the Atlantic provinces when they first came into Confederation back in 1867 that were the engines of growth at that time, the creators of wealth and the builders of ships. It is to their credit that those provinces have realized the importance of a harmonized GST system and of doing away with duplication and overlap to create more efficient economies for their people which will create jobs in the future.

We need a more homogeneous Canadian market, a Canadian trading system. This is just part of the parcel to do that.

Let me first address the whole concept of provincial sales taxes. Each one of our provinces at various times has implemented provincial sales taxes. They have come along and changed them, applied them to some things in one province and others in another province.

When I served on the finance committee I travelled to Atlantic Canada. I talked to the people about the kinds of administrations that existed in the provincial sales tax system. We get the same thing in my province of Ontario. It likes to protect children's clothing so it is exempted from the PST. Prince Edward Island is very concerned about home heating fuel so it is exempted. In other words, there is a patchwork of provincial sales taxes and rates which go from 12 per cent to 7 per cent and to 0 per cent in Alberta.

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• (1205)

There is a hodge-podge of provincial sales taxes across the country. In and of itself what has that created? I am surprised that members of the Reform Party who talk about making this a better economy cannot see the importance of changing this outmoded system of individual provincial sales tax regimes.

When I was in the province of Newfoundland I was surprised and shocked to find that businesses were complaining about mail order businesses which operated out of Ontario and shipped products to Newfoundland because the retail sales tax in Ontario was less than that in Newfoundland. In other words, somebody would not buy something in their own neighbourhood because they could buy it cheaper through a mail order business in Ontario because of the difference in the provincial sales taxes.

These are some of the very basic problems a harmonized system is attempting to address. It is long overdue. It is not a matter of change for the sake of change. I hear some people say that the Liberals just want to change the GST and harmonize the sales tax so that they can meet their election commitments. Nothing could be further from the truth. This concept of integrating the two taxes is very important for our future as a country and for our economic well-being.

It is very important to have a similar system across the country from coast to coast to coast. That is my ideal. Some members of the Reform Party will say that we did it in only three provinces. Those three provinces are three more than we had a year ago. At this rate we will have harmonization across the country in a few years.

I would like to talk about the difference between a multistage tax and a single stage tax which basically is what the provincial sales tax is. The value added tax is a more efficient tax, if the people listening believe that there is such a thing as an efficient tax. It is an efficient tax in that it taxes at all stages of consumption. The provincial sales tax is not efficient for a number of reasons. One very real reason is that the provincial sales taxes invariably become embedded in manufactured goods. What do I mean by that?

I mentioned initially the importance of re-engineering our economy, creating a more robust economy in Canada. Another aspect is our export sector which has been the engine of growth and the engine of employment. Many people come to the industry committee week after week and say that to start a small or medium size business in Canada they have to start with the assumption that 70 per cent of their sales will go outside the country. What does that have to do with taxes?

The bottom line is that with the provincial sales tax system, we incorporate and compound the taxes on our export sales because there is no mechanism to relieve our exports of the provincial sales tax. The whole concept of the GST or a value added tax is that

when we export something, we do not include those taxes in the export selling price. In other words, it makes our products much more competitive in the world environment. I will give an example.

In my riding even though we do not have a General Motors plant, General Motors is a big player in the economy. General Motors currently would pay provincial sales tax in its operations. Everyone knows there is no such thing as a business tax per se. We hear the province of Ontario argue back and forth that it does not want to shift the taxes from businesses to individuals. I would like to suggest that there is no such thing as business taxes. The only taxes are on individuals. We are all paying the tax on a personal basis whether it is in that car or the products that we buy daily, our telephones, refrigerators and so on. We are all paying the tax. Sometimes we see it, sometimes we do not. That is the essence of the problem of provincial sales tax.

• (1210)

It is amazing that members of the Bloc have not noticed that their own system is a very efficient one. It is completely harmonized with the existing GST system. The automotive sector is one of the growing engines of our economy. It is one of the things that has kept people employed and has allowed our economy to go forward in the last few years. A car produced in Oshawa when sold in the United States has PST, provincial sales tax, embedded in the selling price but a similar car produced in Ste-Thérèse, Quebec does not. All things being equal, the car produced in Ste-Thérèse, Quebec and shipped into the American market is cheaper than the one produced in Ontario.

Everyone can understand why I believe that Ontario and most other provinces will eventually harmonize. It is just good business, just good sense and just good for the economy.

The interesting aspect about this is that moving toward a truly harmonized system means that we have a common base, a common rate and a single administration. One of the most important things is a single administration so that we end the duplication and overlap which exists in the system.

I would like to mention a person I contacted just this morning, Fred Shaw from St. Anthony, Newfoundland. Fred is an accountant. In his own practice, because of the harmonization process he is actually going to end up charging more on his invoices but he said that his customers are going to be a lot better off under a harmonized system. The province of Newfoundland is going to be better off by millions of dollars by harmonizing its administration system.

Mr. Shaw talked about buying a load of gravel. Before, he would have had to pay the PST and the GST on a load of gravel but if the same truck had spread it over his front lawn he would not have had

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to pay the PST. This is the sort of ridiculous argument we are all doing away with under this system.

In conclusion the object of a harmonized system is to create a more robust engine within Canada and to create a more dynamic economy as Canada competes in the 21st century against many other competitors that are doing the same thing.

[*Translation*]

Mr. Ronald J. Duhamel (St. Boniface, Lib.): Madam Speaker, the purpose of our debate today is to take a serious look at this bill, to stay away from the political partisanship that arises from time to time when discussing these issues and to make a thorough analysis based on the following: does this bill provide more benefits for business, yes or no?

I think our comments should aim to improve instead of simply to attack, criticize, denigrate and crush this bill.

[*English*]

I do not want to take up valuable time with further justification of a restructured harmonized federal-provincial sales tax. The facts have been clearly and convincingly addressed by my colleagues.

[*Translation*]

The facts are there. What we have to do now is improve this bill if we can.

• (1215)

[*English*]

As we all know, the harmonized sales tax will eliminate hidden taxes that inflate prices and hurt exports. It is simpler, more transparent for consumers and for business, and an integrated approach makes possible a lower overall sales tax rate. We know that, those are realities. If people do not agree with the facts they should attack them and show us why.

[*Translation*]

We know perfectly well this is a better, more straightforward and less costly approach that will help meet the needs of people in a far more flexible way.

[*English*]

Today I want to focus on an aspect of this legislation that has too often been attacked by those who place partisan politics and narrow regionalism ahead of clear objective thought.

The issue of course is a decision by the government to provide a formula for short term adjustment assistance to provinces when they face significant structural cost to participate in the new integrated system. That is the prime issue I want to address today.

[*Translation*]

There will be assistance when assistance is necessary. There will be a formula that will indicate clearly, fairly and objectively the type and amount of assistance the government will provide.

[*English*]

Under this legislation adjustment assistance becomes available to provinces which experience a revenue shortfall in excess of 5 per cent of their current retail sales tax receipts because they moved to a single harmonized sales tax system.

For qualifying provinces, in this case Newfoundland, New Brunswick and Nova Scotia, the formula means that the federal government will provide, and this is very important, first of all, full compensation for the revenue shortfall, that is the shortfall over 5 per cent of the current retail sales tax in year one; that same full compensation for the shortfalls in year two; half the amount of the shortfall in year three; 25 per cent of the provincial revenue shortfall in year four.

[*Translation*]

Now we have measures that are concrete, specific and fair.

[*English*]

This assistance is a necessary investment in making Canada stronger through helping disadvantaged regions move to a modern tax to meet modern challenges. It is a 21st century type of investment reflecting the fact that government must change how it involves itself in economic development.

[*Translation*]

We see profound changes taking place across the country.

[*English*]

Businesses have made it clear that the best role for government is to give firms and workers the environment to compete and that is what it is doing with sales tax harmonization, and that is what responsible government and leadership means.

The assistance formula developed applies equally to all. There is no discrimination, no favouritism, no bribery. It is clear, concrete and objective. It applies equally to all. Any province that faces a transitional revenue loss exceeding 5 per cent because of harmonization qualifies for assistance over that amount on a 50-50 basis. After four years those provinces are on their own.

That means that B.C., Alberta and Ontario would not meet the threshold. They will not lose money on harmonization, just as Quebec did not when it harmonized. In fact, I am told that Quebec

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made money through its staged harmonization approach, that it was clever in doing so and it should be commended for that.

Not every province has the economic size and scale to become instant winners under harmonization. For the three Atlantic provinces, with their less developed economies and such problems as the fish stocks, harmonization does carry a painful near term cost. That is why this government has developed a compensation formula and why those governments will receive about \$960 million in assistance.

Under the same formula Saskatchewan and Manitoba will also deserve assistance. They would be entitled to over \$550 million for the four year period when they decide to harmonize, a fact that is not propagated loudly or widely by either of those governments. I want to mention that under the same formula Saskatchewan and Manitoba would also deserve assistance. They would be entitled to over \$550 million for the four year period when they decide to harmonize.

It is surprising and to some frustrating that this government's approach has been turned into a political football. There is a tragic cynicism at work, the type of cynicism that knows the price of everything and the value of nothing. "Let's do what we can in order to enhance our popularity which is plummeting, and let's do whatever in order to be noticed".

• (1220)

Who can argue the value of helping provinces provide the environment to industry that would help them fly? It is not just one or two sectors but all businesses in a region. This is particularly true for the Atlantic region which is why it has moved to accept the harmonized approach.

By what illogical leap can it be suggested that because the Atlantic provinces or Manitoba or Saskatchewan qualify for assistance, equal financial benefits should be provided by provinces that do not suffer major losses?

[*Translation*]

How can anyone rationalize such an approach? What kind of approach do they want when they say we should not distribute wealth according to the needs of a province or a region?

[*English*]

That is not a prescription for fairness. If we do not share in a way that responds to needs and loss it is a premise for selfishness. Statistical uniformity in no way builds economic futures or preserves a vibrant Canadian society. One size does not fit all in a nation as diverse as Canada. It never has and I do not think any provincial politician in their heart of hearts believes any different.

For example, Quebec and Ontario are the major beneficiaries of our federal tax regime for research and development, the most beneficial in the G-7. Do those governments want these credits to be proportioned on the basis of geography rather than economic reality? I think not.

[*Translation*]

No, certainly not. So why, when we are looking at another program, do they want the same? Is this not a contradiction? Is it not unfair and insensitive? I think so.

[*English*]

That is the heart of the issue and the key to fairness. Government assistance should be determined by the principles of need and performance. That is the way to be effective. That is the way to be cost efficient and that is the way to build a 21st century economy.

Let me repeat this is not a political issue, or it need not be. It is not an accounting debate. Rather, it is a question of Canada's economy today and into the next century. Sales tax harmonization is a solution that gives Canada's affected provinces an effective, more fair and competitive tax.

Our challenges are too pressing, our opportunities too real to squander on petty partisan politics. Let us get on with looking at the issues clearly rather than applying emotional blinkers or dog in the manger logic or simply saying something in order to help the party's flagging popularity.

Yes, our approach and assistance will make the maritimes more competitive. Any province can seize a clear and concrete solution to the problem by getting onboard themselves. The solution does not involve a dramatic fiscal cost. They will benefit quickly and surely through greater competitiveness and real cost savings to their businesses. That should be carrot enough and reward in full.

There are provinces like those in the Atlantic region. They want to make the transformation but face a tough short term downside. That is a barrier they cannot overcome by themselves so we have developed a cost shared short term solution to help them over the hump. That is the essence of partnership and of real national leadership.

Different players bring to the table different problems and different resources. By working together, drawing on our strengths and compensating for our weaknesses we all emerge stronger. The strength of a value added sales tax regime is that it is a better tax for today's economy.

For Canada's place in that economy we face the problem that its advantages have not been fully harmonized with provincial-federal taxes. If we work together through the format and approach our government has set up, the result will be a tax system that makes us stronger, that helps deliver more jobs and that is fairer to us all.

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[*Translation*]

This is the end of my remarks, but I could have gone on for hours, because at last we have an approach that makes sense.

• (1225)

[*English*]

Mr. Monte Solberg (Medicine Hat, Ref.): Madam Speaker, given the opposition of the Retail Council of Canada and many independent retailers to this deal, precisely because it is being brought into only one region, and they point out that it will mean higher costs for them and ultimately for consumers, and knowing the impact on Atlantic Canada will be especially difficult to deal with given the state of its economy, how can the member justify pushing for this deal when he knows it will hurt consumers in Atlantic Canada?

Mr. Duhamel: Madam Speaker, I thank my colleague for his question. I know that he takes these questions seriously.

I thought I had shown quite clearly in my address that this was a fair approach as could be found. I have not heard one political party, not one politician, come forward with something that is more sensitive or sensible which responds to the needs that have been articulated. I am befuddled.

I suspect he probably has another question. Surely he listened to what I said. I said let there be no doubt that all systems are imperfect. Let there be no doubt that this has imperfections, but let me see something that is better, let me see something that will respond more significantly to the needs of Atlantic and other Canadians.

The major point here is that it treats Canadians fairly. The opportunities that were given to the Atlantic provinces are also available to Manitoba and Saskatchewan. There is a formula. It is not discrimination. It is not biased.

Of course, when one talks about taxes in general we are not going to find a whole lot of people who are going to agree with any level of taxation or any adjustments to the taxation system. Clearly what we have now is not efficient. Clearly what is being proposed here is much better. It is much more sensitive. It is much more workable.

Surely if my colleague has another option, he or his party will put it forward and then we will let people look at it and decide which of the two options is better.

Mr. Jay Hill (Prince George—Peace River, Ref.): Madam Speaker, it is necessary to make the point right now to the hon. member that the Reform Party, as much as it should be, is not the Government of Canada. Therefore it is not up to us to put forward options for this particular tax. Certainly during the election cam-

paign we will be putting forward options on a whole range of issues so that Canadians can choose between the various parties and their platforms.

In this particular case, given that the hon. member and his party campaigned during the 1993 election campaign on scrapping, abolishing, doing away with the GST, how can he reconcile that with the present plan to harmonize it? How can he reconcile harmonization with the promises that were made by him and his party during the 1993 election campaign?

He states what is fair. What is fair to the Canadian people is for the government to live up to its election promises.

Mr. Duhamel: Indeed, Madam Speaker. My colleague has no doubt seen an accounting by the Prime Minister of Canada with respect to the promises made on the electoral platform. The majority of those promises have been honoured.

My hon. colleague who asked the question knows full well that setting aside the GST was one of a number of options. Harmonization was in the electoral platform. My colleague knows that. My colleague is intentionally trying to make it an issue when it is not. Why would my colleague not read the relevant sections into the record? Harmonization was clearly an option. Harmonization was mentioned on a number of occasions. My colleague knows that.

The other thing that I find extremely strange is, as I understand it, every party in the House of Commons is in favour of harmonization. Every single party. If I am wrong, let them stand up and say so. As I understand it, businesses are in favour of harmonization. Yes, there is additional work that needs to be done. Yes, the systems need to be fine tuned. However, let them stand up and be counted. Let us have no more rhetoric. Let us look at this initiative as it is intended to be, to make the system fairer, simpler and less costly. Let us look at it from that perspective.

• (1230)

[*Translation*]

Mr. Richard Bélisle (La Prairie, BQ): Madam Speaker, I listened with interest to the remarks of my colleague opposite, and I would like to say that the bill is nothing more, in the opinion of the Bloc, than a collection of amendments to the GST.

In addition to several dozen small technical changes on exemptions from payment of the GST, there are a series of amendments providing for the harmonization of the GST with the sales taxes of the three maritime provinces. In Bill C-70, the GST becomes a harmonized sales tax, as the Minister of Finance describes it.

The bill also provides an exemption from federal sales tax, and this applies right across the country, for books bought by public libraries, schools, colleges, universities and other organizations involved in literacy programs.

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We received this bill at the last minute and we in the official opposition deplore the way the Minister of Finance tabled these documents. The official opposition had less than 24 hours to examine the text of a bill of over 300 pages, which came without any explanatory notes. In this way, the government is trying to avoid debate and to keep the real issues hidden from the people of Canada.

The Liberals do not keep their promises, to say the least. The Deputy Prime Minister should resign again. The GST is with us for the duration, as Bill C-70 pointedly indicates. The Prime Minister promised transparency in the last election campaign. The Liberals are doing now what they criticized the Conservatives for doing in the past. The new GST is a hidden tax, because it is buried in the selling price of goods and services.

The 1994 Liberal majority report stated that it would simply be wrong to keep Canadians in the dark as to what they were paying in taxes to their governments, and a hidden tax would make it difficult for them to force the government to account for the way taxes are collected and, to a lesser extent, for the way public funds are spent.

The Minister of Finance is today presenting us with the hidden tax he criticized at the time. Furthermore, in 1989, the dissenting report of the minority Liberal opposition stated: "In addition, if the GST is hidden in the selling price, it will be much easier for the government to increase it later on".

The old Liberal federal sales tax was hidden in the price. The Conservatives made it visible by creating the GST as we know it. With the proposed agreement with the maritimes before us today, the Liberals are again hiding this much hated tax. There is always this double talk: They say one thing when in opposition and another when in office.

In 1989, the Liberals tore out their hair over this issue, but now that they are in office, they are hiding the GST as if nothing had happened, as if this tax had never existed.

This is a disgrace. This shows selective memory. The Liberals boast about listening to businesses. But when the Canadian Chamber of Commerce surveyed its members in 1994, it concluded that 70 per cent of Canadian businesses were against hiding this tax. In February 1996, the same organization surveyed its members again, only to find again that 76 per cent of them were against hiding this tax. For a government that boasts about listening to business, it does not seem to be listening very well.

• (1235)

Let us take a look at the compensation formula, which is in fact a \$1 billion political present. But the real cost is that of harmonizing with the maritime provinces.

In a shameless exercise in window dressing, the Minister of Finance has paid off the maritimes so that they would help him

honour an election promise that had not been acted on. One billion dollars is what Quebecers and Canadians from the other provinces will have to pay for an election promise that was not kept by the Minister of Finance and the Prime Minister. One billion dollars is what this measure is really costing us.

There is no mention of the compensation formula in Bill C-70. The MOUs provided for some \$961 million in compensation. We are still waiting for the Minister of Finance to unveil the criteria for his compensation package and to clearly show that Quebec is not entitled to such compensation.

In spite of Quebec's repeated requests to that effect, the federal government has turned a deaf ear. The objective is always the same: to penalize Quebec and particularly Quebecers, who elected a sovereigntist government. This compensation may be a political gift to make the Liberal UI reform, which adversely affects seasonal workers in the maritimes, more palatable to the population of these provinces. Otherwise, why would Ontario, Quebec and the other provinces not be entitled to such compensation for harmonizing their sales tax with the federal one?

This cost of \$1 billion over the next four years will be largely exceeded. The result of reducing the tax base at the consumer's level from 19 per cent down to 15 per cent will be that, in future, Quebecers and Canadians from the other provinces will have to pay more equalization to the maritimes.

These additional equalization costs will be paid by all taxpayers in Canada and Quebec. The commitment made by the finance minister to the governments of the maritime provinces is not acceptable, when you compare the cushy deal reached with the maritime provinces on harmonization with what happened in Quebec in recent years.

The agreement reached by the federal government and the three maritime provinces will eventually be expanded to include all Canadian provinces. At the present time, the majority of Canadians are against the minister's plan, against the introduction of a single 15 per cent tax, to be collected by the Canadian revenue commission the government wants to set up.

The tax burden would thus increase in Quebec, in Ontario, and in several other Canadian provinces. Bill C-70 will have a number of consequences for Quebec. For many years now, the Government of Quebec has made a genuine effort to harmonize federal and provincial tax bases. Quebec collects and administers for the federal government the GST such as we now know it in Quebec. We have therefore worked very hard in Quebec to bring about this harmonization at no cost to other Canadians.

This bill is unfair to Quebec on more than one count. Quebec's fiscal autonomy would be undermined by the Canadian revenue commission, which would be responsible for administering the new 15 per cent GST. The present harmonization worked out

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between Quebec and Ottawa is therefore a far cry from the minister of finance's bill, whatever the Liberals might say.

Quebec will never agree to take part in such a fiscal regime. This new attempt by the federal government to interfere in provincial jurisdiction must be denounced.

Far from harmonizing federal and provincial sales taxes, this bill stands a good chance of jeopardizing several years of efforts by Quebec to achieve harmonization with federal taxation. The existing harmonization in Quebec was accomplished with the consent of both parties, and in all good will.

Today, the Minister of Finance is scrapping all the agreements signed with Quebec and trying to replace them with a bill that is nothing more than a pre-election ploy.

• (1240)

The government has made only partial use of a measure proposed by the Bloc Québécois, so the public ends up with a half-victory. In our opinion, however, even with this GST credit on books, the government is not going far enough.

Ever since Quebec introduced the QST, all books have been exempt from the provincial sales tax, and not just those purchased by literacy institutions, schools, public libraries and so on. All books are QST exempt, including those purchased by consumers in bookstores, which represent the bulk of GST revenues on book sales.

The measure announced by the Minister of Finance is, therefore, a cosmetic one, designed merely to enable the Liberals to boast that they have eliminated the GST on books, when in fact they have not done anything of the sort. Taxing books means taxing knowledge, making it even less accessible to certain members of society.

This does, however, represent a half-victory for the Bloc Québécois and for the public, in that we have been battling from the very beginning, even as far back as when the Conservatives were in power, to eliminate the tax on books. For this to become a total victory, however, all books would have to be exempted from this GST disguised as a harmonized sales tax, not just books bought by literacy and educational organizations.

What the Liberals are aiming at with Bill C-70 is, in fact, nothing more than a whitewash, a diversionary tactic, at which they are experts, and which is what has kept them in power for so many years. The moment of truth is at hand. They will have to answer to the Canadian public in the next election. Then their poor track record will speak for itself.

Rather than passing this bill, the Bloc Québécois proposes a concrete revision of the corporate taxation system. According to our analysis, the federal government could recover up to \$3 billion annually by revising or abolishing certain outmoded, inefficient

and unfair tax expenditures, using the money instead to encourage businesses to create jobs.

In today's struggling labour market, the purpose of corporate taxation ought to be to encourage the creation of good, lasting jobs, while ensuring that the funding of public services is equitably divided between corporations and individuals, and among the corporations themselves.

A number of analysts see a problem in the way taxes are collected in Canada: While the tax rate on profits is lower than elsewhere in the world, capital and payroll taxes are higher. This discourages job creation. Instead of remedying this situation, the Liberal government is attempting to hide yet another broken election promise. What a poor record the Liberals have to show for themselves after three years in power.

[English]

Mr. Barry Campbell (Parliamentary Secretary to Minister of Finance, Lib.): Madam Speaker, I listened with interest to the comments of the hon. member opposite and, as usual, there was the litany of complaints. But he did allude to the fact that of course Quebec has a harmonized tax. I would like him to tell this House whether that is an improvement over the situation which prevailed previously when there was a separate Quebec sales tax and a federal GST.

Is the hon. member supportive of harmonization as it has been working in Quebec and, if so, why would he deny the same opportunity to other regions of the country?

[Translation]

Mr. Bélisle: Madam Speaker, I can inform the parliamentary secretary that yes, I strongly support harmonization as implemented in Quebec. What I want to say today, before this House, is that Quebec received no compensation for its efforts to put together a harmonized federal and provincial sales tax.

Why has the federal government committed nearly \$1 billion in compensation for the three maritime provinces, the plan we are discussing today, while Quebec is not entitled to any compensation? I deplore this double standard.

• (1245)

It is the same old story. In the end, the federal government is trying to make amends for its new employment insurance policy.

In the three maritime provinces, there are many seasonal workers who will be penalized. The government is providing a disguised subsidy of nearly \$1 billion just before a federal election is called, in an attempt to make its employment insurance policy more palatable to the maritimes and make seasonal workers in these three provinces forget they have been penalized. They want to

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make them forget about that before the next federal election. That is what I find intolerable.

[*English*]

Mr. Campbell: Madam Speaker, Quebec did not receive compensation at the time that it harmonized. It would not qualify for compensation under the formula that was announced, debated and passed by this House several months ago.

That formula requires a province to incur a net loss of tax revenues of over 5 per cent in order to qualify for assistance on any measure. Quebec would not be in a position to benefit from that formula, nor might I add would Ontario were it to harmonize now or British Columbia. Other provinces would qualify. The maritimes do qualify and that is the simple answer.

Not only did the province of Quebec not lose revenue on harmonizing in the manner in which it did several years ago, but in fact gained revenue by operating two systems simultaneously for a period of time. I wonder if the hon. member is aware of that.

[*Translation*]

Mr. Bélisle: Madam Speaker, I can inform the parliamentary secretary that I know all that. They say that according to the formula that was approved, Quebec and Ontario are not entitled to compensation, but what is particularly galling is that 25 per cent or about \$250 million of the \$961 million in compensation being granted today to the three maritime provinces will be paid for by taxpayers in Quebec. I think this is something we and Quebec taxpayers cannot accept.

In addition, the equalization formula will be modified, which will also affect the three maritime provinces that will get this compensation. In the end, these three provinces will not be getting \$1 billion and Quebec taxpayers will not be paying \$250 million. It will be a much larger amount. That is what the people of Quebec refuse to go along with and that is the point I wanted to make today.

[*English*]

Mr. Peter Adams (Peterborough, Lib.): Madam Speaker, it is a great pleasure for me to join this debate on Bill C-70. It is the act that will harmonize the GST and the sales taxes in the Atlantic provinces.

As members are aware, one of the government's objectives is to have a fully harmonized sales tax system across Canada. Bill C-70, dealing with Atlantic provinces only, takes us significantly closer to that goal.

Harmonization is a first step toward replacing the GST with a truly national sales tax system. The bill provides for a single harmonized or combined value added tax called the harmonized sales tax, or HST, to replace the current retail sales taxes in Nova Scotia, New Brunswick, Newfoundland and Labrador and the

federal GST in those provinces on April 1, 1997. On that date the three Atlantic provinces will have a simpler, less costly and more efficient sales tax system.

I should mention that this bill by no means diminishes the government's commitment to working with the remaining provinces to make this a single harmonized sales tax system for Canada. I urge the people of Ontario to follow this debate very closely because harmonization in the Atlantic provinces will give those provinces a clear competitive advantage over Ontario which is not at the present time moving toward harmonization.

• (1250)

In addition to replacing the current system, the harmonized sales tax will reduce the current combined sales tax rates to 15 per cent in the Atlantic provinces, will establish a single administration of both federal and provincial sales taxes, introduce tax inclusive pricing so that consumers will know exactly what they are paying in advance and ensure a level playing field for businesses in the participating provinces.

The new combined sales tax and GST rate of 15 per cent, for example, in the province of Newfoundland is a reduction of somewhere between 4 per cent and 5 per cent of the current total taxes paid by the people in that province.

Businesses in the three provinces should be particularly pleased with having to deal with only one tax, one set of forms, one administration, one rate and one base instead of two of everything as is the case now. This is particularly important for very small businesses which simply lack the staff to deal with multiple levels of taxation.

Under the current provincial retail tax system all businesses pay tax on the goods and services they purchase to operate their businesses. These taxes are hidden in the final price of all goods and services sold in the provinces so prices are inflated by several layers of provincial sales tax. The new harmonized sales tax will eliminate these hidden taxes by allowing businesses to claim an input tax credit for sales taxes paid on goods and services purchased to make their products and run their operations.

Businesses in the three Atlantic provinces now pay over \$700 million in hidden sales taxes to their provincial governments. Eliminating these hidden taxes will mean that the cost of manufacturing, wholesaling and retailing will come down, making prices in those provinces more competitive.

Exports from those provinces should strengthen because goods produced in Nova Scotia, New Brunswick and Newfoundland and Labrador will no longer have hidden taxes embedded in their prices when they are shipped abroad. This could also be true in the province of Ontario if the Queen's Park government would move toward harmonizing the GST and the provincial sales tax.

This change is not an abstract, accountant based benefit. Canada is a trading nation with about one-third of its economy currently dependent on exports. Just as important, it is the export sector that has been creating the new jobs over the past few years. Therefore, it is vital that our exports be as competitive as possible.

It is not only exports that will gain under the new harmonized sales tax. Removing the currently buried taxes will mean that goods produced in the Atlantic provinces will be more competitive than goods imported into those provinces. Lower prices will be a greater incentive to buy items made at home by workers in the participating three provinces.

I would also like to mention that the system of input tax credits will also help to combat the underground economy. With input tax credits available at the 15 per cent harmonized tax rate, instead of covering only the current 7 per cent GST, there will be a substantially increased incentive for businesses to operate within the sales tax system rather than outside it.

I mentioned before that businesses in the participating provinces will deal with a single tax administration under the new harmonized sales tax. At the moment businesses are faced with two separate sales tax systems, two sets of forms and two sets of auditors. Businesses, and in particular small businesses which now deal with two or more separate sales tax systems on a daily basis, will save because of the reduced compliance burden. This could also be true in Ontario if it moved to harmonize the GST and sales tax.

One sales tax system means less time and money spent on paperwork. Small businesses, the micro businesses, with less than \$30,000 in taxable sales, will not even have to register for either the federal or the provincial sales tax in the maritimes.

• (1255)

Also helpful will be the fact that businesses currently registered for the GST will automatically be registered for the new tax. Registrants will continue to use the current GST return to calculate net tax remittances.

When reporting tax collected and remitted and input tax credits claimed, there will be no need to separately identify the federal and provincial components of the harmonized sales tax at the 15 per cent rate or tax collected or payable at the 7 per cent rate. It will be much less complicated.

There is clear evidence also that businesses will pass on savings in the form of lower prices in the competitive marketplace. Past studies in Canada and in other countries show that when sales taxes are replaced with value added taxes, savings are passed on to consumers. This helps to refute some critics of the harmonized sales tax who claim that harmonization will hurt low income

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earners more than high income earners because of increased taxes on basic necessities like home heating fuel and clothing.

The cost of goods should actually decrease because of the lower combined tax rate and the removal of the hidden provincial retail sales tax already included in the price of those goods.

One issue of concern to retailers under the new harmonized sales tax is tax inclusive pricing, which is the answer to consumers wanting to know the total tax included price in advance of their purchases. This is a matter of including taxes in the price listed in the supermarket or wherever. The government's objective in this respect is to ensure transparency. The tax will be clearly shown on receipts.

Retailers have expressed concern that tax inclusive pricing will cost them money, make them less competitive and result in higher prices. The rules are flexible enough to minimize competitive inequities since businesses will have the option of displaying tax excluded prices alongside tax included pricing.

On April 1, 1997 the three Atlantic provinces will have a simpler, less costly and more efficient sales tax system. I hope that the other provinces, including Ontario, will soon follow suit. I urge all my colleagues in the House to support Bill C-70.

Mr. John Cummins (Delta, Ref.): Madam Speaker, the member opposite suggests that making it easier to pay taxes somehow makes it more attractive, something like turning vinegar into wine.

Why should retailers or anyone else feel better about paying this tax?

Mr. Adams: Madam Speaker, one thing about the harmonization process we are going through, which has already taken place in the province of Quebec, is that it simplifies and cheapens tax collection. Like the member, I do not like paying taxes, but I certainly do not like paying taxes unnecessarily to have my taxes collected, which is the situation now.

Where there is a sales tax and a GST there are two sets of tax collectors, two sets of forms, different dates for submission of the taxes. All of that costs money. As a result, the amount of tax being paid is greater. I believe that a simpler, harmonized tax system that lowers the tax we pay is better than the current complicated and expensive tax system.

• (1300)

Mrs. Brenda Chamberlain (Guelph—Wellington, Lib.): Madam Speaker, I am pleased to speak to Bill C-70 which amends a number of acts but, most important, provides for the implementation of agreements between the federal government and the governments of Nova Scotia, New Brunswick and Newfoundland and Labrador to harmonize the federal and provincial sales taxes effective April 1, 1997.

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This legislation is an important step in our election promise regarding the GST. Let me remind the House, especially members of the Reform Party, of our promise. The red book states: "A Liberal government will replace the GST with a system that generates equivalent revenues, is fair to consumers and to small business, minimizes disruption to small business and promotes federal-provincial co-operation and harmonization".

This is the promise that I made to the people of Guelph—Wellington in the fall of 1993 and it is a promise that I look forward to seeing to its completion right across Canada.

We promised to replace the GST with a system that generates equivalent revenues. At a time when the people of Guelph—Wellington are demanding fiscal responsibility and restraint from their federal government it is important not to overlook the \$18 billion that is currently raised by the GST. Any realistic Canadian knows that we cannot continue to provide social programs, reduce the deficit and care for our people without revenue.

It is also important to note that all net revenue from the GST is deposited into the debt servicing and reduction account. This means that all moneys generated by the GST go to fight the deficit. We have had a clear picture from Canadians of what they want us to do with the deficit.

We promised to replace the GST with a system that is fair to consumers and to small business. The cry for tax fairness is loud and clear in Guelph—Wellington. My constituents do not mind paying their fair share, but they want a tax system which distributes the burden.

We know that the Standing Committee on Finance worked long and hard to find alternatives to the GST. I congratulate my colleagues on the committee for their work. As a relative newcomer to the committee, I appreciate the long hours that members faced in looking for an alternative to the GST. The result of this work was the national VAT, and its recommendations are seen in the agreements signed between the federal government and the governments of the three Atlantic provinces.

The recommendations of the committee received an important endorsement, one which I would like to remind the House of: "It is simply unacceptable that Canada remains the only country in the world with ten different sales tax regimes". This person went on to say: "We commend the government on its attempt to harmonize the tax with the provinces". That endorsement came from the Reform Party in June of 1994. I look forward to its support of this legislation.

We promised an alternative to the GST which would minimize disruption to small business. I polled small business in Guelph—Wellington in November of 1994 on this issue. Sixty-four per cent of respondents said they believed that a harmonized VAT would be simpler and more fair.

I asked business people in my riding because they are directly affected by changes to the GST. They know that a harmonized sales tax is good for business. Businesses must currently pay two separate taxes and deal with two separate bureaucracies.

The Canadian Institute of Chartered Accountants estimates that harmonization will save businesses between \$400 million and \$700 million annually.

The idea of harmonization received another important endorsement in June of 1994. Let me remind the House of what this person had to say: "I want something that works. And I'll tell you this, that if we had one VAT, one base, one bureaucracy to collect it, the manufacturers and the businesses of Ontario would save over a billion dollars by being able to deduct those costs that you cannot deduct today on the sales tax". This person went on to say: "It has been one of the areas of major competitive disadvantages that Ontario manufacturers have had and Ontario businesses have had, and I say stop the rhetoric, stop the politics, stop the finger pointing. Get on with harmonization and simplification of the GST, or whatever the new initials are, and the PST".

• (1305)

That endorsement comes from Mike Harris, then the leader of the third party in Ontario and now premier of the province. I look forward to his support for a harmonized sales tax in Ontario.

We promised an alternative to the GST that promotes federal-provincial co-operation and harmonization. I have said in this House before that my constituents are tired of governments that blame other levels of government. They want us to work together with all our partners for their betterment and to secure a better future for Canada.

They are proud of our Team Canada approach to international trade and they want to see that approach in solving all our problems. Bill C-70 is an important step in a Team Canada type effort in sales tax harmonization.

The efforts that have resulted in this legislation were not easy. It is important to remember that the Standing Committee on Finance reviewed suggestions and comments from over 1,200 individuals and representatives from various associations. They rejected many suggestions because they did not generate the revenue they needed or because they were simply unworkable.

I believe that the proposals that we are debating today go a long way in fulfilling our promise. Our country continues to face serious problems. It is simply irresponsible for this government to abandon its deficit reduction efforts by ignoring the revenues generated by the GST. Nor did we promise to do so.

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Deficit reduction and our future remain our priority. In doing so, we are fulfilling another important promise, to generate and create opportunity and in doing so creating hope and growth for our country.

We made a promise to replace the GST. Reformers, on the other hand, promised to keep it as it is until the deficit was eliminated. We know that their deficit reduction target seems not to matter to them any more. Irresponsible tax cuts and more spending are election promises that Canadians will be hearing from Reformers. Deficit reduction, promise keeping and sound administration is what Canadians are seeing from this Liberal government.

This is important legislation. When it passes, Canadians living in New Brunswick, Nova Scotia, Newfoundland and Labrador will save time and energy for their businesses. They will have a tax that is better for consumers and they will have promoted federal and provincial co-operation.

The premier of Ontario, Mike Harris, said in opposition: "Stop the rhetoric, stop the politics, stop the finger pointing. Get on with harmonization and simplification".

We have taken his advice in Atlantic Canada at least. This legislation deserves our support.

Mr. Myron Thompson (Wild Rose, Ref.): Madam Speaker, I appreciate hearing the member speak on this issue. I have to smile a little when she talks about the keeping of promises. That is getting to be a joke to the people across Canada in terms of what the Liberals have done.

I would like the member to comment on a statement that was made in 1994 by the then revenue minister from Vancouver, now the transport minister, who predicted that voters will punish any provincial government that fails to merge its sales tax with a revamped goods and services tax. If that would be the case I wonder if this member can tell me why the results in P.E.I. recently.

Mrs. Chamberlain: Madam Speaker, first, I am very glad I made the member smile. As we know, newspapers say that Reformers do not smile very often. So I am very happy to have helped him along today.

I also would like to say that I think the reality of this initiative is something like our health care initiative. The reality is that particular initiative across Canada had to start in two or three provinces. The GST is being implemented in the same way in two or three provinces. As we move across Canada we will eventually have a GST in place that will help the retailers an awful lot.

• (1310)

The reality of this is reflected in a poll I conducted in early 1994. My retailers told me very loudly and clearly that it was very important to have a tax at the end of the sale that is not visible. The retailers originally asked the Conservative government 10 years

ago to make the tax visible. They have since come forward to the finance committee and admitted they made a very serious error, that it has really hurt the growth, the competitiveness and the buying patterns of all Canadians. That is what we are hoping to achieve with this change.

Mr. Thompson: Madam Speaker, there is one nice thing about asking a question in Government Orders as opposed to question period. In question period we do not get a second chance. I did not hear the member make any comments with regard to the voters punishing the government that will not go along with this. The voters in P.E.I. sent a very loud message that they are not interested. Could the member comment on the results of the P.E.I. election?

Mrs. Chamberlain: Madam Speaker, in reality, as I said in my speech, if the member was listening, we have to look toward the provinces co-operating. We also need a solution that is proper for each province. At this time P.E.I. has decided to have a second look, which is fine. We have to work together in harmony although I know the Reform Party has difficulty with that. But we will take our time, we will go slowly and we will do it right.

Mr. Herb Grubel (Capilano—Howe Sound, Ref.): Madam Speaker, the Minister of Finance has asked this House to approve the blended tax deal he has made with the Atlantic provinces. The Reform Party opposes this legislation on several grounds.

First, it does not fulfil the election promise to kill the GST. The red book fine print may have hedged on this issue but the impression left with the public was quite clear. The Liberal Party had been in a historic fight with the Conservative government's Brian Mulroney against the GST. With such a fight under its belt, it would use the opportunity of being in office to scrap the hated tax. The resignation of the Deputy Prime Minister and the parliamentary protest actions of the members for York South—Weston and Broadview—Greenwood support this view.

Second, the blended tax deal comes with too high a price tag for the rest of Canada. Why should taxpayers outside the Atlantic provinces pay nearly \$1 billion to the governments of those provinces which have voluntarily agreed to go along with the federal government's plan? They have no moral right to be compensated for an action which was essentially voluntary. It is quite clear that the transfer was a political bribe by the federal government so that it could pretend that it had begun to deliver on its election promise to scrap the tax.

Third, the blended tax does nothing to get rid of the fundamental flaws of the GST system as enacted by the Mulroney government.

As an economist, I was a strong supporter of the policy that would replace the manufacturer's excise tax by a value added tax. The latter promised to eliminate the cascading of taxes, distortions between industry's prices, be good for exports and leave a paper trail that discourages tax evasion. However, the value added tax

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which eventually emerged from the Conservative's deliberations as the GST fell far short of the ideal found in academic studies of such a tax.

The most serious problem stems from the failure to apply the tax to the broadest base possible. Once the political decision to exclude food had been reached, a Pandora's box of other exemptions and so-called zero rating became subject to successful political lobbying.

• (1315)

The result is a special treatment of the so-called MUSH sector covering municipalities, universities, schools and hospitals which are exempted from the tax. Doctors and professionals are zero rated which means that they do not charge the GST, but they do not get a rebate on the GST they paid on the materials they bought while providing their services.

Hearings by the finance committee produced many stories about the nightmarish complexity and administrative costs of the GST in general. These stories went from the inequity of having five doughnuts taxed because they are assumed to embody food service delivery, while six doughnuts are not taxed since they are pure food, to the false incentives implicit in the taxation of garbage collection services delivered by a private firm and non-taxation of municipal garbage collection services. Imagine what that does to the privatization of the often much more costly municipal garbage collection services.

From evidence produced by the witnesses, it is clear that the GST did not discourage but encouraged tax evasion. Firms in construction, in home, shoe and automobile repairs and a variety of other service industries that pay the GST face serious competition from many that do not. In addition, participants in the scam to defraud the GST are alleged also to be avoiding paying income tax.

One of the most dramatic presentations was by a witness who owned a business selling used goods. The GST has virtually bankrupted him primarily because of competition from used goods dealers that do not charge the GST. Similar stories were told by legitimate dealers in used cars. The notional GST return on used goods did not prevent the erosion of the nationally important legitimate trade in used goods and automobiles.

The paperwork involved in paying the tax and claiming rebates is very significant. For larger firms the day to day operations have reached a reasonable level of cost as a result of the intensive use of computers. For small businesses the cost remains high in spite of the government's willingness to accommodate the special needs of such firms.

In sum, all of these costs and false incentives of the Canadian GST system still affect the blended tax. In some ways they have become worse because of the need to integrate the provincial sales tax with the GST. The rates are higher, the incentives to evade are larger and so on.

Fourth therefore are the inequities resulting from the harmonization of the sales tax of individual provinces with each other and the GST. This harmonization produced a number of inequities.

Historically, provincial governments have used the sales tax to engage in social and economic engineering according to the demands of their electorates. This explains why some provinces exempt food, children's clothing, reading materials, some services and medical supplies from sales taxes while others tax such items, some at different rates from those charged in other provinces.

On top of this there were differences in the rates of taxation depending on how much money provincial governments had to raise by this method. Some taxed people and companies at different rates; some spent more than others; all of which determined the average provincial sales tax rate in the individual province.

The GST has a much broader base of taxation than the provincial sales taxes. Blending them therefore meant that provincial taxes had to be put on to many items of consumption that were previously untaxed. However this broadening of the tax base meant that provinces could raise the same amount of money at lower tax rates. This fact underlies the Liberal assertion that provincial tax rates are lower in favour of consumers. This of course is a shell game. By definition the average consumer pays the same with the blended sales tax as she did with the GST plus the provincial sales tax. Otherwise it would have been a tax grab and we would have heard the screams all across the country.

• (1320)

Averages hide a lot of variations in gains and losses to individuals under different circumstances. People who buy a lot of reading material may or may not make up the extra taxes they pay through reductions in the rates paid on other consumer purchases. People who find their tax obligations have increased are justified in complaining to the Liberals since they voted for the elimination of the GST, not a change which costs them personally.

A fifth reason Reform opposes the blended tax legislation is that the Liberals have claimed that the administration of the blended tax will result in substantial savings in administrative costs to governments and taxpayers. Returns have to be filed and audits only have to deal with one bureaucracy rather than two. Such savings are real. However the question arises as to how large these savings will be in

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relation to the extra costs involved in switching to the new system and in the day to day operations.

As it turns out, one provision in the legislation has resulted in a significant increase in costs. I will discuss this briefly by describing the problem that it attempted to address. It is the so-called tax-in provision of the legislation.

This provision requires merchants to display all prices including the taxes paid and not show the taxes separately. This mandated tax inclusive pricing works very well in Europe. It removes many of the annoyances consumers experience when under the present system they are faced with a bill for their goods and services, often inflated unexpectedly much by the GST and provincial sales taxes whenever they reach the check-out counter. European shoppers became quickly used to tax-in pricing and merchants adjusted their operations quickly.

Many in Europe and in Canada had opposed the inclusion of tax-in pricing requirements in the GST legislation because of the fear that it would permit governments to raise GST rates of taxation surreptitiously without explicit consultation and the kind of openness and resistance which is brought when people are required to file their personal income taxes. According to the experience in Europe, it turns out that this fear was not well placed.

When the Government of Germany recently tried to raise the GST tax by one percentage point, it ran into a storm of opposition. In the end it was forced to drop the plan for this increased tax. I believe the same would occur in Canada.

It is for all these reasons that show an advantage of tax-in pricing that the Reform Party in its minority report to the study on the GST endorsed the tax-in pricing provision for a national sales tax. However, the problem is that we do not have a national sales tax. We have what has been called a blended sales tax in order to distinguish it from the national sales tax. In fact it applies only to four of the Atlantic provinces.

As it turns out, I have no doubt that there may be savings for individual retailers from having only one sales tax, the blended sales tax. I have not seen how big these savings are. Therefore I am not able to relate them to the kinds of costs the tax-in pricing provision has imposed on these retailers and which costs they are required to pass on to the consumers in the provinces which are subjected to this legislation.

• (1325)

What are these costs? There is the once and for all cost required of individual firms to switch their system of calculating the price charged at the till. This requires not only reprogramming computers, but it is very important that it also requires the retraining of the individuals serving the consumers. These once and for all costs

may be justifiable in light of the savings on the other side by not having to deal with two authorities.

It turns out that there are also very large costs associated with day to day operations which will go on for as long as there is a blended sales tax in that region and the GST and provincial sales taxes in the other provinces. What are these costs?

According to an independent study by Ernst and Young, prices that have been attached to labels on goods manufactured, let us say in the United States or Ontario, to be marketed throughout Canada will have to be changed. Tags will have to be removed by hand and replaced on the goods that are being sold in that area. In some cases the price is printed on the good, such as on greeting cards the price is printed on the back at the bottom. Stores will have to relabel all of those cards.

Major retailers base many of their marketing campaigns on the use of flyers and house to house distribution of material. Right now the copy is prepared only once with the prices and conditions applying to all of Canada. In that particular region, special copies will have to be written and separate copies will have to be printed. It is a very serious increase in costs.

We should also note that warehousing and cost of distribution are expensive parts of retailing. Those of us who have never been in that business do not realize what it takes to keep the shelves filled with goods of the required size, quality, quantity and variety that consumers want. One problem is that the varieties, quantities and qualities are not predictable.

Retailers now have as an option that if in one region their sales have exceeded those expected and they require more goods from another region, they can go to the warehouse in another region and ship the goods to the area with the shortage. There will now be an invisible barrier at the edge of the blended tax zone which means they cannot get something from the other warehouses. The studies said that truckers who deliver goods in regions on either side of the invisible barrier may now have to shift the goods around in their trucks to get at those goods which have the appropriate label for the area. This is not a fantasy. This is not something made up. Some estimates are that these costs may be as high as \$100 million for this region.

• (1330)

Let us say that half of it involves continuous costs every year. Who is going to pay those costs? The consumers in that region. Eaton's and other big national retailers cannot pass them on to the rest of the country because there is too much competition, forcing them to keep prices down, not allowing them to raise prices.

We believe that the very least the government can do in order to help the consumers of the Atlantic provinces is to postpone the

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required tax in pricing approach until a blended sales tax or a national sales tax exists throughout the country.

In the meantime, however, there are so many flaws in this bill and in this approach to replace the GST that I believe Reform is acting in a socially responsible manner by opposing it.

Mr. Barry Campbell (Parliamentary Secretary to Minister of Finance, Lib.): Madam Speaker, I would like to thank the hon. member opposite for his comments. Unfortunately, one gets used to a lot of the rhetoric coming from the other side, so the hon. member's candour and honesty is very refreshing.

He endorses harmonization. I would not expect otherwise, in the light of the Reform Party's position after the GST review. He endorses tax included pricing. He is widely recognized as a prominent economist. I would be surprised if he said otherwise. He accepts, in all fairness, that there will be one time costs, but in the light of ongoing savings they may well be offset in the long run. All of that is refreshing and welcome. I would be surprised if the hon. member had said otherwise. He also has some doubts and some concerns. That is also fair.

I want to make one observation and ask him one quick question. The observation is on tax included pricing. Is he aware of the accommodations that the government has made in consultation with businesses in responding to the very concerns he raised about implementing a harmonized system in one region and not others? For instance, accommodations are being made which will allow catalogue publishers and retailers that produce catalogues to overcome the concerns they have. They need not print the prices in the harmonized provinces, as long as they indicate in the catalogue that their prices do not include taxes.

Is he aware that discussions are ongoing and regulations will reflect that the government and retailers have agreed to allow bin pricing for those items that are labelled, which would otherwise have to be relabelled individually? That would be a tremendous imposition on business so the government has accepted the principle of allowing small items that are prelabelled to be placed in bins, with the prices indicated on the bin. In modern retailing that is often the way things are done. We only have to think of our neighbourhood stores.

Is he also aware that the opportunity still exists for retailers to indicate sale prices that are exclusive of taxes as long as the tax included price is also indicated?

Is he aware that there are ongoing discussions toward improving the system more as regulations are drafted? He may not have been aware of those things. I am sure he will welcome all of those comments.

The question is to him as an economist, because he stood and spoke as an economist and less so as a politician. We welcome that in debates on critical issues such as this.

He did not speak, at least not at length, about the inefficiencies in provincial sales taxes, particularly where hidden taxes are concerned, which is a cascading of taxes, tax on tax. The ultimate consumer pays for all those hidden taxes.

• (1335)

I wonder if he would comment on whether a harmonized system where input credits are available now, not just for those taxes paid under the GST system, but for the component of provincial taxes would also be available, is a much more efficient system. I ask him what a rational retailer business person would do in light of those savings.

Mr. Grubel: Madam Speaker, I appreciate the kind words of the member opposite.

The steps now being taken in order to deal with the shortcomings of the tax in pricing provision are a typical Liberal approach: "There is no sense in admitting that we made a mistake and drop the whole thing but let us patch it up".

The member and I sat together in finance committee hearings about the GST. The length of the horror stories about the different provisions and difficulties that business has was caused by a previous government's unwillingness to do the right thing and say: "We made a mistake. Let's drop it. Let us go, say, for a broad based tax. Instead of 7 per cent, let us have it on everything but only 4 per cent". That is what we heard all the time.

I predict that if the member is going to sit in the finance committee two years from now he will hear horror stories about the administrative costs, the difficulties of going from bin pricing to all kinds of other provisions that he has mentioned. The government is going in the right direction but why does it not swallow its pride and say: "We'll suspend the tax in pricing provision for this legislation in order to get the other advantages".

I agree with him. This is why with all intellectual honesty we came to Ottawa and said that when the government does something right, proposes something that is good for Canada, we will support it. We will not play pure politics. That is why we said in our minority report that we believe harmonization of provincial sales taxes and the GST is a good idea. We still think so.

However, we did not endorse and we cannot honestly endorse the imposition of such a tax in a particular region only and having the rest of the country pay substantial sums for this to be acceptable to those regions.

I feel that the thrust of what I said remains unchallenged by the points made by the member opposite. This is not a good piece of legislation. At the very least Canadians should expect that the tax in pricing provision be removed.

Mr. Campbell: Madam Speaker, I thank the hon. member for his responses. He did not comment on the second part of the question and I want to give him an opportunity to do so. I asked him about the credits on inputs and how that will work in a harmonized system. Does it make good economic sense and what will happen to those savings?

Mr. Grubel: Madam Speaker, I thought that I indirectly admitted the correctness of this position. This is exactly why Reform supported the idea that we should have a national sales tax. Though I must say to the hon. member that after the very lengthy study of the GST as it is in operation I have really changed my mind about the merit of such a value added tax unless we could start from scratch and do what the New Zealand government did: put it broadly on everything.

The administrative nightmare, the distortions that I have mentioned in my speech that are caused by exemptions, zero rating and various other twists that are too complicated to explain here have made the tax into a nightmare. I do not believe it can be fixed. To come forward and say that we need a value added tax on everything, including food, simply will not go in this political system, however good it would be.

• (1340)

For this reason I believe the country needs fundamental tax reform which would lead to flatter rates: flatter personal income tax rates, the elimination of double taxation on income from property and lower rates or maybe even the elimination of capital gains taxes. Economists agree that all those measures would do wonders for the efficiency and the growth of an economy.

In the process of having such tax reform I believe that it would be appropriate to eliminate the GST and impose the revenue loss on the other forms of taxation. We have done some very preliminary calculations which involve a flat tax. This is not Reform Party policy but we are doing our homework which is expected of us as elected members of Parliament. We are expected to do our homework, to investigate the costs and benefits of different types of taxation.

When we ran simulations of different tax rates on the computer, we discovered that the average flat tax rate would have to increase by only about three percentage points to afford to get rid of the GST with all the nightmares associated with it, including the need to send monthly cheques to individuals in Canada with lower incomes. Members know how much it costs to write, print and keep track of cheques, yet the GST and the blended sales tax require the government to send out those kinds of cheques to people with low incomes. They can be helped some other way.

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[*Translation*]

Mr. Yves Rocheleau (Trois-Rivières, BQ): Mr. Speaker, it is with considerable pleasure that I rise to take my turn in the debate on Bill C-70, which concerns various amendments to legislation pertaining to the goods and services tax in Canada, commonly known as the GST.

This bill is the recognition in fact of action taken by the current federal government to harmonize the GST with the provincial sales tax in three maritime provinces, with the combined tax becoming the HST or harmonized sales tax. The HST does not apply to the purchase of books anywhere in Canada by public corporations, such as public libraries, schools, colleges and universities. All organizations involved in literacy programs are also now exempt under this bill from paying the GST on books.

We have many reservations about this bill. About its form, to start with. This is, by the way, a very technical bill of some 300 pages in length. It was delivered to the official opposition late yesterday afternoon. Opposition members therefore had little time to properly prepare criticism, which we had hoped would be more articulate and thorough, because of the lack of time and the size of the document.

It is at once intriguing and distressing, because it must be remembered that the government's position on this is not clear. The history of the debate on the GST is not a high point in the history of the Liberal Party of Canada.

• (1345)

While very important promises to kill the GST were made by the Liberal Party in its red book, this does not even come close. This is about harmonization, with the maritimes in this case.

In an area where the government party does not keep its promises, we would have expected them to at least have an open and truly honourable debate on this issue, after giving the opposition parties more time so we could have been better prepared than we are now.

The government had made a clear, simple and specific commitment, but so far it has not kept its promises, quite the contrary. On an individual level, this has been illustrated by the behaviour of the Deputy Prime Minister and member for Hamilton East, and the promises she made, hopefully in good faith. Unless they were made in good faith and with intellectual honesty, this will confirm every preconceived idea the people of this country have about politicians not weighing their words.

That is what the Liberal candidate for Hamilton East did at the time, when stating that she would resign if the GST was not abolished. When the GST was not abolished, she had to resign,

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which she did, not out of intellectual honesty, but under pressure she could not resist. She resigned for form's sake. The very next day, the Prime Minister called a by-election in her riding and she was re-elected with, fortunately, a clear warning from the people that she must not play that little game again.

During a difficult time of fiscal restraint, this little game has cost Canadian taxpayers \$500,000, just because one person did not keep her word, but pretended to, in order to save face at public expense.

Let me quote the hon. member. Not too long ago, on March 11, 1996, the *Globe and Mail* reported something she had said as a candidate:

[*English*]

"I have already said personally and very directly that if the GST is not abolished, I will resign".

[*Translation*]

She did resign, but it was for appearances' sake, a symbolic resignation. She did not resign as a matter of principle, saying: "Since the government to which I belong did not do this, I would be ashamed to be a part of it". No, she resigned for appearances' sake, because she could not withstand the pressure brought to bear on her. Then, taxpayers had to pay for the intellectual irresponsibility displayed regarding this issue.

You will agree that the Prime Minister does not fare much better. The Prime Minister said, with typical clarity and transparency, using carefully chosen words: "We will scrap the GST". As you know, to scrap means to get rid of something. The yard is now full of scrap. The Prime Minister, in his great wisdom, and also with indignation and all the sincerity that he could display, said time and again, in reference to the Liberals' red book: "We will scrap the GST".

What is the situation now? The Prime Minister cannot claim he is unable to take action. After all, he is in office, he is the Prime Minister. We are not quoting some backbencher, we are quoting the Prime Minister, the leader of the Liberal Party of Canada, who came into office on October 25, 1993, following an election campaign that included written and oral commitments, including this one, which could not be any clearer: "We will scrap the GST". This promise is not worth much more than this other slogan of the time: "jobs, jobs, jobs". What happened to that other commitment? "We will scrap the GST" and "jobs, jobs, jobs" are pretty well on a par. People say just about anything they want, including the Liberal candidates who ran in the ridings of Hamilton East and Saint-Maurice.

• (1350)

They say anything that comes to mind, that they will resign or that they will scrap the GST. The Prime Minister said as clearly as could be that he disagreed with this tax, when he said: "We hate the GST and we will kill it". This is an unequivocal statement. It does

not leave much room for interpretation. The Prime Minister did not make many clear and specific commitments during his career, but he did promise to get rid of the GST.

Today, we can see what is happening on this issue. The government no longer mentions it, except to try to harmonize that tax. We saw what the Liberals accomplished in three maritime provinces. A harmonization process did take place. It was explained that, before this harmonization, provincial and federal taxes amounted to 19 per cent of the consumer price. An agreement was reached to lower this 19 per cent to 15 per cent.

The shortfall was made up in two ways. First, there was the immediate payment of approximately one billion dollars to these three maritime provinces, using money from the taxes paid by the other seven provinces. This money did not just drop out of the sky. It came from the other provinces. And the way the accounts are figured out in Canada, almost \$250 million of this came from Quebec taxpayers.

That is harmonization for you. That is Canada's idea of distributing the wealth fairly. We are used to this game, but we will not put up with it, and it is one of many reasons why Quebecers are giving more and more thought to whether they want to remain in this country and why they came within a hair of deciding to leave on October 30, 1995. It must be remembered, and there is no reason not to say it, that on that day 60 per cent of francophones made a decision to leave Canada, and we will keep pointing this out.

Here we have a wonderful example of what it means to belong to Canada and what it costs. As we see it, staying with federalism is costing the Quebec economy. Every year, we come up short, unless you factor in, as the federal government does, what we receive in unemployment insurance and social assistance. Unless we boast that Quebec is poorer than the other provinces. And this is the diabolical logic the federalists are stuck with when they try to sell federalism in Quebec.

It therefore looks like the people, the governments of the three maritime provinces in question were, to put it bluntly, bought, given one billion dollars in exchange for agreeing to harmonize the tax, as it were.

The second way of making up the shortfall of 4 per cent mentioned earlier, the 19 per cent that turned into 15 per cent in return for one billion up front, is that they said that from now on, transfer payments would be the way to ensure that these three maritime provinces were not penalized. In other words, year after year, almost automatically, the maritime provinces, through equalization payments, will be compensated for this loss of 4 per cent, a practice we condemn.

This is one of the aspects that we feel shows a great lack of regard for other Canadians and other provinces. Another aspect, which is more likely to affect consumers, is the decision that was made as part of this harmonization with the maritime provinces to put taxes which are now visible under wraps once more, taxes that

consumers could see so they could figure, when they paid for a meal or for an item of clothing, how much they were paying in federal taxes. At the time that was something new, but now it seems that harmonization will again put this tax under wraps.

This is probably typical of the way the government runs the country, because when it is not actually hiding something, it is at least trying to.

• (1355)

This is a partial harmonization because it also harmonizes a lack of transparency. The public will be even less aware of how much it pays for services it receives from the federal government. This does not augur well.

At a time when there is so much talk about proper management of public moneys, when all consumers are being asked to do more and more in this respect, I think it is rather insulting that the government should go ahead and hide the GST, although the Liberals, and this was part of the abolition scenario, had made a clear commitment to keep a visible GST.

A typical example is what happened to the report of the finance committee where, in 1994, the Liberal majority said it would be improper to hide from Canadians the taxes they were paying to their governments and that creating a hidden tax would make it difficult for them to make the government accountable for the way these taxes were collected and, to a lesser extent, how public moneys were spent.

In fact, in a dissenting report by the Liberal minority in 1989, under the Conservatives, the Liberals said that if the GST was hidden in the sales price, it would be much easier for the government to increase it later on.

When the Liberal government decides to hide the GST, it knows very well what it is doing. It cannot plead ignorance, and it is reversing the positions it formerly held on the issue and doing so publicly.

In concluding, I still think we have reason to be pleased that some representations made by the Bloc Quebecois were partially included, as regards the GST on books. As was pointed out earlier, from now on all public institutions involved in education and literacy training—in culture as well, when we include public libraries, schools, universities, and community colleges—will all be able to buy books without paying the GST. We are pleased because otherwise, it would mean putting a tax on knowledge, research and intellectual curiosity.

We are pleased but we deplore the fact that this exemption on books is not extended to all taxpayers who buy books in this country but reserved only for public institutions.

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The Speaker: I may inform the hon. member that we will continue after Oral Question Period. Since it is almost 2 p.m., we will proceed to Statements by Members.

STATEMENTS BY MEMBERS

[English]

DRINK SMART CANADA

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, thanks to the leadership of Toronto City Councillor Kay Gardner and the Toronto Board of Health, the Drink Smart Canada campaign promoting the responsible use of alcohol has been endorsed by over 120 Canadian cities. Their concern about alcohol abuse, particularly during pregnancy, was one of the main reasons for their supporting health warning labels on the containers of alcoholic beverages.

[Translation]

On October 16, the Minister of Health and the president of the Canadian Paediatric Society made known their position on foetal alcohol syndrome. They made it clear that the wisest course for women to take was to refrain from alcohol consumption during pregnancy.

We hope that the minister can now specify what initiatives its department intends to take to support this recommendation.

* * *

[English]

EUROPEAN SECURITY

Mr. Bill Blaikie (Winnipeg Transcona, NDP): Mr. Speaker, the NDP urges the Liberal government to be more critical in its approach to the idea of NATO expansion and more supportive of strengthening the role of the Organization for Security and Co-operation in Europe as a basis on which to build the new security architecture for Europe.

This new security architecture should be based on a form of common security rather than a collective security based on the expansion of a military alliance that has not renounced the first use of nuclear weapons and whose expansion can only strengthen the hand of those in Russia who, for whatever reasons, wish a return to a world divided between east and west.

• (1400)

NATO should be building for the day when it is replaced by common security measures and common security structures that include rather than potentially threaten Russia and that involve the abolition of all nuclear weapons.

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MADDCANADA

Mr. Ray Speaker (Lethbridge, Ref.): Mr. Speaker, you may have noticed that many of my colleagues are wearing red ribbons on their lapels this week. I would like to take this opportunity to tell Canadians about the significance of these ribbons.

This past Saturday MADD Canada launched its annual red ribbon campaign. MADD is asking people to place these ribbons on the antennae of their vehicles as a reminder to practise safe and sober driving at all times, but especially during the holiday season.

The holiday season is supposed to be a time of joy and happiness, of friends and of family, but too often party functions and social gatherings associated with the holiday season end in tragedy. The women and men of MADD Canada, many of whom have suffered their own personal tragedies, want to make sure that for others the holiday season will continue to be a time of joy and happiness rather than of mourning and regret.

On behalf of all the members of this House, I wish to express my gratitude and support for MADD Canada and wish them the best of luck in their red ribbon campaign.

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[Translation]

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

Mr. Philippe Paré (Louis-Hébert, BQ): Mr. Speaker, in his report tabled last week, the auditor general devoted a chapter to the follow-up on his 1993 comments and recommendations regarding CIDA. After three years of restructuring, CIDA has yet to prove its capacity for renewal, as a number of grey areas still exist, according to the auditor general.

We are concerned to note that it continues to have difficulty explaining the contributions its projects make to the government's prime objectives as defined in *Canada in the World*. We deplore the agency's lack of transparency with its partners and the Canadian public and its delay in setting up a more effective accounting and management system.

In the opinion of the Bloc Québécois, the progress is too slow. We think CIDA should have its own enabling legislation, which would provide it with a clear mandate and require it to be more transparent.

* * *

[English]

CHILD POVERTY

Mrs. Anna Terrana (Vancouver East, Lib.): Mr. Speaker, serious concern is being expressed for the welfare of children. In

Vancouver East and in many areas of Canada there are a large number of families that live under the poverty line. These are families with children who, like their parents, live in poverty.

The current discussion between federal and provincial governments is very encouraging. However, even though money is a concern, early prevention is just as much of a concern. We keep looking for the perfect program to assist this category of people. This program exists and is successful. It is the Community Action Plan for Children, CAPC.

[Translation]

The program started up in 1992. In 1994, the grant was cut in half, and next year other significant cuts will be made, preventing the program from continuing.

The organizations responsible for the program work with families and children. I would ask the Minister of Health to continue and expand the program because, as one native participant put it: "Children have better parents thanks to the Community Action Plan for Children".

* * *

[English]

CHILD POVERTY

Ms. Judy Bethel (Edmonton East, Lib.): Mr. Speaker, Canada's children are our future. Every Canadian child regardless of their parents' income or their province's wealth deserves the basic necessities of life.

In a prosperous country like ours there is no reason we cannot nurture all our children; nurture their little bodies, their bright minds, their strong spirit and their diverse personalities.

In Alberta 20 per cent of our children live below the poverty line. This means that one in five is at risk. One in five faces a life without hope for a healthy, happy childhood and without hope of contributing to and sharing in Canada's bright future.

There is an urgent need and an inescapable responsibility to harmonize federal-provincial programs for children at risk. The Liberal members of Parliament from across northern and western Canada are encouraged by the progress made by our Minister of Human Resources Development and the provincial ministers this week. We are heartened by their promise to have concrete recommendations for the Prime Minister and provincial premiers by January.

Renewing Canada's social safety net—

The Speaker: The hon. member for Saskatoon—Dundurn.

CHILD POVERTY

Mr. Morris Bodnar (Saskatoon—Dundurn, Lib.): Mr. Speaker, the people of Saskatchewan have a proud tradition of working together to help those in need. Children living in poverty are a high priority for us. A national child benefit targets resources to those in need. It helps families in need. It is good family policy.

• (1405)

This is the kind of action poor children need, not the false hope offered by the third party. Its talk about helping families is little more than a smokescreen for a program of tax cuts that will benefit wealthy taxpayers more than poor families. It brags about taking a million people off the tax rolls, many of whom now get a refund from the government because of the child benefit or GST rebate.

What it does not tell Canadians is that its fresh start will mean over \$3,000 in tax savings for a high income family of over \$100,000 and less than \$500 for families living on \$15,000. Whatever happened to the lofty statements from the third party about targeting resources to those in need?

The children of Saskatchewan can be thankful that the Liberal government is in charge of finding a way to respond to child poverty.

* * *

CANADIAN AIRLINES

Mr. Paul Forseth (New Westminster—Burnaby, Ref.): Mr. Speaker, Canadian Airlines is desperately trying to restructure. The ripple effect for the economy is great, especially in western Canada. I must speak up for the workers in my area of B.C. who have given so much to keep Canadian airborne.

The company has considered all options to reorganize and part of the rearrangement is employee cost. Five of six unions have agreed to save jobs and, like always, Buzz Hargrove is the loner preventing any deal.

Yesterday the hon. member for Burnaby—Kingsway asked the government to reintroduce trade barriers and to give money. The NDP member has no clue about economics. He, like union leader Buzz Hargrove, does not believe in markets or the democratic process.

The NDP says it is standing up for jobs when in actual fact it is standing up for union control while keeping their members dependent.

Canadian Airlines workers are in jeopardy of losing their jobs because the socialists are unwilling to demonstrate accountability by letting union members decide at the ballot box.

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CHILD POVERTY

Mr. Elijah Harper (Churchill, Lib.): Mr. Speaker, last month the Royal Commission on Aboriginal Peoples reminded us once more of the growing problem of aboriginal child poverty.

Incomes are lower in aboriginal communities and housing is crowded, but birth rates in these communities are higher than average.

Through programs like “Head Start” and “Brighter Futures” much has been accomplished by the government and by caring people in our communities, but there is still much more to do.

I call on members of the House and all Canadians to work with governments and First Nations to address the root causes of aboriginal child poverty.

* * *

LUPUS

Mrs. Georgette Sheridan (Saskatoon—Humboldt, Lib.): Mr. Speaker, I rise today on behalf of the many Canadians suffering from lupus. Lupus is an auto-immune disease which attacks the body’s healthy cells. All parts of the body, including major organs, can be involved. While lupus knows no age or gender barriers, it is more prevalent among women in their child bearing years.

An insidious chronic ailment, lupus is characterized by unpredictable flare-ups of acute disease activity causing pain, inflammation of body tissues and organs.

Its erratic nature brings with it emotional turmoil and economic loss.

To date there is no cure for lupus. Though medication provides some measure of control, its efficacy varies in each case and is not without long range debilitating side effects.

Given the physical and economic consequences of lupus, persons severely afflicted by this disease who have a prolonged functional impairment and who have been assessed as disabled by qualified physicians call on this government to allow eligibility for disability tax credits without further investigation by Revenue Canada.

* * *

[*Translation*]

NORTH AMERICAN FREE TRADE AGREEMENT

Mr. Bernard Patry (Pierrefonds—Dollard, Lib.): Mr. Speaker, on this opening day of the Quebec UPA convention, I have very good news for Quebec farm producers: the NAFTA arbitration panel has just dismissed the U.S. complaint in the matter of poultry and dairy products.

S. O. 31

We will recall that, under pressure from the poultry and dairy producers lobby, the American government tried on two occasions in recent years to have the Canadian supply management system invalidated.

The dispute settlement panel ruled that, under both World Trade Agreement and NAFTA rules, Canada has every right to protect its products.

Producers from Quebec and the other Canadian provinces will be pleased to hear this. That is what I call another great Canadian victory.

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QUEBEC

Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.): Mr. Speaker, recent events show that pro-sovereignty parties lack leadership and are in trouble. These parties are therefore no longer an option for Quebecers. The Liberal government's approach, which is to maintain the status quo, is no better for Quebecers.

• (1410)

The people of Quebec are looking for a viable option and that is what the Reform Party is offering, through political and economic reforms.

I just got back from the PQ convention, where it was clear that the concerns and wishes of Quebecers are similar to those of the people in the rest of Canada.

I ask Quebecers to have the courage to take a close look at Reform policies so that we can work together to build a better future.

* * *

QUEBEC WEEK OF DISABLED PERSONS

Mr. Maurice Bernier (Mégantic—Compton—Stanstead, BQ): Mr. Speaker, this week, and until December 8, all Quebecers are invited to mark the Quebec week of disabled persons. This year's theme relates to the integration of disabled people into the workplace.

Under the theme "My right to work", this awareness week will allow disabled people to reaffirm their basic right to work as full-fledged citizens. At a time when searching for a job is becoming increasingly difficult, the task is even harder for a disabled person, because several physical obstacles and social barriers remain.

The Quebec week of disabled persons provides all of us with an excellent opportunity to better understand the plight of disabled persons. It is essential to take all necessary measures to ensure that, some day, every person with a disability will be able to say "my right to work has now become a reality".

QUEBEC WEEK OF DISABLED PERSONS

Mr. Raymond Lavigne (Verdun—Saint-Paul, Lib.): Mr. Speaker, this week we are celebrating, in Quebec and in my beautiful riding of Verdun—Saint-Paul, the disabled persons week.

In Quebec alone, there are over 900,000 people suffering from a physical handicap. Beyond the physical limits they have to live with every day, disabled people primarily need support to overcome social barriers and obstacles to employment.

The majority of disabled people would like to enjoy greater autonomy and, above all, to be able to play an active role in our society.

The disabled persons week is an opportunity to reflect on the need for solidarity. Our government is very aware of that need, and this is why we are intensifying our efforts and our actions in this sector.

* * *

[English]

THE DEBT

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, to our third grandchild, Noah Daniel Epp, born just 10 days ago, welcome to our world, little Noah. You have been born into a loving family and our country, Canada, is the greatest country on earth.

Sorry, but there is something else I need to tell you. We ran up a few bills before you came and we will be expecting you to pay for them. Your share of the debt is about \$20,000. I am sorry, Noah, but I just did not know how to stop politicians from spending your money. No matter who I voted for, they were all the same. They all wanted to borrow money so they could promise electors things we could not afford. They would do just about anything to get re-elected so they could collect their rich MP pension.

I am sorry that Reform came on the scene so late. I am sorry that we permitted 30 years of high borrowing, high spending Liberal and Conservative governments.

Welcome to our world, Noah. I promise that your grandfather with his Reform friends will do everything possible to stop this out of control spending and to stop the wasteful ways your future earnings are being squandered.

* * *

DISABLED PERSONS

Ms. Beth Phinney (Hamilton Mountain, Lib.): Mr. Speaker, I rise today to mark the International Day of Disabled Persons.

Today is an opportunity to salute the contributions of Canadians with disabilities to our society. Most Canadians with disabilities are fully productive members of our society. Persons with disabilities are asking for nothing more than equal access, yet every day

they still encounter unnecessary obstacles in housing, education, employment, transportation, communication and recreation.

This government is committed to eliminating barriers to the disabled and ensuring that they have an opportunity to participate fully in Canadian society.

The recently released federal task force on disability issues discusses the federal government's role in ensuring equality of opportunity for all Canadians and makes valuable recommendations for government action.

As we mark this important day, I call on the government to continue its efforts to eliminate barriers to this very valuable community.

* * *

• (1415)

[Translation]

EXPORT PROMOTION

Mrs. Maud Debieu (Laval East, BQ): Mr. Speaker, the auditor general's report made a number of recommendations concerning export promotion activities. It asked the government to keep Parliament better informed about \$375 million spent with respect to results, revenue and costing, in the obvious interest of transparency and in order to prevent needless overlap.

The auditor general also revealed the lack of follow-up on the efforts made to reach the objective of increasing the number of small and medium sized exporters.

Some of these recommendations are not new; they were there in the 1986 report. Furthermore, in June 1996, the report of the Standing Committee on Foreign Affairs and International Trade ran very much along the same lines.

Will the Liberal government finally listen to these recommendations and stop spending the money of Quebec and Canadian taxpayers without knowing whether the desired results are being obtained?

* * *

[English]

PRESENCE IN GALLERY

The Speaker: I draw to the attention of members the presence in the gallery of a parliamentary delegation from the National Assembly of Vietnam led by Mrs. Nguyen Thi Than, Chairwoman, Committee on Social Affairs.

Some hon. members: Hear, hear.

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[Translation]

TAXATION

The Speaker: I recognize the hon. Leader of the Official Opposition.

Some hon. members: Hear, hear.

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, you will understand that I am not used to such kind attention from the government, from everyone here. Thank you.

Unfortunately, I have nothing kind to say about the Minister of Finance. The government is most certainly not going to get top marks on its report card for taxation. In fact, it took three years of efforts by the official opposition, plus one report by the auditor general, before the Minister of Finance finally decided to make a little move on the tax evasion matter, and even then what he did do was rather hesitant and incomplete.

My question is for the Minister of Finance. How can the Minister of Finance explain his claim of asking the public accounts committee to cast all possible light on the family trust scandal, when we have just learned that a 200-page document, a 200-page opinion prepared by Revenue officials, addressing some very pertinent aspects of this problem, was not provided to that committee by the government?

[English]

Hon. Jane Stewart (Minister of National Revenue, Lib.): Mr. Speaker, the hon. Leader of the Opposition is referring to the documentation that was reviewed by the auditor general when he considered its aspects that were part of the 1991 decision made by the former Tory government.

Those pieces of information were available and were reviewed by the committees which reviewed the issues that were brought to our attention by the auditor general and they made their reports.

I would just point out that the auditor general, in response to questions at the public accounts committee, said:

[Translation]

"I consider the matter closed, and we shall be addressing other matters in the coming months".

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, pardon me, but the minister is not doing a good job of defending herself. What we are talking about here is a 200-page opinion on this matter, an unfavourable opinion from Revenue staff, a document that was not given to the public accounts

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committee, which, according to the Minister of Finance, was to thoroughly investigate the family trust scandal.

• (1420)

How can the government justify, other than by referring to the other government, that the committee in question, which was to investigate this scandal, was not aware of this 200-page opinion prepared by the departmental staff of the minister of revenue?

[English]

Hon. Jane Stewart (Minister of National Revenue, Lib.): Mr. Speaker, as usual when it comes to questions under the Access to Information Act, the department responds directly and considerably. We reviewed all the documentation. We wanted to provide to the requester the amount of information that we could. We felt that the appropriate thing was to provide the 200 pages. The review has been made. I would point out as well that we provided all the information to the public accounts committee that it requested.

[Translation]

Mr. Michel Gauthier (Leader of the Opposition, BQ): Mr. Speaker, an article that appeared in a Canadian tax publication three weeks after the tabling of the Minister of Finance's motion, supposedly intended to close the tax loopholes, proposed no fewer than eight ways of getting around these new restrictions on transferring assets out of the country.

Will the Minister of Finance admit that his ways and means motion still allows the rich to avoid paying their fair share of taxes and therefore leaves us back at square one?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, we closed the loophole with the ways and means motion. That is very clear.

Now, if the hon. Leader of the Opposition thinks the tax experts in the private sector are going to give up trying, he has another think coming. We know very well that they will keep trying it on for size, that is how our system operates. But, I tell you, the loophole has been plugged. They will keep on trying, and we will keep on plugging the holes. That is how our system operates.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, of course the experts will keep trying, but with the government as an accessory? That is what is happening.

On October 2, the Minister of Finance tabled a motion that was supposed to plug a tax loophole that allowed the transfer of a trust fund outside the country, like the \$2 billion that was transferred to the United States tax free. In this motion, the Minister of Finance asks holders of Canadian trust funds to provide a guarantee equal to the amount of income tax they would normally have to pay

Revenue Canada at the time of transferring the trust fund outside the country.

Unlike the rules applying to ordinary citizens or other rules applying to guarantees for tax deferral by a trust fund, would the minister agree that no interest is collected on the amount deferred and there is no limit on the deferral period? No interest is charged.

Hon. Paul Martin (Minister of Finance, Lib.): On deferred taxes? Is that it?

Mr. Speaker, the hon. member knows perfectly well, and if he does not, he can ask any accountant in his party, that deferred taxes are not taxes due. Taxes are due in cases where companies make a profit. If they make a profit, they will pay taxes immediately. Unfortunately, the hon. member is wrong once again.

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, the Minister of Finance is misleading us. That is the difference.

What he is saying with his ways and means motion is that a rich taxpayer with a family trust that owes \$1 million to Revenue Canada can defer this amount indefinitely without paying a cent in income tax. Try and do that as an average citizen, Mr. Speaker.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the Bloc Québécois critic is wrong.

As soon as taxes are due they have to be paid. If they are not paid, interest will be charged. In the situation described by the hon. member, if a tax is not due, no payment is required. Payment is only required when taxes are due.

* * *

[English]

KREVER COMMISSION

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, HIV tainted blood will kill over 3,000 Canadians from AIDS. Another 12,000 Canadians are infected with hepatitis C through infected blood.

• (1425)

Legislation was drafted in 1984, draft amendments to the Food and Drugs Act and draft regulations under that act that might have prevented or at least lessened this tragedy. However somewhere in the federal government, probably somewhere fairly high up, somebody or some group of people decided that the legislation and regulations were not worth proceeding with. Justice Krever wants to know who those people were and why they failed to act.

Will the government provide Krever with all the documents that explain why legislation that might have protected the blood supply was shelved by Liberal and Tory administrations in 1984?

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Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, I am not sure upon what claim the member is making his comments. I will repeat what I said yesterday.

In the interests of everyone in getting to the bottom of all the circumstances surrounding this very tragic situation, it would possibly be advisable for Mr. Justice Krever to call the people who were there at the time to testify before the commission. Certainly in the case of Monique Bégin, I know she has already indicated in writing that she is prepared to appear.

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, none of these excuses hold water. The Deputy Prime Minister said yesterday that the former minister of health offered to testify to the Krever commission and the commission declined to call her. However, in a letter from Mr. Rennie, counsel to the former minister Monique Bégin, to the Krever commission on August 16, the minister indicated she did not wish to testify or offer any evidence but rather would respond only by way of written submission.

Mr. Justice Krever has had trouble right from the start trying to ascertain why in 1984 the Liberal government of the day did not proceed with legislation and regulations that might have prevented the tainted blood scandal.

Why does the government not simply provide Justice Krever with all the information that he is requesting to get to the bottom of this tragedy?

Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, the statement that I made yesterday holds again today. In fact it was the legal representative for Mr. Justice Krever who made the statement last year that she did not intend to call any of the previous ministers as witnesses.

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, if we cannot persuade the government that it has a legal obligation to act in this matter, can we persuade the government that it has a moral obligation to act in this matter?

Justice Krever thinks these documents hold the key to why the blood supply failed 3,000 AIDS victims and 12,000 victims of hepatitis C. It is the Liberals who constantly portray themselves in this House as the guardians of Canadian health care. Let them demonstrate it in a practical way.

I appeal again to the Deputy Prime Minister to give Krever what he wants, give him the truth. Will the government release all the documents pertaining to the draft legislation and regulations of 1984 to Justice Krever?

Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, I want to underscore for the people of Canada that this government has no intention of

protecting previous governments, particularly in light of the fact that the previous government about which the member has heard was the government of Mr. Brian Mulroney.

That being said, I do want to underscore that if Mr. Justice Krever really wants to get to the bottom of the issues surrounding the Conservatives' decision allegedly not to proceed with regulations that had been proposed by the Liberals, he should call the Conservative and Liberal ministers to the commission.

* * *

[Translation]

CANADIAN AIRLINES

Mr. Paul Crête (Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, my question is for the Minister of Finance.

Yesterday, the Minister of Finance confessed in this House that he did not know the cost to taxpayers of the fuel tax rebate to Canadian Airlines, how the rebate would be applied or how long it would be in effect. He also confirmed once more that the Minister of Transport acted hastily, on the sly and without planning in approving the tax rebate.

• (1430)

Would the Minister of Finance confirm that the commitment made by the Minister of Transport to Canadian could cost the federal government and the provinces some \$150 million annually?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, that is not what I said yesterday. I said that the offer to be made by the Minister of Transport is based on a precedent dating from the early 1990s and that the government has the key elements of the offer. In due course, when the Minister of Transport is ready, the government will announce the details.

Mr. Paul Crête (Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, people are entitled to know how much it will cost them to save Canadian.

Since the minister does not seem to want to answer, I offer him a selection of responses. How much will the temporary survival of Canadian cost: (a) \$30 million; (b) \$150 million; (c) \$500 million; (d) he does not know; or (e) he does not want to respond?

[English]

Hon. David Anderson (Minister of Transport, Lib.): Mr. Speaker, as indicated by my colleague the Minister of Finance, we will be giving the House and the public all information about the fuel tax rebate scheme when we have crunched the numbers and when we have come up with fully accurate information. I am sure the member does not want to have information which is not as precise as we can make it.

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I should point out that the program is available for all Canadian carriers that might be in a similar situation and is not specific to Canadian Airlines International.

* * *

KREVER COMMISSION

Mr. Grant Hill (MacLeod, Ref.): Mr. Speaker, the feeble Liberal excuses for not releasing the documents to Krever are not working. Excuse number one, they had to have the permission of former Prime Ministers; excuse number two, the Canada Evidence Act had tied their little hands and they could not act; and now excuse number three, Judge Krever just has to subpoena some more witnesses. But who do we think Judge Krever subpoenaed the documents from? From this Liberal cabinet. Since the feeble excuses are not working, why do the Liberals not just release the documents now?

Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, my answers today are no different from my answers yesterday.

Mr. Jay Hill (Prince George—Peace River, Ref.): More feeble excuses, Mr. Speaker.

Why do we care about these documents? A patient of mine, Judy B., went to her dentist, had a tooth pulled out and had to have a transfusion because she bled and was infected with hepatitis C in 1985. She is waiting for Krever's report. She needs Krever's report. It is because of Judy B. that we need these documents.

Will the cabinet release the documents to Judge Krever, not for my sake but for the sake of Judy B.?

Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, I think the hearts of all the people in the whole country go out to Judy B. in the situation that she was exposed to.

If Mr. Krever would like to examine circumstances surrounding the facts in 1985, he would best achieve that by inviting the minister who was responsible at that time to come and testify before the commission.

* * *

[Translation]

EMPLOYMENT INSURANCE

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

The least we can say is that the minister is not very sensitive to the very costly impact of the Employment Insurance Act on many unemployed people. Last Thursday, the minister said in this House, and I quote: "We will shortly be making some very minor administrative changes to the regulations". However, the measures that will most significantly affect the unemployed will take effect on January 5.

So I am making another attempt. Can the minister tell us when the regulations will be ready, and can he assure us that they will include transitional measures to soften the brutal consequences of the bill that will come into effect on January 5?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, the transitional period started last January. It is time the hon. member for Mercier realized that the reason why some provisions of the act were implemented on July 1 while others will take effect January 1 is precisely to give people time to adjust to the reform.

• (1435)

Last week, I provided the hon. member with an answer concerning regulations. She asked whether there would be additional regulations. I am telling her again that the additional regulations will be minor and have a minor impact, particularly on relations with clients. These regulations will be made public in the coming weeks, but they are not very significant.

Mrs. Francine Lalonde (Mercier, BQ): Mr. Speaker, I have to stand by my initial comment. The minister is definitely not sensitive. I will phrase the question differently, since he may not have understood it.

So that women and young people without 26 35-hour weeks of work are not excluded from EI benefits, is the minister prepared to say that, for 1997 and 1998, those who will work between 15 and 35 hours will be considered as having worked 35 hours, so they can collect benefits?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, we are moving toward a new employment insurance program precisely to break some old patterns that kept people in a state of dependency.

We chose to base the system on the number of hours worked, so that people can be protected, starting with their very first hour of work. People will no longer have to put up with employers who, in the past, would not provide more than 13 or 14 hours of work per week, because they did not want to pay premiums. I say to these workers that, as of January 1, this system will no longer exist and they will be covered from their first hour of work.

* * *

[English]

CANADIAN AIRLINES

Mr. Jim Gouk (Kootenay West—Revelstoke, Ref.): Mr. Speaker, the Canadian Auto Workers are not refusing to vote on the Canadian restructuring plan, quite the contrary. A significant number of the membership have now written to me directly asking for the right to vote, or have sent me copies of petitions to Buzz Hargrove telling him to allow the vote. Industry sources indicate that Hargrove would rather face decertification than face another

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wage rollback. One man is not a union, but the government nor the NDP seem able to see this.

My question is for the Minister of Transport. How much longer is the government going to allow one man to block the democratic rights of union employees?

Hon. David Anderson (Minister of Transport, Lib.): Mr. Speaker, the hon. member is quite correct to point out the importance of having the CAW onside not just with company management but with five other unions, with American Airlines and with the governments: the federal government, the government of the province of British Columbia and the government of the province of Alberta. It is important for them to be onside.

The purpose of that is so we can present a common front when the company is dealing with its creditors. When it is dealing with its creditors, it is important to have the clear expression of will. That is why we urge the CAW leadership to come on board with the restructuring program.

To engage in a long debate with respect to the change of legislation or something in the future is not productive at this particular time. What we want at this time is to have a common front of all the unions, the three governments concerned and the two companies so that we can negotiate successfully with the creditors.

Mr. Jim Gouk (Kootenay West—Revelstoke, Ref.): Mr. Speaker, if air travellers lose confidence in Canadian Airlines and book with another company perhaps from the U.S., that means lost revenue for Canadian Airlines.

This is not about big corporations. It is about the men and women whose financial security is at stake, people like the single mother of two who wrote: "Mr. Gouk, you must keep trying to help us. I love my job and I need it. Every day that this issue remains unsettled does irreparable damage to my company". To "my company"; that is how Canadian employees feel.

My question is for the Minister of Transport: When is the Liberal Party going to join with Reform in a non-partisan manner and tell that single mother that we are listening, that we care, and that we will act? How much longer can one person be allowed to cause this anguish and threaten the financial security of her airline?

• (1440)

Hon. David Anderson (Minister of Transport, Lib.): Mr. Speaker, I share with all members of the House the concern over the situation that the individual quoted earlier is in. It is a serious problem for the employees of Canadian, of whom there are 16,400 who have their employment threatened if the company is put in further jeopardy.

I am pleased, however, to announce that American Airlines has now agreed to take part in restructuring and to accept Canadian

Airlines' proposal for a reduction of its fees as requested by Canadian. This will be the fees on such services as yield management, accounting functions, operations planning and support. This is a very positive step because it is the first time a creditor has indicated its firm support for the restructuring proposals put forward by the president of Canadian Airlines.

* * *

[Translation]

RETIRED SINGER EMPLOYEES

Mr. Claude Bachand (Saint-Jean, BQ): Mr. Speaker, my question is for the Minister of Human Resources Development.

Yesterday, the minister said, and I quote: "Had we reached an agreement based on humanitarian grounds, we might have been forced to reopen 2,000 other cases affecting an additional 70,000 people".

Are we to understand from the minister's remarks that the government has thus done an injustice to tens of thousands of retired people, and that it is now refusing to take responsibility for its actions?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, you know, we showed a great deal of compassion for Singer's retired employees. This is an extremely complex situation, and the case has been brought to my attention in recent weeks. It has been examined from every angle.

What I obviously said was that, had we reached an out of court settlement, as Singer's lawyers were requesting, any such settlement could have had an impact on other cases before the government, because it would not necessarily have reflected the very complex reality with respect to the rights, which are justified in this case.

Mr. Claude Bachand (Saint-Jean, BQ): Mr. Speaker, the minister is droning on again about compassion. We know how he defines it. When there is no cost involved, he is compassionate. But when he has to pay, his compassion is all gone.

The battle by Singer's retired employees against the federal government can be compared to the fight between David and Goliath. Everyone knows that all these retired workers abandoned by the federal government do not have the means to defend themselves before the courts, while the federal government can afford to.

The minister should admit that his decision is heartless and unfair for Singer's retired employees, and for the tens of thousands of other retired workers that he has abandoned.

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, I would like to reassure the House that, if the former Singer employees take their case to court, our department will proceed with all due speed. I have asked my

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colleague, the Minister of Justice, to act accordingly, in order to facilitate matters.

As minister, I must ensure that the Canada Pension Plan is administered in accordance with the act and for the benefit of all citizens. Although we also find this situation regrettable for citizens, we cannot do better in this case at this time.

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[English]

AGRICULTURE

Mr. Lyle Vanclief (Prince Edward—Hastings, Lib.): Mr. Speaker, my question is for the Minister of Agriculture and Agri-Food.

Yesterday the NAFTA panel presented a very favourable ruling with regard to the supply management sector in agriculture, the dairy and poultry industries.

I wonder if the minister would outline the results of that panel with particular reference to the continuation of tariff levels on imported ice cream and yogurt.

Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, I was in Geneva in December 1993 in the final hours of the Uruguay round. I know of the dramatic impact on our supply managed farmers of relinquishing old article 11 under the old GATT in return for comprehensive tariffication under the new World Trade Organization.

We negotiated a solid economic environment for supply management under the WTO and we promised to defend that. We kept our promise. We succeeded in a very strong NAFTA panel ruling yesterday. That ruling says our tariff equivalents are consistent both with the WTO and the NAFTA and that it applies to ice cream and yogurt.

* * *

• (1445)

TAXATION

Mrs. Sharon Hayes (Port Moody—Coquitlam, Ref.): Mr. Speaker, yesterday in response to a question about the need to reduce taxes for the working poor, the Minister of Human Resources Development said: "Very often low income families do not pay taxes which is the reason we are looking for a more sophisticated system".

A single income family of four earning less than \$23,000 now pays over \$1,700 in federal taxes. Why will the minister not do something to help these families and lower their taxes?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, if the hon. member will look at the vast range of measures which the

government has brought in—the working income supplement, help for poor families, help for caregivers—she will see that we have done exactly that.

If she will also look at her own numbers, she will find that those low income families for whom she is now saying she would provide relief will receive a minuscule amount of relief compared to the amount of relief the Reform Party is prepared to offer upper income Canadians.

By cutting health care and by cutting equalization she is probably taking money away from low income Canadians to give it to their rich friends. That is simply not on.

Mrs. Sharon Hayes (Port Moody—Coquitlam, Ref.): Mr. Speaker, the government has done nothing for these families. Under Reform's plan these families would pay no federal taxes and would instead receive a refund of \$690.

Contrary to the minister's statement yesterday, 6.1 million low income Canadians now pay taxes. We do not need a new, sophisticated system or a new government program, as the minister suggests. Anyone can see that these Canadians are being crushed under the burden of taxation. Will the minister just lower their taxes?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the Reform Party owes it to Canadians to put the true facts forward on what its plan is.

If those low income Canadians lived in one of the seven provinces receiving equalization, they would not get the same level of public services to which they are entitled now as a result of what Reform has said. If somebody in a family happened to get sick and the province in which they lived had to absorb a \$4 billion cut to the Canadian health and social transfer that the Reform Party has advocated, they would be in deep difficulty.

If that family required the Canadian pension plan or help in old age it would not get it because what the Reform Party has put in front of the Canadian people is a pension plan for upper income Canadians and would deprive lower income Canadians.

It is time Reform laid the facts on the table about what it is suggesting.

* * *

[Translation]

CREDIT CARDS

Mr. Pierre de Savoye (Portneuf, BQ): Mr. Speaker, my question is for the Minister of Industry.

The average difference between the rate of interest on bank credit cards and the Bank of Canada rate is 13.25 per cent. The rate of interest on retailers' cards borders on the indecent at 28 per cent, where it has remained essentially since 1981. In 1991, the federal

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Liberals, who were then in opposition, were tearing their hair out over a difference of 10 to 12 per cent.

Given that each 1 per cent reduction in the interest rate on credit cards enables Canadian and Quebec consumers to save at least \$10 million a month, why is the minister not acting to put a stop to these indecent rates?

[English]

Hon. Douglas Peters (Secretary of State (International Financial Institutions), Lib.): Mr. Speaker, Canadians are faced with several hundred credit card choices. Many of those credit cards have very low interest rates below 10 per cent, some as low as 9.25 per cent. Canadians have that choice.

There is also a wide variety of items on credit cards: discounts on goods, airline points and all of these various things. It is not that Canadians do not want those choices. Canadians do want those choices. The cost of credit cards is a very small proportion of consumer debt. I believe that something like 3 per cent of the total consumer debt is on interest bearing credit cards so it is really a very small proportion of that.

• (1450)

[Translation]

Mr. Pierre de Savoye (Portneuf, BQ): Mr. Speaker, since 1994, three members have tabled bills in this House to cap credit card interest rates: myself, the member for Simcoe North and the member for Davenport, a few weeks ago. Furthermore, there are more than 140 members of this House from all parties demanding that the banks and major stores lower their interest rates on credit cards.

If this effort does not pan out within a few weeks, is the minister prepared to support Bill C-351 tabled in this House by the member for Davenport on November 21?

[English]

Hon. Douglas Peters (Secretary of State (International Financial Institutions), Lib.): Mr. Speaker, the problem with capping credit rates is that it reduces their availability to consumers. Hundreds of thousands of consumers would not have credit cards available to them.

Canadian consumers are smart enough to chose the right cards. When they go out to do their Christmas shopping they are going to get the best deal for their families. When they go out looking for credit cards they will also make the best deal for their families.

* * *

TAXATION

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, just a little correction for the minister. I am sure he somehow missed this

but the Reform plan would take one million low income people off the tax rolls. That \$4 billion would be put back into health care. If this plan did help wealthy Canadians then the millionaire finance minister would be in favour of it.

Some hon. members: Oh, oh.

The Speaker: I ask the hon. member to be very judicious in his choice of words. He is repeating the words he used yesterday. Please be judicious.

Mr. Solberg: Mr. Speaker, if people want to know how much importance the Liberals place on parenting, they should check out the government's family tax policy. It is a tax policy that forces the single income earner with a \$60,000 income to pay \$7,000 more in tax than the same family where both parents are working outside the home. In other words, the government policy on parenting is to tax parents \$7,000 more, a parenting tax.

When will the minister recognize the gross injustice of this inequity in the tax system and quit punishing families who choose to raise their children at home?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the one million families referred to by the hon. member would end up paying for that tax reduction in lowered services if they lived in one of the equalization receiving provinces. When a party cuts equalization, it is saying that Canadians who live in those provinces are not entitled to the same level of public services.

The hon. member says that his party will put \$4 billion into health care which is simply not the truth. The fact is it would take \$4 billion out of health care at the very beginning. Then it would ask Canadians to trust that it would put it back, but Canadians will not do that.

On the issue of millionaires, I would like to thank you, Mr. Speaker, for defending the member for Calgary Centre against the attacks from one of his own.

The Speaker: It goes both ways so please be very judicious in your choice of words.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, 70 per cent of women are in the workforce today. Only 30 per cent want to be there.

Some hon. members: Oh, oh.

Mr. Solberg: The reason they cannot is because of this government's tax policy, and I remind hon. members across the way to check out the latest Angus Reid and Decima polls.

• (1455)

The average Canadian family pays 36 per cent of its income to provide food, shelter and clothing. The tax burden takes up another

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whopping 46 per cent. That leaves Canadians with 18 per cent of their income to purchase all those luxuries out there, things like a car to go to work, a telephone and a bed to sleep in.

When will the government realize that this tax burden is crushing Canadians and eliminating their options to live a decent life? When will the government cut taxes?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the Canada pension plan, which the Reform Party would seek to destroy, is depended on by more women than men. It is an essential part of their retirement. The Reform Party would take it away.

Health care, which the Reform Party will cut, is important to Canadian women. Why is the Reform Party threatening to take it away? Equalization payments in Atlantic Canada, Manitoba and Saskatchewan are important for the public services that they supply to women.

The Reform Party has the nerve to stand up here and say that they would defend the basic public services on which women depend. The facts speak for themselves. This party is a 14th century party raising headlines in the 8th century. That is what we are dealing with.

* * *

PARLIAMENT HILL

Ms. Marlene Catterall (Ottawa West, Lib.): Mr. Speaker, my question is for the Minister of Canadian Heritage.

Earlier this year, for the first time, a minister allowed the lowering to half mast of the flag on the Peace Tower to honour police officers killed in the line of duty.

Is the minister prepared to allow the lowering of the Peace Tower flag for other events of mourning such as the national day of mourning for workers killed and injured on the job or, more imminently, this Friday for the national day of remembrance and action on violence against women?

Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.): Mr. Speaker, the member who has involved herself very much in this issue will know that in 1966 cabinet adopted specific protocol rules for flags.

However, as a result of the intervention of the member and others when the day of mourning for police across the country was brought to our attention we were able to revisit the protocol. Indeed, we are developing a new system where the flag can be flown at half mast to share the nation's sense of collective grief around issues like the deaths of workers. On the national day of remembrance and action on violence against women the flag will be flying at half mast this Friday.

[Translation]

CANADIAN SPACE AGENCY

Mrs. Pierrette Venne (Saint-Hubert, BQ): Mr. Speaker, my question is for the Minister of Industry.

Last Friday, the Minister of Industry blindly defended the space agency's chairman, although the information commissioner had clearly reprimanded him for allowing documents to be destroyed by a secretary.

How can the minister explain the fact that the space agency's chairman authorized the destruction of documents after they had been specifically requested?

Hon. John Manley (Minister of Industry, Minister for the Atlantic Canada Opportunities Agency, Minister of Western Economic Diversification and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, this is simply not true. A letter did refer to the fact that a secretary had destroyed some documents. Do these documents no longer exist? No, these are handwritten notes she had taken down and later typed and filed. They still exist. It is only a typewritten draft that was destroyed.

I should also point out to the hon. member that these false accusations fly in the face of the outstanding job the space agency's chairman did for the Government of Canada with the agency, which is located in the hon. member's riding.

* * *

[English]

PROPANE PRICES

Mr. Jay Hill (Prince George—Peace River, Ref.): Mr. Speaker, rural Canadians dependent on propane to heat their homes and dry their grain have seen prices double since August. In the red book the Liberals promised lower input costs for farmers. Clearly this promise is another broken promise.

Many seniors on fixed incomes also rely on propane to heat their homes. Now those seniors are facing a long cold winter, unable to absorb massive increases in their heating bill.

• (1500)

My question is for the Minister of Industry. Given the doubling of propane prices in the last few months, has the minister asked his industry competition bureau to investigate this matter to assure Canadians that there is no price fixing?

Hon. John Manley (Minister of Industry, Minister for the Atlantic Canada Opportunities Agency, Minister of Western Economic Diversification and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, I want to share the hon. member's concern for the effect of these high prices of propane on many consumers.

He will know that the provisions of the Competition Act give the director power to investigate situations of alleged price fixing. I remind him that citizens themselves can request that the director investigate a situation by simply providing the director with the information required by the statute.

* * *

CANADA POST

Mr. Nelson Riis (Kamloops, NDP): Mr. Speaker, most members of Parliament will have been approached by the men and women who are still working for Canada Post delivering ad mail who will lose their jobs six days after Christmas.

My question is for the Deputy Prime Minister. Since this was the only recommendation that the government decided to move on of the many recommendations coming out of changes to Canada Post, and considering that 10,000 families will suffer because people will lose their jobs as a result of this decision, will the Deputy Prime Minister explain to the House why the government is moving on such a cruel and tasteless act that will wreak havoc with 10,000 families across this country six days after Christmas. Will she reconsider this decision?

Hon. Diane Marleau (Minister of Public Works and Government Services, Lib.): Mr. Speaker, there are a number of provisions that we have asked Canada Post to implement from the Radwanski report; among others, the moratorium on the closure of rural post offices. We have said that we would not privatize Canada Post as long as it served a public purpose.

Perhaps in return for his question, I am just wondering if the hon. member of Parliament would know where these part time jobs were six or seven years ago before Canada Post got into this business.

* * *

EMPLOYMENT INSURANCE

Hon. Jean J. Charest (Sherbrooke, PC): Mr. Speaker, my question is for the Minister of Finance and it is a very simple question. It is a question that I asked him last week, a question the minister did not answer. Instead, I got some warmed over rhetoric.

I would like to ask the Minister of Finance whether he and his Liberal government believe that the employment insurance account should be used, yes or no, for the purpose of reducing the deficit.

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the unemployment insurance account is being treated by this government exactly as it was under the previous government. In fact, the innovations brought in by the previous government were the recommendations of the auditor general.

As the hon. member knows, since we have taken office we have in each and every year brought unemployment insurance premiums down. In fact, in the last two years we have brought them down by

Privilege

\$1.8 billion. Also, as the hon. member knows, the fact is that when the Conservative government was in power each and every year that it took office it increased those premiums.

The real question that the whole country wants to know is how is the Progressive Conservative Party going to pay for the massive tax cut it has recommended. Is the Conservative Party going to do as Reform and cut health care? Is it going to do as Reform and cut equalization payments?

What social programs is the Conservative Party going to cut in order to pay for its tax reduction? The leader of the Conservative Party owes the Canadian people an answer. When is he going to have the courage to provide it?

• (1505)

The Speaker: Colleagues, we had a question of privilege a few days ago and one of the members mentioned in it was not in the House.

I have been approached by the hon. member for Delta, as it was his question of privilege. We will hear a very brief statement from the hon. member for Delta and then we will go to the other member to hear what he has to say.

* * *

PRIVILEGE

MINISTER OF FISHERIES AND OCEANS MEMORANDUM

Mr. John Cummins (Delta, Ref.): Mr. Speaker, last week I did rise on a question of privilege protesting a directive of the Minister of Fisheries and Oceans to department staff members ordering them to track all calls from MPs.

It is my contention that the directive to track calls from MPs will have a chilling effect on communication between MPs and public servants. This will cause particular hardship for members' staff members who contact public servants on a regular basis to seek help as they respond to calls from constituents.

As an example, last Friday DFO staff members in Vancouver were reminding my staff that they would have to record the fact that they had spoken to my staff member.

To resolve the matter, I would propose that the minister voluntarily withdraw the directive.

The Speaker: Colleagues, that was where the matter stood, if I might use that term, when we broke the last time. At that time I said to the House that I would return to the question of privilege, which I am now, and that I wanted perhaps to clarify the record or at least to put on the record his side of the story, the hon. Minister of Fisheries and Oceans, who is with us now.

Hon. Fred Mifflin (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, quite frankly I am surprised by the question of privilege that has been raised by the hon. member for Delta. Very

Privilege

little surprises me after a few years in this House but I am really at a loss to understand why this is considered to be a loss of privilege.

I think there is a suggestion made that there was an attempt to deny information to members of Parliament. I am not sure whether that is what he is implying. In fact, if that is the implication I think it is totally absurd.

I want to state clearly, unequivocally and emphatically that there is no attempt by me, my staff or my department to deny answers or inquiries from any hon. member.

I have a great respect for this institution, for Parliament, and in particular for my colleagues in the House of Commons on all sides of the House. Anyone who knows me would attest to that. It is in that spirit that I have directed my department to respond quickly and rapidly to members of Parliament on all sides of the House.

Some hon. members: Oh, oh.

Mr. Mifflin: Mr. Speaker, could I ask the hon. members to listen? They have had their say and I would like to have mine. Could I have the courtesy that I accorded to them?

On a technicality, I want to make sure you are very clear on this, Mr. Speaker. Actually I did not write the directive. The directive to which the hon. member for Delta refers was not a directive issued from my office but a memo from one of my regional senior officials in response to a question of my office. There is no question it did come from my office at my request, but I just want to make sure the technicalities were clear.

The intent of the request was to ensure that members of Parliament, and Senators of course who are also members of Parliament, receive the information that they need in a timely manner. I also wanted to ensure that the departmental officials with whom they are dealing are the most qualified and the most appropriate people to answer their questions.

• (1510)

Sometimes these questions are very difficult. Sometimes the questions are complex and deal with complex issues. I wanted to ensure, with respect to the supervision of my staff, that the most appropriate officials at a senior enough level would direct attention to these questions from hon. members.

Far from discouraging public servants from speaking to members of Parliament, the request was to ensure that members of Parliament receive the best possible advice.

As the hon. member is well aware, through his many dealings with my department, his access to departmental information I believe is generous. It is generous, indeed, as it should be. His future access to information should in no way be stifled or

diminished. There is absolutely no intent to do that. As I said earlier, it is quite the reverse.

I am not, as the member implies, in the business of doing things that are not in the interests of this House, whether it is in the House during question period, whether it is in discussions or whether it is at meetings with hon. members on all sides of the House to answer questions they may have. I make myself available and I do not think there is a member here who could say otherwise.

The hon. member strikes at the heart of the democratic process, in my mind, and the business of governance. For a minister to do his or her job properly that minister has a responsibility to be aware of what people communicate to anybody associated with the portfolio. I have a responsibility to the hon. member, to this House and to all our constituents to make sure that my department responds to these questions in a proper fashion. How would I know that has been happening unless I know what is happening with respect to the number of queries that have been posed by hon. members of this House?

I have a reputation for openness. I have no reason to hide anything. I have an open department. It has a very close interface with the public. It is a very operational department. The request from my office, I say in all sincerity and in all seriousness, was indeed to ensure that members are accommodated; it was not to inhibit them.

I am committed and I will continue to be committed to providing the best possible service to my colleagues, the elected officials of this House.

By way of wrapping up the thoughts that I have put forward in the last few minutes, the intention when issuing this request to my senior officials was to ensure that members of Parliament are the recipients of the best, most knowledgeable and most timely information when they take the trouble to contact my department. I assure all hon. members that their requests will continue to be handled in a timely, expert and professional fashion.

I can only promise the House that I will continue to keep an open ear to all the voices communicating with me or my department, including the hon. member and each and every one of his colleagues.

The Speaker: We are not dealing with a point of order but a point of privilege. This is the situation, as I understand it.

We have a letter that was issued which the hon. member, I believe, has tabled in this House. The hon. member for Delta has read the letter and he has interpreted it in one way.

We have now the source, if you will, of the letter; if not the letter itself, where the idea came from, the Minister of Fisheries and Oceans who, today in the House in front of all of us has told us what the intent of the letter was and why the letter was sent.

Now we have an interpretation on one side and an explanation on the other.

Colleagues, I do not want to be trite, but is the glass half full or half empty?

This, surely, is a matter of looking at things differently, but in my view it is not a point of privilege. For this particular matter, with this letter at this time, for the hon. member for Delta and for the Minister of Fisheries and Oceans, so that they will know and this House will know, I find that this is not a matter of privilege.

GOVERNMENT ORDERS

[English]

EXCISE TAX ACT

The House resumed consideration of the motion that Bill C-70, an act to amend the Excise Tax Act, the Federal-Provincial Fiscal Arrangements Act, the Income Tax Act, the Debt Servicing and Reduction Account Act and related acts, be read the second time and referred to a committee; and of the amendment.

• (1515)

Hon. John Manley (Minister of Industry, Minister for the Atlantic Canada Opportunities Agency, Minister of Western Economic Diversification and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.): Mr. Speaker, I am very pleased to engage in this debate today on behalf of the government, speaking in support of Bill C-70, the harmonized sales tax. This legislation represents a very important first step for the replacement of the goods and services tax with an integrated federal-provincial sales tax which is going to be a better sales tax system for Canada.

On April 1, 1997, Nova Scotia, New Brunswick and the province of Newfoundland and Labrador will break new ground when the retail sales taxes and the GST in those provinces are replaced with the new harmonized sales tax. The governments of these three provinces are to be commended for their foresight in proceeding with the HST. Rather than waiting for the remaining provinces, they have put aside the political grandstanding and joined in what is a positive initiative for their taxpayers and the consumers in their provinces.

Next April the three participating provinces will have a simpler, less costly and more efficient sales tax system. The bill before us today is a distinct improvement over the GST and will represent for those three provinces a comparative advantage over the other seven provinces.

Government Orders

Sales tax under the new system will be charged at a single rate of 15 per cent on the same tax base as the GST. HST will not apply to goods currently not subject to GST, things like basic groceries, prescription drugs and medical services. The benefits to consumers are very important.

For Nova Scotia and New Brunswick sales tax will drop from a combined rate of 18.77 per cent to 15 per cent. In Newfoundland and Labrador that rate will decrease from 19.84 per cent to 15 per cent.

At present the sales tax system in Nova Scotia, New Brunswick and Newfoundland and Labrador is cumbersome, costly and complicated. The current system inflates prices. Businesses are now taxed by the provinces on the items that they buy to run their companies. Businesses pay a tax on these inputs. However, consumers pay for it in the end because the tax is embedded in the final price. Most consumers do not even know about these hidden taxes. The sales slip, for example, may say that 11 per cent or 12 per cent of the purchase price was provincial sales tax. However, a significantly higher rate may have been paid because of the taxes buried in the final price. About 34 per cent of sales taxes collected by the provincial governments are hidden in the price of the goods. That is over \$700 million worth of hidden taxes. I find that unacceptable.

Consumers are also paying in reduced jobs and incomes because hidden sales taxes drive up the prices of provincial exports, thereby making those products less competitive on Canadian and foreign markets. All of this changes under integrated value added tax.

Harmonization will eliminate the \$700 million in hidden provincial sales taxes because businesses will be able to claim an input tax credit for tax paid on the goods and services bought to make their products and run their operation. In other words, businesses will no longer pay provincial sales tax during the production and distribution process. That means consumers will no longer pay provincial sales tax on the provincial sales tax already included in the price of goods that they are buying from businesses. Instead, tax will apply once and only once on the final sale price of a good or service.

Consumers will benefit from lower tax rates on most goods, lower prices on many goods and knowing the full price before they get to the cash register.

Consumers will pay tax on a broader range of goods and services but the broader base will make it possible to keep the HST at a lower level. Including services in the tax base will spread the tax burden more evenly across all sectors of the economy. Governments must ensure that revenues keep pace with changes in the economy.

• (1520)

Service industries are the fastest growing component of expenditures in Canada. Some critics maintain that expanding the tax base will mean higher prices but consumers will benefit substantially from lower tax rates in each province.

Government Orders

For Nova Scotia and New Brunswick the new rate will effectively be almost four points lower than the current combined rate. For Newfoundland and Labrador the new rate will effectively be almost five points lower than the current combined rate.

[*Translation*]

As I just said, abolishing the provincial retail sales tax on business inputs will enable businesses to recoup the HST paid on business purchases, and as a result, these costs will no longer be hidden in retail prices.

The price of certain goods and services that were not taxed before might go up, but this increase will generally represent an amount lower than the provincial portion of the HST. Again, this will have been made possible by eliminating hidden taxes.

The HST will also ensure greater tax fairness for individual consumers and families buying various combinations of goods and services.

[*English*]

Evidence indicates that businesses will pass on tax savings in the form of lower prices. Past studies done in Canada and other countries show that when sales taxes are replaced with value added taxes, savings are passed on to consumers.

After the introduction of the GST in 1991, prices were monitored by the GST consumer information office. Its analysis of changes in the consumer price index showed that after adjustments, the increase in the CPI attributable to the GST was around 1.1 per cent.

The results also showed that overall the old federal sales tax was removed from prices and savings for the removal of that tax were passed on to consumers. The 1.1 per cent increase attributable to the GST was below the estimates the office had made prior to its introduction when the estimate was 1.4 per cent increase in overall prices, assuming that the savings resulting from the removal of the FST were fully passed on to consumers. The increase attributable to the GST was 1.5 per cent over the first three-quarters of 1991.

These figures included adjustments for inflation and other tax changes. After adjustments, prices in 20 out of 46 categories of goods and services surveyed had actually gone down when these prices were compared with pre-GST prices.

Business pass through of tax savings is a direct function of competitive markets. Any business that fails to take advantage of harmonization to improve its price competitiveness will soon find itself priced out of the marketplace. Competition among businesses is intense in today's marketplace. If one business can attract more customers by reducing prices, other businesses will be forced to follow suit in order to stay in business.

Studies of the Canadian experience under the GST and those of other countries that have adopted a value added tax model indicate

that market forces ensure that business savings are fully reflected in consumer prices within a very short period of time.

Members should know that 18 other countries have value added taxes so Canada is not venturing into new territory. The longest running value added tax can be found in Australia where it was introduced in 1930. Denmark has had a value added tax since 1967, France and Germany since 1968 and the U.K. since 1973. One might ask: "Then what is wrong with the GST?" The answer is very simple. Not one of those countries has two contradictory co-existing levels of retail sales tax.

In introducing the GST, the previous government gave Canada one unique characteristic among countries of the world: two retail level sales taxes applied on different bases to different goods and services, all paid by the consumer on the basis that they have to go to the cash register to figure out whether the good is taxable under the GST and under the PST, under the GST but not the PST, or perhaps not the GST and the PST. Then they must calculate the appropriate rate doing the two different calculations to see whether it is 7 per cent GST and 8 per cent PST, or perhaps it is 9 per cent depending on the province, or if you are fortunate enough to live in Alberta, zero per cent PST.

• (1525)

You can see that this is slightly different from a totally harmonized sales tax where the consumer picks up the good at the counter, goes to the desk and pays the price marked on the good. That is progress.

With businesses now having to apply, collect and remit HST when they sell into a participating province, these goods will not be free of provincial sales tax. This means that consumers buying locally will not pay any more tax than consumers ordering goods from out of province firms.

As I say, a key benefit of the HST to consumers will be tax inclusive pricing. Consumers across the country have clearly indicated their preference to know the full price of an item before they actually make a purchase.

The days of consumers in Nova Scotia, New Brunswick, Newfoundland and Labrador calculating taxes mentally, on the back of an envelope or having to carry a calculator with them before they go to the cash register, will soon be over because the sales tax will be included in the price which is what consumers across Canada want to have. At the same time, the amount or rate of sales tax payable will be visible on receipts and invoices so that consumers will still know how much and what tax they are paying.

[*Translation*]

The flexibility incorporated in the tax inclusive pricing rules will reduce unfair competition, since businesses will be able to continue posting the before tax price next to the tax inclusive price.

Government Orders

Similarly, participating businesses will not be at a disadvantage vis-à-vis the competition from everywhere else.

In addition, the federal and provincial governments will work together to ensure that consumers are informed of how the tax will be included in prices. Participating governments want this process to be transparent. Under the tax inclusive pricing scheme, the amount paid in tax will be clearly visible on receipts. Consumers will know right off how much the goods and services they buy will cost because the tax will be visible.

[*English*]

Next April consumers in Nova Scotia, New Brunswick and Newfoundland and Labrador will have substantially lower sales tax rates, a simpler sales tax system and lower prices on most goods. Would that it be true as well in Ontario. They will also know the full price of an item before they get to the cash register. They will pay only one tax and they will know how much tax they are paying. They will know that their federal and provincial governments are working more efficiently by eliminating needless and costly duplication.

Bill C-70 represents a significant step toward the goal of a fully harmonized sales tax system in Canada. I would like to add that the federal government and the governments of the three participating provinces will not generate any more revenue under the HST than they do now under the existing taxes.

Harmonization has many supporters. When the announcement was first made last April, Nova Scotia's finance minister explained this by saying: "On balance we believe consumers will come out ahead. It may cost you \$1 more to fill up your tank, but on a \$500 car repair bill you will save more than \$20 in tax. You may pay \$1 more for a haircut but you will save a buck when you buy shampoo, soap and toothpaste".

An excerpt last April from a press release issued by the Certified General Accountants Association said: "There is no question that today's announcement with Newfoundland, Nova Scotia and New Brunswick will be a tremendous shot in the arm for consumers in those provinces".

Rosalie Daly Todd, Consumers Association executive director had this to say: "Consumers will no longer have to guess at the total cost of their purchase, a situation which has been the source of frustration for many people. At the same time, listing the amount of tax on the bill or receipt keeps the tax visible and the tax makers accountable to consumers".

Newfoundland's finance minister is quoted as saying last April: "Taxpayers would have \$105 million more to spend, save or invest and there would be significantly lower after tax prices on a wide range of goods and services, and significantly less tax paid by the people of the province".

• (1530)

In October, Elizabeth Beale, Atlantic Provinces Economic Council president, was quoted as saying: "The HST will be an improvement on a number of fronts. Consumers should see relief in the total level of taxation dropping on a whole range of products".

APEC recently issued a report that was highly supportive of sales tax harmonization. It identified significant economic and administrative efficiency benefits to the harmonizing provinces. That is the reason the premiers of the three Atlantic provinces have bought advertising space in newspapers displaying the Atlantic advantage: no sales tax in Nova Scotia, New Brunswick and Newfoundland and Labrador.

It is time that the other provinces also got on board with the harmonized sales tax. This is the tax of the future. This is a fairer tax. This is an easier tax for business to administer. It is a more understandable tax for consumers. I do not understand why a government of a province in Canada would be unwilling to move forward with a measure that is so much in the interests of its taxpayers.

Mr. Jim Silye (Calgary Centre, Ref.): Mr. Speaker, I would like to congratulate the Minister of Industry on his fine defence of the harmonized sales tax. I will make a few comments and ask a few questions along the way.

I seem to recall that when I served on the Standing Committee on Finance three years ago and we were looking at the GST replacement, I reviewed what the Liberals said when in opposition. I found that the minister was a member of the Standing Committee on Finance at that time, or at least a member of a group that submitted a minority report to the government of the day suggesting a solution to the manufacturers sales tax which was not a goods and services tax. It was not the GST. He opposed the GST. I seem to recall that he supported something completely different which was more along the lines of the single tax that the member for Broadview—Greenwood was proposing.

Mr. Manley: No way.

Mr. Silye: Okay, I need clarification on that but I know there was something different. I do not want to put words in his mouth but I would like to know what it is he recommended at that time. I do know that he was against the GST.

In his speech the minister indicated that this was an improvement over the GST. How is it an improvement when the GST has not changed? All the inherent problems are still there. In fact that party during the election campaign promised to scrap, to kill, to abolish the GST and then tried to weasel its way out of that. But let us say to even replace the GST with something which is revenue neutral, the Liberals have failed on both counts.

Government Orders

On the first count, the Liberals did not scrap or replace the GST. In fact they have entrenched the GST into our lives forever because now they have harmonized it with a provincial sales tax and there will be no future provincial government that will ever want to give up that source of revenue, especially at the high rate of 15 per cent. All the inherent problems of the GST will still exist. Exempt or not exempt, zero rated, all these different rules will still be there and will still cause problems.

Second, during his speech the minister said that the new harmonized tax will not increase revenues for the government. We all know it decreases revenues for the provincial governments because of the drop in their PST. In their red book the Liberals promised they would replace the GST with something that was revenue neutral.

If what he said in his speech is true, that this is revenue neutral, no more revenue to the government, which means no less revenue to the federal government, it is going to cost the federal government \$961 million as a payment to the three participating Atlantic provinces. It means that this new tax is not revenue neutral, it is revenue deficient and therefore it is going to cost the taxpayers money.

Finally, I find this to be somewhat like the minister of myth. The finance minister likes to brag about the ads on the Atlantic advantage. How can the provincial premiers say there is no sales tax when there is a GST which represents the goods and services tax of 15 per cent?

Mr. Manley: Mr. Speaker, I thank the hon. member for his questions. Other than confusing my interest in a system of tax which he later supported, he asked good questions. Let me begin at the end of his comments.

• (1535)

In order to understand the impact of a retail sales tax such as the provincial retail sales tax on the consumer, one must understand why the Atlantic premiers claim there is no sales tax. What happens with the existing retail sales tax is that not only is it applied to the price of the goods that are purchased, but it is embedded in the cost of every item produced and every service generated by a business in a province with that kind of tax.

Take the classic case of the barber shop which everyone likes to talk about. People say there is no tax on haircuts. Who do they think pays the tax that the barber paid when he bought his barber chairs? Who pays the tax that the barber paid when he bought all his hairdressing equipment? Who pays the tax that the barber paid when he bought all of the other services that are necessary for him to render his hair cutting service? It is embedded in the price of the haircut.

If we take the case of another business that is producing a good, then again the provincial sales tax systems as they exist in

Canadian provinces cause a cascading of the tax. Every time in every stage of production tax is paid by the business on inputs, it is embedded in the price of the good that the business sells. Tax is applied to that, which includes tax on the tax previously paid, and so on down the chain.

Under the harmonized sales tax, all of that is eliminated. When a business sells a good to a consumer, the only sales tax is the sales tax that is applied at the retail level. There is no sales tax embedded in the original price of the good. That is why the Atlantic premiers can say with pride that there is no sales tax, because they have managed a system that is clean when the good is finally sold to the consumer. The consumer knows that the sales tax component he pays on that good is 15 per cent. It is demonstrated on the bill. There is no hidden sales tax. There is no hidden tax on a good in the Atlantic provinces.

Once again the member suggests, and the Reform Party has tried to make something out of this for several months, that somehow the red book did not represent this party's election promises in 1993. That of course is something the Reform Party did not try to proclaim at the time. Reformers were given the red book as were other opposition parties. Our promises were plainly made and they have been fulfilled.

If the hon. member wonders why we opposed the GST in 1989 and 1990, then I commend to him the report that we wrote. Circumstances have to be dealt with as they are found at the time. We recommended against implementing this tax for some of the same reasons that we are trying to fix it now.

As I spoke of earlier, with two sales taxes at the retail level, it is the only jurisdiction in the western world that has tried to do that. It was not a good idea. It was confusing. It was predictable that we would have the tax chaos which resulted. But there was no turning back the clock and saying we wished it had never happened and let us go back to the old sales tax and begin with that. Time had moved on.

When the Liberals campaigned in 1993 we made it very clear what we would do. Given the reality that the government of the day had already imposed the GST and that the introduction of the tax had been absorbed in the economy, we said that we would have the finance committee study it in the first year of government and prepare a report on how we might move forward to produce a better tax that would be harmonized with provincial sales taxes.

It is disingenuous of the hon. member to suggest that he can take things out of a 1990 debate in the House of Commons before the law was enacted, before the tax was imposed, before the retail community had to make the adjustments in order to apply the tax, before the manufacturers sales tax had been withdrawn and use them in debate in 1996 when we are trying to make the mess we found liveable for retailers and consumers. It might be good political rhetoric but it is not precisely what the hon. member

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would like to be identified with in putting real and substantial choices before the Canadian public as we move on from here.

• (1540)

Mr. Myron Thompson (Wild Rose, Ref.): Mr. Speaker, in 1993 in Wild Rose the campaign was hot and heavy. "We will scrap, we will kill, we will abolish the GST", were the words I heard.

I am pleased to see a front line minister speaking to this issue. I also noticed that another front line minister, the former minister of revenue who is now the Minister of Transport, made a prediction in a Victoria newspaper where he said that voters will punish any provincial government that fails to merge its sales tax with a revamped goods and services tax. If that be the case, then why in Prince Edward Island, where the Liberals were pushing for this merger of taxes, were they so soundly defeated?

Mr. Manley: Mr. Speaker, I found it a little hard to follow the question since Prince Edward Island is not one of the provinces that adopted the harmonized sales tax. One might argue that had they done so, they would have been re-elected.

I would like to take the opportunity to refer to the comments that were made by hon. members opposite with respect to compensation paid to the Atlantic provinces in order to make this transfer. Any time a transition is made on a very substantive policy issue, transition payments are often considered.

I point out to hon. members opposite that when the government moved to eliminate the transportation subsidy under the Western Grain Transportation Act, popularly known as the Crow rate, a full \$1.6 billion was made available to western farmers in order to compensate them for this important transition. It was painful, there is no doubt about it. In the long term it is the correct policy, the best policy for the economy of Canada. It is the best policy for western Canada and the best policy for the western Canadian farmers who are making the adjustment. Never once did that party get up and criticize compensation being paid to western Canada.

How is it when another important change is made which is good for the economy of Canada and good for the economy of Atlantic Canada and has short term cost implications for the provinces involved that a one time transition payment is so offensive to that party? It sounds to me like the petty politics of regional envy.

Mr. Jim Silye (Calgary Centre, Ref.): Mr. Speaker, I rise today to address or undress this government on its proposed legislation for a harmonized sales tax and to streamline the GST under Bill C-70.

First, I have a little humour that might put this in perspective. A good friend of mine in Calgary, Martin Struthers, is a travelling

salesman in the clothing line. He told me that he ran into a lot of Liberals over the summertime on the golf course. They were playing with a particularly cute golf ball that had the logo of the current Deputy Prime Minister on it. When he asked the Liberals why they were using this golf ball they said: "Well if we use this golf ball, we are free to change our lie any time".

On November 29, 1996 the government boldly issued a press release announcing that three Atlantic provinces, Nova Scotia, New Brunswick and Newfoundland and Labrador, had agreed to harmonize the GST and provincial sales tax effective April 1, 1997. The effective date is important. It is next year, not this year. I will come back to that later on in my speech.

The finance minister is quoted as saying: "This proposed legislation represents another step toward an integrated national sales tax system for Canada". I stand before this House to state unequivocally that this comment by the finance minister is misleading, that the steps he has taken to harmonize the GST are hypocritical and that this whole exercise is nothing more than politically self-serving by Liberals at its worst. These are the three arguments I wish to address and I will do so under those titles: misleading, hypocritical and politically self-serving.

Under misleading, it is misleading that the rest of the country will not participate in the harmonized sales tax system even though the finance minister says that this is leading toward it. P.E.I. dropped out. Ontario has said to take a hike. Alberta wants the net effective rate that the Atlantic provinces get, which is 5.5 per cent. His whole claim that he is moving forward contradicts the facts.

• (1545)

Take Ontario. Why would Ontario comply when it has already indicated that it would cost Ontario consumers another \$2 billion in goods and services with a combined rate? Why would Mike Harris want to punish Ontarians just to play politics with the 99 Liberals who are doing very little for Ontario, other than downloading their problems in health care, education and welfare, increasing taxes through the elimination of certain loopholes and tinkering with the corporate rate structure?

On top of that, the government's share of the billion dollar bribe to entice the three provinces to participate is going to cost \$400 million over three to four years.

It is misleading for it to claim it is making progress when only three provinces out of ten are participating.

The finance minister has failed to get the other provinces to participate. Why? It is a tax increase on consumers. Even the department of finance of Nova Scotia, one of the participants, in its analysis of May 1996 revealed that the net effect of the harmonized sales tax burden on consumers would increase by \$80 million.

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Retailers, especially national retailers in the region, claim that their extra costs to retain a dual system of taxation for those stores within the three provinces and for those outside will cost them \$27 million.

The government claims, in defence, that businesses will pass on any portion of their savings achieved through harmonization. Excuse me, based on what prior evidence? There will be a \$107 million increase to consumers in Atlantic Canada. That is what will happen through a reflection of price increases. A billion dollars has been taken from the federal coffers, from the rest of Canada, to transfer the system.

It is misleading to state that the Reform Party supports harmonization. In the Standing Committee on Finance, of which I was a member and one of the co-authors of the report, when the government was looking for a GST replacement we indicated quite strongly that if the government was going to harmonize it had to harmonize on a national basis, with all the provinces, at the same time, and make it revenue neutral, with the widest possible base, providing the lowest rate. That has not been achieved. Other provinces will not participate. We clearly stated in our executive summary that harmonization cannot be fully endorsed. Talk about being misquoted and taken out of context.

Therefore we oppose the harmonized sales tax in its present form. If the government would bring us something which is for all of Canada we would consider it.

It is misleading to claim that this will save money when it will cost the rest of the provinces close to \$1 billion, \$961 million to be exact. We call it a bribe to compensate the provinces for the lost revenue of the lower PST and to entice them to participate.

That is very misleading. Who is going to compensate the other provinces, entice them or bribe them? Where is the money going to come from to provide the lost revenue for the other provinces, such as Saskatchewan, as the member previously mentioned?

This move is also hypocritical. I will touch on this point briefly. When in opposition the finance minister said: "I would abolish the GST because the manufacturers sales tax is a bad tax, but there is no excuse to repeal one bad thing by bringing in another". That appeared in the April 4, 1990 edition of the *Montreal Gazette*.

On March 17, 1990 in an interview with the *Calgary Herald* the finance minister said that the GST is a tax which discriminates against the regions and that 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: "If it becomes integrated", which the government is now bragging about, "with provincial taxes", which it has just done, "we will never get rid of the GST. We will never replace the GST".

He further said that another alternative would be to look at alternative consumption taxes that are not regressive and do not penalize the regions of the country.

We are talking about the hypocrisy of the finance minister's statements. The hypocrisy lies in the fact that he has acted exactly opposite to what he said in opposition and opposite to what his personal beliefs are. He has entrenched the GST instead of getting rid of it. He has also introduced a taxation system which penalizes the non-participating provinces to the tune of \$961 million. He is making seven provinces pay for lower tax rates in three provinces and basically penalizing the rest of the country just to integrate a bad tax, which he said he would never do. His deal is with three provinces that have Liberal premiers, three provinces that may soon have three Conservative premiers once this ripples through the economy of those three provinces.

• (1550)

We do not need to remind everybody what happened in P.E.I. My colleague from Wild Rose has already pointed that out. That Liberal premier lost his job thanks in great part to the federal Liberal government and its action in this regard.

I believe it is also hypocritical to argue that the Liberals have a pan-Canadian view of Canada because they are taking from the richer provinces and giving to the poor. Is this a new definition now of equalization payments where seven provinces are paying for ten, a complete reversal of the current equalization system where three provinces pay for seven?

It seems to me there is hope for Reform's fresh start platform. We suggest that we should review the equalization payment system and have maybe the top five provinces paying the bottom five and have a little competition in there which would be a better approach to a new vision for a better Canada.

Finally, I also feel that the harmonized sales tax is politically self-serving. We all know the promises from the Deputy Prime Minister, the Prime Minister to the finance minister and a whole bunch of other MPs during the campaign about what they said at the door and also what is in the red book. They have not even kept their red book promise because this is a partial and it is not even revenue neutral and any way you cut it they have broken their promise.

We all know about the member for York South—Weston who has quit over this because of principle. We all know about the member for Broadview—Greenwood. What these people campaigned on and what they delivered are two different things.

In order to limit the damage and in order to continue the myth that they are solving and keeping their red book promises they have introduced this GST harmonization at a huge cost to the country, at a great disservice to the premiers of those three provinces who

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were hoodwinked, bribed and misled and where the Atlantic residents will see their cost of living go higher.

The finance minister has admitted that he failed to deliver on his promise to scrap the GST. The Deputy Prime Minister admitted they have not delivered on their promise and quit subsequently. She never promised that she would run again but she did and she got re-elected.

The only person who fails to admit that they failed to deliver on their election promise is the Prime Minister who is off around the countryside taking credit for all the global deals, thanks to businessmen who have been working hard for five years and thanks to the previous government that fought hard and implemented free trade and the North American Free Trade Agreement.

This harmonized sales tax is politically self-serving because they have told the Atlantic MPs to keep quiet. Why are they not speaking out on this and telling us how wonderful it is and how great it is? Why do they not go on the record and tell Atlantic Canadians that this is the best thing since sliced bread and there is no sales tax in the Atlantic provinces? It has disappeared. The ads are there. Defend that. I would like to see them defend that. I would enjoy listening to them defend that there is now no sales tax in these three provinces.

There will be businesses going under in the Minister of National Defence's riding. They have already shut their doors. These Atlantic MPs have been told to stay quiet. Where are they? How can all of them say this is a good deal in light of all the people who have come forward and said this is not a good deal, especially MMG Management Group which runs discount chains under names like Greenberg, Red Apple, MetMart and Metropolitan in New Brunswick where 79 jobs have already been lost due to this harmonization and a 50-50 chance of another 71 jobs being lost according to their own calculations?

The worst example of all that I have of political self-serving is contained in the Public Accounts, volume 1, pages 1.24 to pages 1.26. It talks about the whole financial aspect of accounting and also the auditor general's comments: "Responsibility for the integrity and objectivity of the financial statements rests with the government. The financial statements are prepared under the joint direction of the President of the Treasury Board, the Minister of Finance and the Receiver General for Canada in compliance with governing legislation".

The auditor general then gives his comments. Here are some of his startling concerns that he felt should be brought to the House and parliamentarians made aware of: "The inclusion of transitional assistance", which is the same debt word as bribe, "of \$961 million in the 1996 deficit and accumulated deficit represents a departure from both sound accounting practice and the government's own accounting rules. In my opinion the transitional assistance of \$961 million should be included in the deficit

subsequent to the 1995-96 fiscal year. Failure to comply with generally accepted principles resulted in an overstatement by the annual deficit and accumulated deficit of \$961 million".

• (1555)

Mr. Campbell: Mr. Speaker, on a point of order. The hon. member purports to be quoting from the auditor general's report and he made reference to the word bribe. I would like to know if that is part of what he is quoting from the auditor general. If not, would he excise that and read the quote again without that word in it.

The Acting Speaker (Mr. Milliken): I think the hon. member is raising a question to the member for Calgary Centre. However, if he wishes to clarify the matter, I am sure he would be pleased to do so.

Mr. Silye: Mr. Speaker, I will clarify. I thank the hon. member for the correction. I did kind of ad lib. The word bribe is not in the report.

Here are his startling concerns: "The inclusion of transitional assistance of \$961 million in the 1996 deficit and accumulated deficit represents a departure from both sound accounting practice and the government's own accounting rules. In my opinion the transitional assistance of \$961 million should be included in the deficit subsequent to the 1995-96 fiscal year. Failure to comply with generally accepted practices resulted in an overstatement of the annual deficit and accumulated deficit of \$961 million".

The transitional assistance of \$961 million has been recorded as a liability at March 31, 1996 and as an expenditure, a resultant increase in the deficit for the 1995-96 fiscal year.

As I said at the outset of my intervention this afternoon, this agreement does not come into effect until April 1, 1997, two fiscal years later, the year ending 1997-98.

Is this bribe or transitional assistance, as the government prefers to refer to it, a liability as of March 31, 1996? Clearly this is not the case because according to generally accepted accounting principles and the government's own rules: "Financial obligations are recorded as liabilities if the underlying event occurred prior to or at year end". It did not occur prior to March 31, 1996 and it did not occur at year end March 31, 1996. In fact, it is occurring now. Agreements are being signed now and they will take effect April 1, 1997, which is the next fiscal year, not even in this one ending in 1997.

Also: "Transfer payments are recorded as expenditures when paid and when the recipient has fulfilled the terms of a contractual transfer agreement". Clearly this is not the case. They have not fulfilled the terms of the contractual agreement. The auditor general agrees with me because he states in the Public Accounts:

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“Eligibility criteria had not been met by the three provinces by March 31, 1996 and, accordingly, the \$961 million of compensation should not have been recorded in the accounts at that time. Although the government is committed to compensating the provinces once agreements are signed, the \$961 million is not payable until the agreements are signed”.

The government and its officials hung their hats on memorandums of understanding. Mr. Speaker, I know you were an outstanding lawyer when you were practising and know the terms of law very well. You and I both know that letters of agreement, memorandums of understanding have a certain way of sometimes changing. That is why the auditor general is right. That is why generally accepted accounting principles cannot be departed from. Shame.

The integrity of government financial statements is at stake. This action on harmonization impairs the integrity of the process. Shame. Shame on the finance minister, the deputy finance minister, the President of the Treasury Board, the secretary of the Treasury Board and the receiver general and the deputy receiver general, who have all compromised some integrity, walking a fine line on interpreting generally accepted accounting principles and prior government practices, setting a new precedent just to help the Liberals fulfil a self-serving political promise and to help the finance minister bury the high cost of harmonization in a prior year ending in 1996 just because the government had bettered its deficit target and done better than it had projected in that year. Therefore this was a good time to bury it, hide it and then forget about it and we will not have to record this transition cost, this bribe, this enticement, whatever anybody wants to refer to it as. This is nothing more than political self-serving and I say shame.

• (1600)

I have given examples and testimony to prove conclusively that this feeble, partial, half-hearted effort of replacing the GST with something that is revenue neutral is not. I quote from the red book. I am trying to interpret legitimately, accurately what the Liberals now say they promised door to door.

Knock, knock. Hi, I am the member for Broadview—Greenwood. I will replace the GST with a tax that is revenue neutral, that will take as much money out of pockets as it does now and then we never worry about the GST again. That is what the Liberals said they promised. I believe with the examples I have given I have pointed out how misleading, hypocritical and self-serving have been their remarks for a period of four years.

This is an important issue. The GST is a bad tax. In and of itself it can be good in terms of consumption taxes. But when it was introduced the Liberals in opposition argued against it, as they should have. Now that they are the government they promised to get rid of it. They have not. They have entrenched it.

Most everyone acknowledges that the GST has been the biggest cause of the growth in the underground economy. How is it then that by entrenching a 15 per cent tax is going to eliminate the growth in that economy and eliminate the activity within that economy?

The Liberals brag about how this is a step in the right direction, how this will replace the GST and be revenue neutral. We will still have the high cost of administration of the GST type of tax that we had. Reformers feel that the government should get out of this domain altogether, leave it to the provinces. The \$15 billion net revenue required should be put into a simplified tax system featuring a dual rate. That is how to raise that revenue. That is simplifying it. That is eliminating the GST. That is making it revenue neutral. That is solving the problem.

Mr. Barry Campbell (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, I will use the same themes that the hon. member opposite used: misleading, hypocritical and self-serving but I will throw them back at him.

The hon. member is misleading the Canadian people. The auditor general did not qualify the financial statements of the Government of Canada. He made an observation. We disagree about that observation. That is entirely permissible and within what is appropriate under generally accepted accounting standards. The hon. member knows that.

The hon. member also said the tax is not revenue neutral. I ask him to prove that. That is untrue, it is revenue neutral.

It is interesting under hypocritical. I had the privilege to work with the hon. member. He worked diligently with other members of his party on the committee that went across the country looking into replacements for the GST. I will tell who is hypocritical. The hon. member supports harmonization. He neglected to tell us that.

Under self-serving, it is interesting. The hon. member attacks the transitional assistance but I have never heard him attack the \$1.6 billion paid to western grain farmers when the Crow rate subsidy was removed. Not a word. Here we have a member from one region of the country criticizing transitional assistance going to another area of the country and telling them what is good for them but never rising to criticize similar transitional assistance in his own backyard.

This is a quiz show if you will, Mr. Speaker. I ask the hon. member one further question. Who said the following? “I want something that works. If we had one value added tax, one base, one bureaucracy to collect it, the manufacturers and businesses in Ontario would save over \$1 billion by being able to deduct those costs that cannot be deducted today on the sales tax. It has been one of the areas of a major competitive disadvantage that Ontario manufacturers have had and Ontario businesses have had. I say stop the rhetoric, stop the politics, stop the finger pointing. Get on with harmonization and simplification of the GST or whatever the new initials are, along with the PST”. Who said that? I will give the

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hon. member a hint. He is now the premier of the province of Ontario.

Mr. Silye: Mr. Speaker, I thank the hon. member for his intervention. I will try to answer his comments about my misleading the public and that the auditor general did not qualify his observations in his signing off on the financial statements.

• (1605)

I agree with the hon. member. He did not make a reservation on it because he said: "Substantially the changes and effect that would occur that year might happen but the significance would happen and those looking at the Government of Canada from afar would be able to recognize that that is the intent of the government". However, he did make it clear and spent a lot of effort in pointing it out to us, notwithstanding that he did not make a reservation on it and signed off.

The point is that if we start allowing politicians to do things with financial statements that go to the edge of generally accepted accounting principles, integrity is at stake. When you go against the history of 126 years in Parliament, which has never been done before, of taking something that has not been consummated, that may lead to a deal down the road and charge it off to prior years—

Ms. Clancy: Gobbledegook.

Mr. Silye: No, that is not poppycock. That is exactly what has happened and that is what the auditor general is making us aware of. We should be aware of it so that this kind of stuff will not be allowed to happen.

I am not misleading. I acknowledge that there was not a reservation. I just did not put it in my speech. Am I misleading by saying it is not revenue neutral? I accept the claim that it will generate the same amount of money as is currently being generated by the GST but there is a cost to setting up this new system.

When the Liberal red book stated that they would replace the GST with something revenue neutral, they did not say at a cost of \$1 billion or \$2 billion or \$100 million. There was no cost to it. I assumed and I think most Canadians assumed that they would replace it with something that does the same. If it was supposed to save money in administration and in efficiency and if it saved money for businesses and governments, it should not cost us a billion dollars. We know why it cost us a billion dollars. It was either a bribe, an enticement or a transitional cost. Any one of those three can be picked. I know the government will take the transitional cost.

We have never supported harmonization. He and I were on the committee. The minority report of the Reform Party on replacing the GST clearly stated in its executive summary, right from the beginning to the end, that: "Harmonization cannot be fully en-

dorsed. While harmonization does simplify the tax system, it makes no sense to do it in a piecemeal, ad hoc fashion because it simply increases the confusion, the cost and the resentment across the country". That is what the government is doing.

The purpose is to eliminate dual tax regimes but this version retains it for national firms. The Reform Party opposes tax inclusive pricing. This practice violates the principle of open taxation which is essential to efficient functioning of open democracies. The disclosure of taxes paid on cash register receipts preserves an element of openness in taxation but as the experience in Europe has shown, it eventually results in strongly diminished public awareness of the tax.

The Reform Party sees the GST as an unnecessary temporary tax which does not belong in the federal domain, but inasmuch as the tax will exist temporarily, then the Reform Party encourages the government to streamline taxation, remove as many of the significant problems that exist until such time as a much wider tax reform that provides both tax relief and tax simplification can be implemented.

If the government presented a national integrated sales tax with the lowest possible rate on the broadest possible base, the Reform Party would seriously consider looking at such a proposal. However, the government is not doing that. This is a piecemeal, ad hoc presentation. This would be only conditional consideration because the Reform Party's final solution to the GST, as I mentioned earlier, would be to eliminate the GST after the budget is balanced, incorporate the net revenue required into a simplified tax system featuring a dual rate.

I think I have addressed the issues of the hon. member of being misleading and hypocritical. I welcome that. If I challenge them for being misleading and hypocritical they have the right to accuse me of the same. I have, unlike the government, addressed each of those items and have given my answers. I would now like the hon. member, if there is a minute left, to tell me if I am still misleading and hypocritical in light of my answers.

Mr. Barry Campbell (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, I was pleased to hear the hon. member say that in the minority report they did endorse harmonization, although not without some qualifications. At least we have that much on the record because he neglected to say that they support the principle of harmonization. I thank him for that clarification.

• (1610)

Mr. Silye: Mr. Speaker, I would like to further add, so that the member does truly understand, we would eliminate the GST unlike his government. Given, however, that the GST is going to be around for another three years or so, if it is possible to improve the

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tax regime and eliminate and simplify and reduce taxes, then we would support the government in measures like that.

But as an overall philosophy this party does not and will not support the harmonized sales tax in the present form that this government has put forward.

Mr. John Murphy (Annapolis Valley—Hants, Lib.): Mr. Speaker, I will be sharing my time with the member for Halifax.

I am pleased to have the opportunity to speak on Bill C-70 respecting the harmonized sales tax agreement. I have listened closely to the debate today and some of the criticisms that members from parties opposite have raised.

Let me take a moment and read a number of quotes from national organizations regarding the need to move on to a harmonized tax system. In June 1994 the president of the Retail Council of Canada stated in an interview: "Harmonization is abundantly desirable. The provinces cannot ignore forever the pressures that are on us as a nation to get our House in order and getting the sales tax right is an important element of that".

In the same month the president of the Canadian Chamber of Commerce said: "They," meaning businesses "could create more jobs if the PST and the GST were integrated by doing more business more efficiently and more effectively".

Even the members of the third party, and we heard that from debate here, supported harmonization in the minority report on replacement of the GST. In that report they said: "It is simply unacceptable that Canada remains the only country in the world with 10 different sales tax regimes. We commend the government on its attempt to harmonize the tax with the provinces". That is exactly what the government is working toward.

As the House is aware, on October 23 three provinces, Nova Scotia, New Brunswick and Newfoundland and Labrador, signed a harmonization deal with the federal government. In doing so, these provinces have taken a bold step forward. It is a step that will help the three Atlantic provinces to become more competitive, more self-sufficient and more attractive for businesses.

In signing this deal, the province of Nova Scotia and its two partners are leading the way to what I believe will be an eventual agreement among the provinces and territories. Let us look at the facts. Over its lifetime the GST has taken an additional \$3 billion out of the Atlantic region, a bigger increase in federal sales tax payments than in any other part of Canada. In signing this agreement these three provinces will receive adjustment assistance close to \$1 billion over four years.

I have heard the criticisms from members opposite on this element of the deal. I would like to remind my colleagues, however, that this decision is consistent with Canada's long

standing principle of providing adjustment assistance to provinces and individuals when they need help adjusting to major policy changes initiated by the federal government.

I want to emphasize quite clearly what the agreement will mean to Nova Scotia. In Nova Scotia the harmonized sales tax agreement will improve its economy and its competitive position vis-à-vis other provinces. The agreement will ensure that \$100 million more will be left in the pockets of Nova Scotians. This extra money in the economy will mean a permanent increase in Nova Scotia's gross domestic product of .8 per cent. Over the next few years that will translate into approximately 3,000 new jobs.

A central component of the sales tax reform is that the new system must be both fair and simple to use. The HST meets both of these criteria. Consumers and business people will operate in a marketplace where the rules are clear and where there is less paperwork.

• (1615)

For consumers, all Nova Scotians will benefit from a tax rate that is almost four points lower than the current combined rate. The new system will mean lower prices on most goods, not only because the combined rate will be lower, but also because hidden provincial sales taxes will be eliminated.

As well, businesses in Nova Scotia will experience many competitive advantages under this new system. With full input tax credits, operating costs on everything from phone bills to computers will come down. Many other business expenses will also be lower, including hotel and meeting costs. This will provide an opportunity for local businesses to expand and to grow, and that is what this is all about. It also gives businesses an excellent reason to locate in my province of Nova Scotia.

For businesses the HST will mean they will only have to administer one tax instead of two; one collector, one auditor. Businesses have campaigned for a simpler administration system for many years. As of April 1 next year, we will be able to deliver.

I would like to turn for a moment to a number of specific sectors.

Let us look at the issue of tax rebates on books. During the summer months I heard from many businesses and individuals in my constituency of Annapolis Valley—Hants. They were calling for an exemption on the taxation of books. The message I heard was that the continued taxation on books was in effect an impediment to promoting and improving literacy in Canada. This is a view that I brought forward to the Minister of Finance in early August on numerous occasions. I was pleased therefore when the minister responded positively to these concerns.

Under the HST there will be 100 per cent GST rebate on all books purchased by public libraries, schools, universities, colleges, municipalities and qualifying charities and non-profit orga-

nizations. That clearly is the way to go. This rebate will support the important role played by these front line organizations in helping individuals acquire the tools they need to learn to read or to improve their reading ability.

During this time of limited resources the best way to ensure the biggest impact for every dollar spent is to target assistance which will have the most impact on literacy. This decision will have a positive impact in supporting literacy in Nova Scotia.

I also want to speak for a moment about how this agreement will positively affect the housing industry. After all, a strong component in any economy is a strong housing industry. While provincial sales tax does not apply directly to the sales or rental of residential property, a substantial amount of provincial retail tax is still embedded in housing prices. Consumers are paying for unrecoverable tax on materials such as lumber, paint and appliances. As well, contractors pay provincial sales tax on building equipment and other capital goods.

Under the HST, builders will be entitled to input tax credits on inputs used in the building of a home. That is important. In addition to that, in Nova Scotia under the HST there will be a housing rebate for all buyers of new homes to a maximum of \$2,250. Coupled with decreased building material costs this will ensure that new homes cost the same or less once the new agreement is in place.

Let us turn to the tourism industry for a moment. In Nova Scotia, as I am sure everyone is well aware, tourism is a billion dollar a year industry. In my riding of Annapolis Valley—Hants, tourism is a growing area and one in which jobs can and will be created.

Under this agreement visitors from outside Canada will get their tax back on hotels, conventions, bed and breakfasts and on the gifts they take home to their families. Even visitors from other provinces will face a lower tax rate for meals and for accommodations. Clearly this agreement will make our tourism sector even more competitive and more successful.

• (1620)

As any government whether federal, provincial or municipal can say, tax reform is never an easy process. Any attempt to change and improve the tax system will inevitably lead to criticism and calls to leave things as they are. But I believe the agreement our government has reached with the three Atlantic provinces will improve the economy of Nova Scotia and will free up more money for Nova Scotian families and businesses.

This package will help create jobs and it will help the economy grow over the long term. For those provinces that have taken the lead and signed on to this agreement, they will become more competitive both nationally and globally.

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Mr. Myron Thompson (Wild Rose, Ref.): Mr. Speaker, some information has been supplied to me regarding some comments about this whole idea.

The Retail Council of Canada has said that by forcing stores to bury the new tax in prices, the harmonized tax regime will cost retailers at least \$100 million a year. A study by Ernst and Young, the government's own accounting firm, estimated that a midsized national chain with 50 stores in the Atlantic provinces would pay up to \$3 million in a one-time start up and \$1.1 million a year to comply with this new system.

The Halifax Chamber of Commerce has predicted that the harmonized sales tax will push up new house prices by 5.5 per cent and will force municipalities to raise the property taxes. The Canadian Real Estate Association says that harmonization will increase the cost of a new house by \$4,000 in Nova Scotia and Newfoundland and by \$3,374 in New Brunswick.

GST harmonization is responsible for the closure of five Greenberg stores and the loss of jobs. I thought the issue of jobs was really important to this government. The management of this store has said that there is a 50-50 chance of further store closures and the loss of more jobs.

I am really surprised that the backbenchers from the Atlantic provinces are not in an outrage over losing jobs and raising more taxes. There must be a lot more here than what they are mentioning to the people of Canada including the taxpayers across the Atlantic provinces.

Consumers will pay more for funeral services, children's clothing, books, auto repairs, electricity, gasoline, home fuel heating, haircuts and a whole bunch of things. They will be paying more for these things and many of these families can barely get by now.

I am really confused that members from the Atlantic provinces are willing to accept this job killing situation. That is what is happening. It is killing jobs. Those who are making these statements are high-fluential people.

Ms. Clancy: High-fluential, high-fluential, whoa.

Mr. Thompson: They have some knowledge about what is going on. They are on real estate boards and councils.

Ms. Clancy: High-fluential.

Mr. Thompson: The best thing the member for Halifax can do is yap off at the mouth. She is sitting there heckling somebody else and she does not know what she is talking about. I will direct my questions to the other member who spoke eloquently, and I thank him for that.

These are highly influential people who are making these comments. I am not the one who is making them but people who have the knowledge of what is going on are. I would like the member to respond.

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Mr. Murphy: Mr. Speaker, the technology for the changeover is already in place. There will be some changes but the technology is in place and it is not the same as introducing a whole new system.

The member talks about the prices of houses going up. I just indicated in my speech that housing prices will go down because the input costs will go back into the industry and they will bring the prices down.

The member mentioned that jobs are being lost. One of the major features of this tax is that over the long term, over the next few years, jobs will be created. There will be all kinds of input taxes being returned to the different companies in Atlantic Canada and in Nova Scotia in particular. They will have more money to work with. Consequently, they will be able to put that money back into improving and expanding their businesses and obviously creating jobs.

• (1625)

About 73 per cent of Nova Scotians who were surveyed prior to this system coming into place wanted a system which provided one price which included the tax in it. Businesses asked for it. That is why we made these agreements with the Atlantic provinces, with the exception of P.E.I. We wanted to create a better situation for the consumers, namely that they would be able to go to the cash register with a \$15.95 price tag and pay \$15.95.

I am sorry that the member opposite has been misled. Unfortunately, his comments the way he put them are incorrect.

The Acting Speaker (Mr. Milliken): The hon. member for Halifax on debate.

Ms. Mary Clancy (Halifax, Lib.): Mr. Speaker, before I begin my remarks in this debate, may I say that I am delighted to be speaking here today, the first time since you took up your new duties as assistant deputy chairman. May I congratulate you on that appointment, a most worthy appointment. I am delighted to be here but having said that, I am afraid that I am less delighted about several things.

First, I would like to extend my compliments to the hon. member for Wild Rose. I would let him know that the name of Canada's 10th province is Newfoundland, like "understand". If you are going to understand a province, you should also know how it is pronounced.

The hon. member for Calgary Centre spoke quite eloquently, if somewhat off the point, a little earlier. I would like to say a few things to him too. I have great respect for that hon. member. I know that his belief in public service and in doing things for Canadians is very strong and I take no exception to that.

However, I will say as a Nova Scotian to the hon. member who comes from Alberta that I do not think Nova Scotia members

lectured Albertans or westerners when the grain farmers took a \$1.6 billion subsidy from the federal government. They did not say that it was not good for them. On behalf of the members of the three Atlantic provinces who are accepting this deal and who think this is a good deal, I would just say: Keep your lectures at home. We think we know a little bit better what is good for Nova Scotia, what is good for Newfoundland and what is good for New Brunswick.

Does the hon. member really think that premiers such as Brian Tobin, John Savage and Frank McKenna get together and say: "Let us do something bad for our provinces"? With the greatest of respect to the hon. member, does he really think that people who have barely gotten their feet wet in the salt water of the Atlantic Ocean know better than these people who have led their provinces in good times and in bad? Does the member really think that he knows better what to do for Nova Scotians, New Brunswickers and Newfoundlanders than Frank McKenna, John Savage and Brian Tobin? I do not think so.

With the greatest of respect to members of the third party and possibly others in the official opposition who might oppose this excellent plan for Atlantic Canadians, may I say that in that region they are not even on the radar screen politically and there is a reason for that. They do not comprehend what is good for Nova Scotians. Not even being able to pronounce the name of one of the provinces is a good reason they are not on the radar screen.

Having dealt with that, let me now deal with why the harmonized sales tax is a good thing for the people of Nova Scotia and her sister provinces.

• (1630)

Let me quote a premier I was talking about just a few minutes ago, the hon. Frank McKenna, one of the most successful premiers in Canadian history, I might add. Frank McKenna said on Sunday: "This is a chance for Atlantic Canada to enjoy the single biggest advantage we have ever had in the last 50 years against the rest of the country. We are now the most competitive area in all of North America for doing business". That comes from Premier McKenna and from the Atlantic Provinces Economic Council, a most respected organization in our region.

The GST has sucked an additional \$3 billion out of our region, a bigger increase in federal sales tax payments than in any other part of Canada, so it is no wonder the three provinces opted for the new tax to replace it, along with the \$1 billion in transition funding. It is only appropriate that the region that took it, Atlantic Canada, was the one that was losing the most with the GST.

What is going to happen with this transitional funding? The transitional funding will be used in part by the provinces accepting this to assist those small numbers of consumers who are going to be hurt somewhat by the broader base of the tax, those few things that

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will go up in price. Will some things go up in price? Yes, some will. The transitional funding will in part be used to assist those people.

I might also add there is no loss in the low income rebate of the GST that was instituted when the GST came in. It will continue to be paid to those people who qualify in the three Atlantic provinces.

The three Atlantic provinces as of April 1997 will have a simpler, less costly and more effective sales tax system, and that is the bottom line. Clearly members from Alberta have so little knowledge about what is important in Atlantic Canada that his has not managed to penetrate. I am not sure what does manage to penetrate, but then that is another story.

The BST will be the crowning in touch in turning Atlantic Canada into the most attractive business location in all of North America. From the days of wooden ships and iron persons until today this is something that has been long overdue in Nova Scotia, in New Brunswick and in Newfoundland.

I really do think that when members opposite think they can lecture us on what is good for the Atlantic region they should at least be able to say they know something about the region that they are attempting to lecture. We do not take kindly to lectures down there. We know what is good for us and the harmonized sales tax is very good for us.

Consumers will know what the price is before they go to the cash register. How many times has every one of us in this House and the people we represent seen an item that we wanted to buy, taken it to the cash register and by the time it was all added up, whammo, we were paying considerably more than we thought we were going to? Those days are over in Nova Scotia. That will be finished come April 1.

Consumers will have lower tax rates and on many goods will pay lower prices. This message has to be repeated and repeated because when it comes to misleading, and I know the hon. member opposite does not really wish to mislead, or at least I assume he does not wish to mislead, over and over again scare tactics have been used with regard to this plan on the consumers of my province and the two neighbouring provinces, trying to suggest that people will be paying considerably more when the truth is they will be paying less.

Mr. Thompson: You don't know what the truth is.

Ms. Clancy: That snappy comeback from the member for Wild Rose has just made me want to sit down and burst into tears but I will try to control myself.

Businesses will have to deal with only one tax. From the first day that the GST was mentioned in this House, when you and I, Mr. Speaker, were rookie MPs in opposition, I have heard from small business people in Nova Scotia how they needed the simplification of the tax system and, again, this is what this is doing.

• (1635)

I will tell a little story about someone I deal with a lot in Halifax. His name is Bob Richards, a cab driver. He is probably the best cab driver in Nova Scotia. This is not to take away from other cab drivers there, but Bob has been driving me to and from the airport since I was elected. Through storm or sleet or dark of night, if I can steal a line from the American post office, he is there. He has a number of clients who know how good and reliable he is and consequently he has a good limousine business in Halifax.

Bob has complained bitterly about the kind of red tape and the bureaucratic detail he as a businessman has been hamstrung by in this tax. This tax is going to be a lot less cumbersome to business people like Bob Richards in the three Atlantic provinces that have taken this deal. That is a good thing. This is something Nova Scotians care about. Am I out of time, Mr. Speaker?

Mr. Thompson: I hope so.

Ms. Clancy: I have one minute. The member for Wild Rose hopes I am out of time. I can only tell the hon. member that I will be here making my point long after he too has joined the pantheon of Reformers leaving this House.

In closing let me say something about books because I have to correct what the hon. member for Wild Rose said. Books will not be more expensive in the province of Nova Scotia. Indeed some books purchased by public libraries, schools, universities, public colleges, municipalities, qualifying charities and non-profit organizations, most particularly those dealing with the literacy problem, will receive a 100 per cent GST rebate. That comes about because the Minister of Finance listened to the Liberal backbench that went to him and told him how important it was to have this movement and this rebate on the GST on books.

We in the backbench of the Liberal Party are proud of what we did. We are proud of the HST. It is good for Nova Scotia, New Brunswick and Newfoundland. I am delighted to have had the opportunity to say so.

Mr. Jim Silye (Calgary Centre, Ref.): Mr. Speaker, I would like to thank the member for Halifax for her intervention on this issue. I am glad to hear somebody from Nova Scotia get up and talk about it and defend it, defend it to the degree and with the passion that she has.

Let me clarify a few things she said in her comments. In no way during my speech was I trying to lecture to Nova Scotians and to tell them what was right for them or what was better for them. In no way was I giving a lecture. I was criticizing the method with which this government is implementing a harmonized sales tax. I was criticizing the government in its implementation.

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It is not a question of knowing better. I am not saying I know any better. I am here to give some suggestions and some ideas and that is all I have been trying to do. Doing what is right is important. In the Standing Committee on Finance when we looked at replacements for the GST there were a lot of alternatives looked at. The Liberal government had a lot of options and a lot of choices. It hung its hat on replacing the GST with a harmonized sales tax but it did it piecemeal. It is doing it ad hoc. It is doing it at a high cost.

Let me point out to the hon. member where the high cost is. First of all, to reduce the combined current rate in those three provinces of 19 per cent down to 15 per cent. Obviously it is a loss of revenue to them. Call it a transfer payment. Let us not get into partisan politics for a minute. Let us call it a transition cost from one regime to another of \$1 billion. That is \$1 billion of expense that need not happen if they would have taken the full report and looked at the Reform recommendations in the minority report.

Reform said it would not solve the problems because this is just entrenching the GST. The Liberal Party wants to replace the GST. In other words, get a system of taxation that is revenue neutral that is not this confusing, complicated, bureaucratic, red tape system of taxation.

Reform said if it were going to do it and look at it, look at an integrated system with those provinces that have provincial sales tax. Given that it wanted to look at it, here are some recommendations Reform has. Make it integrated. Make it the broadest possible base, the widest base. Let us tax everything, groceries, prescription drugs. Tax everything. That way there would be the lowest rate and we would not have this billion dollar cost to make up for lost revenues in certain provinces.

• (1640)

Second, for those low income people who are affected, we currently have a system of rebate and this national integrated sales tax could then adjust to the fact that certain people who are the lower income level would get a bigger rebate than they currently get and we have taken care of those in society we have an obligation to take care of.

These were legitimate recommendations. The reason I am so vehemently opposed to the current botched up mess the government has is that it is not doing it right. It is being done wrong. It is not getting all the provinces to agree. The Liberals quote Mike Harris of Ontario. Mike Harris would love to co-operate if everybody else across the country were coming into the deal at the same time, on a level playing field. Okay, so we would have to compensate, but the finance minister did not do that.

I just want to clarify for the member for Halifax and give her enough time to respond that it was never my intention to lecture. It was never my intention to stand here and say that I know better. If

the Liberals would just read that full minority report, we did make some recommendations which the government has not listened to. It is being done piecemeal and that is not right. Let us do it right.

Ms. Clancy: Mr. Speaker, I accept the hon. member's comments that he was not lecturing. However, I do not accept some of the things he said. Let me just make a few points in the very short time I have.

First, hanging our hat on a specific program is what government is about. In government we do not have the luxury to gadfly around a pick one policy one day and another policy the next. We pick a policy that we feel is good for our constituents and we go with it. That is what has happened here.

Again, the premiers of New Brunswick, Nova Scotia and Newfoundland realized this was a good policy and they decided to go with it. If other provinces have not picked up on it, I can only say that they do not understand the situation as fully as they should.

With regard to what the hon. member said about increasing the GST rebate to the individuals, I think that betrays to some extent two things. First, that the hon. member does not quite understand what the transitional funding is. But more particularly, it betrays the fact that there are chasmic differences between the Reform Party and the Liberal Party because in the Liberal Party we do not necessarily think that the best way to deal with funding to assist a province is to put it directly in the hands of the consumer in all ways. There may be moneys that are better administered through the provincial government. In this case, this is what we have done and what we support.

[*Translation*]

Mr. Gilbert Fillion (Chicoutimi, BQ): Mr. Speaker, I have just listened to two members from across the way who have told us about all sorts of things that do not, or will not, exist with respect to this bill.

I will naturally take a moment to try to place the effects of Bill C-70 in perspective. Everything we have heard during the last two speeches has been nonsense. Things must therefore be put in perspective.

First of all, Bill C-70 is a collection of amendments that are going to complicate even further what Canadians had to contend with in the previous legislation. Just now, they were trying to tell us that this would make it easier for businesses to collect the GST, but this is not so.

Bill C-70, introduced by the Minister of Finance, is a striking example of what this government can do to make a mockery of democracy.

• (1645)

First, there is the manner in which this voluminous bill was tabled, without allowing time for the official opposition to examine

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its contents. The official opposition had less than 24 hours to read and examine the complete bill. That is a mockery of democracy.

The Minister of Finance would do well to change his ways, for the benefit of Canadians. A bill as technical as this, with so many amendments, deserves to be examined in greater detail.

This is not the first example of the contempt in which democracy is held by members across the way, nor, I am sure, is it the last we shall see before the coming election. They will be trying to pull some fast ones on Canadians.

This bill is proof of the failure to keep the election promises made in the famous red book by the Prime Minister himself, by the Minister of Finance, by the Liberal government, which has forgotten, without a shadow of a doubt, that it is governing on behalf of the public.

How many times did they promise during the 1993 election campaign to scrap the GST outright? The present Prime Minister said that he was going to scrap it. In 1994, he also said that the Liberals, i.e. his own government, detested this tax and that they were going to get rid of it.

Today, with the tabling of this bill, we have come to the moment of truth. The worst part of all this, however, is that the Liberals used the taxpayers' money, yes the taxpayers' money, to pay for a byelection on this matter. The Deputy Prime Minister treated us to an appalling demonstration of how not to keep one's promise. Yet making the GST disappear was an election promise.

The only disappearance in this bill is that the GST has been made to disappear from view, has been camouflaged. It will be camouflaged, it will be hidden from view. The government ought to know that the people are not fools. The public knows very well that this government does not keep its promises.

In Quebec we have a motto, one which the people of Quebec will put into application when the time is ripe. That motto is "Je me souviens", and yes, we will remember. I shall speak shortly on what Quebec has done to harmonize its sales tax.

This brings us to Bill C-70, where the Liberals end up doing exactly what they themselves have criticized. The new GST is a hypocritical tax, and that makes a lot of people's hair stand on end. It is a hypocritical tax, that is true. From now on, it will be hidden within the cost of goods and services.

• (1650)

However, in a report of the Standing Committee on Finance which dates back, not to 1990 but to 1994, the Liberal majority, these people sitting in front of us, took a position that was clear and to the point on what the GST should be. They said in the report that it would be improper to hide from Canadians the amounts they paid

in taxes to their governments and that making it a hidden tax undermined their ability to make the government accountable for the way these taxes were collected and, to a lesser extent, for the way moneys were spent. This is straight from the report of the Standing Committee on Finance. I repeat, the date is very important. This was in 1994.

What happened since that time? Today, we are hearing a very different message. I think the Liberals, the members of this government, are suffering from amnesia. What does this mean? It means saying one thing today and saying the opposite tomorrow.

Personally, this is an attitude I could not tolerate. We cannot change our minds overnight, just like that, especially when everything we buy nowadays costs Canadians an awful lot of money. Has power made members opposite deaf? Being in power means being hard of hearing, speechless and asleep. That is what is happening now.

Here is another example of the amnesia of members opposite. In 1989, they were in opposition. The position of the Liberals on hiding the GST in the sales price was that if the GST was hidden in the sales price, it would be much easier for the government to increase it later on. That is what they were saying in 1989. Today, they dismiss this out of hand. They have reversed their position. So they say one thing when they are in opposition and something else entirely when they are in power.

Is that what Bill C-70 is all about? Is the Liberal government proposing to hide the tax to make it easier to increase later on? Later on meaning a few months from now, after the election, for instance? Considering the selective memory of members of the current government, we have every right to ask these questions. And there is one I would like to ask especially: What can the public expect now? The Liberals, the people opposite, talked about doing away with the GST, but now they want to hide it. Can we expect any increases in the GST in the months to come?

We also know that 76 per cent of Canadian businesses are against hiding the GST in the price of goods and services, although the opposite was implied just now. Personally, when I pay my bills, I want to know where my money is going. I want to know the price of the product or service. I also want to know how much I will be sending the government and what it will do with it. I want the government to be accountable. I am sure that my constituents agree with me. Some members would do well to return to their riding and talk to those who elected them to see whether they approve of this bill.

• (1655)

Rest assured of one thing. I am going back to my riding to talk to the people. Every time I have the opportunity, I tell them that the government reneges on its promises, that the GST will be hidden

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and that this government can do what it likes with it. It can do with it what it likes.

I would also like to look at another aspect of this bill, the most undemocratic element and one that, yet again, tramples the rights of Quebecers. We heard endlessly during the referendum campaign, and even afterward, that all Canadians were equal. This bill provides a fine lesson in equality. Just a fine lesson.

Quebecers are denied the compensation paid the maritime provinces. Is this the government's idea of equality among Canadians? Is this what it is? One law for the maritimes, one for Quebec. The Minister of Finance's election promise costs \$1 billion. On top of it, they are calling this harmonization. I find this very confusing.

Naturally, someone is going to have to come up with this \$1 billion. Although Quebec harmonized the sales tax with the federal government, it is going to have to pay \$250 million. All the other Canadians are going to have to make up the difference. Is it in the public's interest to have double standards in government policies? I think not.

When will the Minister of Finance inform us of the criteria applying to his compensation package? This is very important. When will the Minister of Finance show us that Quebec is not entitled to this compensation? There must be a debate on this question. Quebecers are entitled to this debate, because they will be footing the bill.

I am telling you nothing new when I say that Quebec harmonized its tax with that of the federal government. Quebec administers the tax. Quebec acted very responsibly. Why then are Quebecers not entitled to the compensation the federal government is giving to the maritime provinces? I am wondering. The people opposite are hiding behind power.

• (1700)

Some day, the government will need to come up with an answer, in terms of equality and not of campaign promises. We have proof that this government's campaign promises are not being kept. They did not keep their promise with this bill, where harmonization of taxes was concerned, just as they did not keep their main promise regarding job creation.

It is all very fine to pitch all sorts of figures at us, but when everything is weighed out, it can be seen that job creation in this country is stalled.

If the maritime provinces have additional costs to pay in harmonizing their sales tax with the federal one, so does Quebec. If the maritimes are entitled to compensation, to the tune of \$1

billion, then Quebec too is entitled to compensation. Once again, the Minister of Finance must show some fairness. Good for the maritimes and their co-operation with the federal government, but what about the other provinces?

The maritimes represent 15 per cent of the Canadian population. We cannot, therefore, say that harmonization is in place from sea to sea. The Minister of Finance is proposing a single tax to be administered by a national revenue commission. This commission would, for want of a better word, simply squeeze out the provinces. Once again, and every time a bill is tabled here, provincial rights are getting it in the neck. Here again, provincial autonomy is at stake. As we well know, the people on the other side do not give a hoot about provincial autonomy.

Since I have only a minute left, I would like to talk about the famous tax on books. People will remember the Bloc Quebecois debate here on the book tax. In Quebec, there is no provincial tax on books, whether they are bought by students, self-employed workers or anyone else. The sales tax does not apply to books in Quebec, but here, with this bill, sales tax will apply. There are, however, exceptions for certain institutions.

It is not true that the tax is 100 per cent abolished. Only clearly designated institutions, such as municipalities and libraries, will be entitled to deduct this tax. Canadians must not be taken for people who will swallow just anything. They will not. This bill does not eliminate the sales tax on books; only certain institutions will be exempted. In my opinion, the mere fact of taxing books promotes ignorance.

[English]

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, I am pleased to participate in the debate on Bill C-70. I will be sharing my time. I will speak for about 10 minutes. I will begin with a brief summary of the new harmonized sales tax proposal.

• (1705)

Detailed agreements have been reached with three Atlantic provinces to implement the new tax, effective April 1, 1997. The agreements will include the replacement of the current federal GST and the provincial sales tax systems with a single, combined value added tax called the harmonized sales tax. There will be a substantial reduction in the current combined rates in these provinces, which are presently at 17 per cent, 18 per cent and 19 per cent. The rate will decrease to 15 per cent in the three provinces. There will be a single administration of both federal and provincial sales taxes. The national treatment of interprovincial sales will ensure a level playing field for participating provinces.

This is good news for consumers and businesses in these provinces. The new tax system will be simpler, more efficient and

more equitable. It is a practical example of how the federal and provincial governments can work together.

There will also be major benefits for consumers. With tax inclusive pricing the consumer will know the full price of their purchases before they get to the cash register. At the same time, they will know from their receipt how much tax they are paying. Of course the new sales tax rate will be substantially lower than the current rate in those provinces.

The harmonized sales tax will be simple and straightforward for business as well. Business will have to deal with only one tax, not two; one set of forms, not two; and one tax administration, not two.

The previous speaker spent a lot of time talking about some issues. I want to deal with those issues. I was hoping to talk more about the simplicity of the system, but if there is one system, versus two, the efficiencies are evident.

The member spoke at some length about a cover-up and a hidden tax. Today I had the opportunity to tape a cable show for my constituency and I spoke to one of the people at Rogers cable about Bill C-70. I asked her how she felt about it. The young lady said to me: "What I really do not like is when I see the price on the product and I go to the cash register and I have to pay a different price". That is very indicative of the big problem with the current GST system. The price on the shelf is not the price consumers pay at the cash register. Consumers are having difficulty making their purchase decisions because they have to do some mathematics.

By way of history, members should be reminded that the GST was not a brand new tax which somehow created these enormous revenues for the Government of Canada to pay for services and programs. It was a replacement tax for the former manufacturers sales tax, which was a hidden tax. It was never seen at the consumer level. It was applied at the manufacturing and production level. It was included at a rate of some 12.5 per cent or 13 per cent. It changed many times. I believe it started at 9 per cent and actually got up to about 13.5 per cent.

That price was carried through. It was a very unfair tax. It did not share the burden equitably and it was very unfair to the manufacturing and processing sector. That tax generated some \$18 billion.

We know that the former government, the Mulroney government, brought in the GST to replace the FST. The current GST, when it was brought in, was actually generating less revenue for the government than the former FST. We have to think about that for a moment. If the GST is generating less revenue for the government than the former FST, that means, effectively, that consumers under the GST are paying less tax than they formerly were. However, they never saw it because the FST was a hidden tax.

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I had an opportunity to participate in the finance hearings. We heard from 500 witnesses. We received over 700 reports and submissions. We listened carefully to the numerous alternatives people were coming forward with.

The finance committee reported to this place. It reported to the finance minister about some of the options. When the members of the committee came back with it they said: "We cannot find a better alternative and it is better not to change it just for the sake of change, so let us work with this the best we can".

• (1710)

I remember writing a little piece for my constituents in which I stated that on balance the proposed harmonized sales tax was not ideal but it was the best possible under the circumstances. The Mulroney government was unable to harmonize the federal and provincial sales taxes and opted for a complex GST applied to a base with numerous exceptions. It created a nightmare for business, angered consumers and generated less revenue than its predecessor tax.

I think most Canadians are clear why the GST has the problems it does. It was in fact in your face taxation. I do not think Canadians are opposed to paying taxes to ensure that Canadian programs that we are provided with are properly funded such as health care, seniors care and a whole host of things.

However, to assist the ordinary Canadian, one of the recommendations that came back from all these cross-Canada consultations was that the price on the shelf should be the price that one pays at the cash register so that the purchase decision was not fogged up by what taxes were going to be added. We knew exactly what we were going to pay. We also said that we do not want to hide the tax from the consumers, unlike what the prior speaker said, that we are hiding the tax. No, it is tax included pricing but it clearly states on the invoice that the consumer will see the amount of taxes included therein.

I believe it is very important that the consumer have the information and it is also necessary for accounting purposes. I think the member was a little intellectually dishonest in presenting a so-called cover-up.

The previous speaker also talked about poor Quebec. He also admitted that in 1991 Quebec did harmonize its federal and provincial sales taxes. However, he did not explain why. The reason Quebec did this is that harmonization leads to a better situation for Quebec businesses. I praise Quebec for having the wisdom to harmonize the tax. Now there is an input tax credit on the provincial component included in the combined tax. It means there is a lower selling price that has been passed on to the consumers. On top of that, it means it has a competitive advantage over Ontario which has not harmonized. It also has a competitive advantage in the export marketplace.

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The member well knows that although Canada as a whole has had wonderful performance in terms of the export markets, the critical issue is that Quebec has had better than average performance in Canada simply because of the harmonization of the tax. On that basis alone, Quebec should say “we don’t want you to know about this because it is such an important adjunct to the economy of Quebec”. It is helping Quebec businesses not only in interprovincial trade but in the export business.

The question came up about this cost to the three maritime provinces. I had to think about this one a bit. The previous speaker somehow brought up a billion dollars. I considered that there were no other provinces in this country that have a provincial sales tax rate as high as they have in the three maritime provinces. We are talking about a 12 per cent provincial sales tax. In my province of Ontario it is only 8 per cent.

What do the members think that does to the ability of the consumers to purchase? Their purchasing power has been totally crushed by the burden of the provincial taxes.

The members will also know that the harmonization of the tax at a consistent rate facilitates interprovincial trade and makes the whole situation a good foundation to work with Quebec and Alberta, which has not sales tax, and I am sure Ontario.

I have no hesitation in supporting Bill C-70. This is a move in the right direction to make our tax system simpler, easier to administer and fairer for consumers and businesses.

• (1715)

The Acting Speaker (Mr. Milliken): Order, please. Before I proceed with questions and comments, it is my duty, pursuant to Standing Order 38, to inform the House that the question to be raised tonight at the time of adjournment is as follows: the hon. member for Moncton—Forestry.

[*Translation*]

Mr. Philippe Paré (Louis-Hébert, BQ): Mr. Speaker, I have listened carefully to the remarks of our colleague across the way. I understood what he was trying to do. Unable to explain the difference between what the red book said and the government’s record on the GST, he went into a defence of simplification and harmonization.

There is not a member in the House who has questioned the importance of harmonizing and simplifying taxes to make things easier for business. Our colleague across the way is not contributing to our understanding, because this is not what the debate is about. The Liberals are dragging it in that direction to avoid the real questions that should be asked, which the member for Chicoutimi brought out earlier.

In the red book, they said: “We hate this tax and we will scrap it”. Now, instead of scrapping it, they are harmonizing it. This

way, things are so much nicer, it is less painful, and it brings in more money. They also said: “It should not be hidden”. Now they are saying: “Magicians that we are, we have pulled it out of thin air, we have made it vanish, and now we are going to make it invisible”.

But if simplification and harmonization are as wonderful as all that, why did the Atlantic provinces need to be paid \$1 billion to go for the deal? The aim was to hide the tax in the price of food, medicine and books for educational purposes.

[*English*]

Mr. Szabo: Mr. Speaker, it is very important for the member and for Canadians watching to hear again from page 22 of the red book. Notwithstanding what the member has said, this is what the red book did say and what I ran on in the last election. It said:

In the first session of a new Parliament, a Liberal government will give the all-party Finance Committee of the House of Commons a 12-month mandate to consult fully with Canadians and provincial governments and to report on ways to achieve tax fairness, simplicity, and harmonization. In particular the committee will be mandated to report on all options for alternatives to the current GST. A Liberal government will replace the GST with a system that generates equivalent revenues, is fairer to consumers and to small business, minimizes disruption to small business, and promotes federal-provincial fiscal co-operation and harmonization.

That is what was promised and that is exactly what has been delivered.

Mr. Jay Hill (Prince George—Peace River, Ref.): Mr. Speaker, everyone is well aware of what it says in the red book. As I understood it, the question that was put to the hon. member was not what the red book said on page whatever it is, but what the Liberal candidates were saying during the last election.

That is far different than what it says in the red book. They can deny that until they are blue in the face. Reality has caught up with them. They know quite well what was said by a number of them, what was said by their leader about the GST and they certainly were not talking about harmonizing. They were talking, as the hon. member from the Bloc has said, about getting rid of it. They were talking about abolishing it. They were talking about killing the GST. That is what they talked about during the election campaign and Canadians know that. They will remind these candidates of it I am sure in the next election.

What I found particularly interesting about the hon. member’s intervention was his stating that somehow he feels Canadians want a hidden tax. When Canadians go to the supermarket or to the department store and are looking at a price tag on some item, they want that to be the total price. That is what I understand he said in his remarks.

I have not found those Canadians. I have found that Canadians are so incensed with the GST, they want to know how much GST they are paying. When they go to the till they want to know that the item costs X and there is so much PST and GST attached to it. They

want to know how much they are contributing to the provincial or the federal government.

• (1720)

I would like the hon. member to reiterate, if possible, if he honestly believes that the majority of Canadians want a hidden tax. That is not my understanding.

I have spoken to a lot of Canadians about this issue. They want to know how much tax they are contributing to the two levels of government.

Mr. Szabo: Mr. Speaker, one of the things that should be noted is that the Reform and the Bloc parties have not said what they would do. The role of the opposition is to deliver blows that would tenderize a turtle.

They continue to hurl things like scrap and abolish. But they know very well that \$18 billion of revenue to the government cannot be thrown away. It goes straight to the deficit. That would totally destroy jobs.

Focus groups were conducted and Canadians have expressed a strong preference to know the full price of goods and services in advance of their purchase. That is what is proposed in the legislation and that is what will happen. However, they will know what tax is included in their purchases. It will be stated clearly on the bill of sale they receive at the cash register. That is exactly how it will happen.

Mr. George S. Baker (Gander—Grand Falls, Lib.): Mr. Speaker, I have just a few words on this. After the excellent speech by my hon. colleague, I want to add a few words to what my hon. colleague said.

When he quoted from the red book from which the Bloc and the Reform parties keep quoting, the hon. member quoted exactly correct. But he forgot one thing in the middle of his quote. In the middle of the paragraph in the red book it says the committee will be mandated to report on all options for alternatives to the current GST. That committee met and a member of the committee from the Reform Party spoke in the House this afternoon.

It is interesting what the spokesperson for the Reform Party pointed out. He pointed out that the Tories and the Reform members of the committee wanted in their recommendations to tax food. The Reform Party of Canada, according to their spokesperson, according to their report, wanted to tax prescription drugs.

Mr. Thompson: The truth now.

Mr. Baker: Yes, I heard that here in the House this afternoon from the spokesperson for the Reform Party. Of course the Liberal government said: "Absolutely not. We are not going to do that". So they carried through with the second portion of what was said in the red book.

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Well, members of the Reform Party and the Bloc stand here today, talking about being honest with the Canadian people. It is interesting that Thursday last week, my hon friend from Don Valley North stood in the Chamber and introduced a bill to put some restrictions on the banks. What did the Bloc say? "Oh, no, we cannot do that. Oh, no, we cannot interfere with the banks". That is the Bloc for you. Then the Reform Party say: "Oh no, you can't do that. You can't interfere with the profits of the banks".

• (1725)

Mr. Bodnar: They are not making enough.

Mr. Baker: They are not making enough. Incredible isn't it when each one of the banks are reporting profits over \$1 billion. The CEOs are going to get \$1 million in performance bonuses. The Reform Party and the Bloc stand in this Chamber as the two opposition parties and what do they say? "Oh no, we can't agree with members of the backbench" even though they are performing a function for the people of Canada.

Do you know what they are doing, Mr. Speaker? They are making the government accountable for the ordinary citizens of Canada, something that the official opposition should be doing.

What does the Reform Party want to do with the payroll taxes of Canada? Would everyone like me to read it out?

Mr. Ramsay: Read it.

Mr. Baker: I will read it out. Here is the Reform Party of Canada on payroll taxes. What a dandy one this is. On page 45, for all the employers and employees in Canada, the Reform Party's budget.

Mr. Thompson: Now the truth.

Mr. Baker: The hon. member said "the truth". Here is the taxpayers' budget.

The Acting Speaker (Mr. Milliken): Order. I know the House appreciates the enthusiasm of the hon. member for Gander—Grand Falls but he knows also the rules that he must not use documentation as a prop. He is certainly entitled to quote from the material but he should be careful not to wave it around too much. It upsets some members. I appreciate that the hon. member will follow the rule.

Mr. Baker: Absolutely, Mr. Speaker. In other words, I will make sure I quote from it but I certainly will not show it so that anybody will know what I am quoting from.

Here is what the Reform wants to do with payroll taxes. Apart from on page 45 "having a benefit structure requiring two weeks of work for one week of benefits" here is what the Reform says. It says that it wants to "ensure that savings from reform of UI translate into deficit elimination". The Reform Party recommends "the establishment of a permanent reserve fund for UI until the budget is balanced. Funds from this reserve would be applied against the deficit. After the budget was balanced this fund would

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remain to balance revenue and expenditure fluctuations under UI throughout the economic cycle”.

It goes on to say: “Any additional savings from the restructuring of UI after the deficit has been satisfied” after this huge fund has built up, then Reform says: “savings will be passed on to employees and employers in the form of a reduction”.

Imagine using unemployment insurance premiums not only to completely retire the deficit, not only to satisfy the debt of this country but then to build up an additional fund and somewhere down the road they are going to pass along a saving to an employer or an employee.

A tax is a tax. A tax is a tax is a tax. If it is on the employer, if it is on the employee, a tax is a tax is a tax. Basically what we have here are the opposition parties in this Chamber who do not like the record of this Liberal administration. No—

The Acting Speaker (Mr. Milliken): Order. The hon. member for Prince George—Peace River on a point of order.

Mr. Hill (Prince George—Peace River): Mr. Speaker, I would respectfully request that if the hon. member for Gander—Grand Falls is going to quote from Reform members that he do it accurately.

The Acting Speaker (Mr. Milliken): The hon. member knows that is not a point of order.

Mr. Baker: Mr. Speaker, I was going to go on to something else but the hon. member wants me to quote some more. Let me go back to the situation where they want to drive up the payroll taxes in Canada, where they want to tax food, where they want to tax prescription drugs. We will leave that for a moment and we will go to where they are suggesting they want to save money.

• (1730)

Now there is undoubtedly a way of reducing taxes if you save money. How do they propose to save money? The Reform Party of Canada matches the Tory Party of Canada. In their policy statements, both parties tell the Canadian people how they are going to raise some revenues, not just by taxing food and prescription drugs but also in all of their policy statements they are going to attack medicare.

For the record, they are going to say as they do here that medicare is not only intolerably expensive, it is undesirable.

An hon. member: That's garbage.

Mr. Baker: Garbage. I am not supposed to show the taxpayers budget. There it is.

Notice that in their conventions the Tories joined Reformers in saying that the Canada pension plan should be privatized so that people can put money in the bank and then draw their own interest from it. They could have their own plans, as the Government of Canada could afford neither the Canada pension plan nor medicare.

With a record like that, of increasing payroll taxes, of demanding a tax on food and prescription drugs, of doing away with medicare and the Canada pension plan, is it any wonder that the Tories were wiped out and the Reform Party is headed toward a disaster in this next election along with the Bloc?

[*Translation*]

Mr. Gérard Asselin (Charlevoix, BQ): Mr. Speaker, first of all, I will try to comment and ask a few questions, but perhaps not with the same enthusiasm as the hon. member who just spoke.

This reminds me that the same member was just as eager when the Conservatives adopted the GST here in the House of Commons, but he was eager to vote against the GST. He devoted the same energy to preparing the Liberal government's red book which was supposed to abolish the GST.

The hon. member accuses the Bloc Québécois of being less than honest. On the contrary, we only want to ask the Liberal Party to abide by its promises, to be transparent about what was said in the red book. You know as well as I do that the Liberals did a lot of wailing and hand wringing here in this House. They voted against the GST, which was proposed by the Conservatives and passed by the House under the Conservative government.

Those same Liberals formed a committee, the finance committee, on which I sat for one year. The finance committee is chaired by a Liberal member, the hon. member for Willowdale. For a number of months, I would say for almost a year, the Liberal government led Canadian citizens from Quebec to Vancouver to believe that there was a possibility the government would abolish the GST.

Of course the government wanted to abolish the GST to bring back the old tax, the hidden tax on goods and services. Today's notion of putting a tax on drugs, health care, food and books—the Minister of Finance will legislate a tax on books—did not come from the Reform Party. It came directly from the Liberal Party.

I sat on the finance committee for one year, and the chairman asked witnesses whether they would accept a tax that was hidden in the price of a product. It is a vicious circle. It is not very honest to give witnesses the impression it would cost less. The aim was to

hide the tax in the price of food, medicine and books for educational purposes.

• (1735)

Naturally, the idea does not originate with the Reform Party or the Bloc Québécois. I have to say before this House that the idea comes from the Liberal Party. Of course, in view of its unpopularity, the Liberal Party backed off. The proof that the Liberal Party failed to meet its obligations, that it was not transparent in what it said in the red book is that the Deputy Prime Minister was forced to resign, because she had made a commitment to abolish the GST within the first year of her mandate. She then spent government money getting re-elected.

Today, the member's knickers are in a twist and he wants us to believe that the Liberal Party is the great defender of the GST, when it never had the option of withdrawing.

The Acting Speaker (Mr. Milliken): Order, please. The period for questions and comments lasts five minutes. As there is only one minute left, the hon. member for Gander—Grand Falls can respond.

[English]

Mr. Baker: Mr. Speaker, Bloc members in this Chamber are on the record of being in favour of the banks' never being restricted. As members of the finance committee they fell over backwards, tripped over themselves, bent over backwards and said come on with some more tax cuts for the wealthiest people in this country as proposed by the Senate. The hon. member was at the finance committee. On the bifurcation of trademarks, imagine a 50 per cent reduction to American companies doing business in Canada. Why did Bloc members put forward that position? I will refresh their memories. They said "you know, we have a great many people who are interested and we are in favour of anything that involves tax reductions for the biggest corporations in this country as long as they are from the United States".

There were three separate tax measures in Bill S-9 and this hon. member stood up in this Chamber and said "come on, let's have some more tax breaks for the biggest corporations in this country".

[Translation]

The Acting Speaker (Mr. Milliken): The period for questions and comments having expired, we now resume debate.

Mr. Asselin: Mr. Speaker, I rise on a point of order.

It is entirely dishonest on the part of the member, who knew he would be the last to speak, to invent and say just anything in this House.

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The Acting Speaker (Mr. Milliken): The hon. member knows he is simply prolonging the debate, which is not permitted as a point of order. Resuming debate.

[English]

Mr. Myron Thompson (Wild Rose, Ref.): Mr. Speaker, I understand I have about 10 minutes.

I would like to make sure that everybody understands that the member from Gander—Grand Falls twice earlier today said he was not speaking. About 15 minutes ago he also told me he was not going to speak to this issue, but he did. I guess that goes to show how much we can trust what he says. He does not tell a lot of the truth and he certainly missed out on a lot of it in his speech.

I would also like to point out that on some of the points that were brought forth earlier today by me, there were some questions as to how come I would be making such statements. I note that some of these comments that were made earlier are based on the Retail Council of Canada, a study from Ernst & Young which I understand was put to work by this government. It estimated that a mid-size national chain with 50 stores in the Atlantic provinces would pay up to \$3 million in one time cost starts and \$1 million a year to comply with this tax that we are talking about.

This information also comes from the Halifax Chamber of Commerce, the Canadian Real Estate Association, the Greenberg Stores management and company. All of these that are objecting strongly to this particular legislation I think are very reputable.

• (1740)

During the 1993 campaign in the riding of Wild Rose, the words scrap, kill, get rid of the GST were stated loud and clear by the Liberals. I think that was true all across the land. There might have been a couple of ridings that were missed but it was pretty broad.

Of course, since the election we have all been asked to memorize page 22 from the dead book which is supposed to represent what the Liberals meant and not what they said. We have heard all kinds of comments regarding their campaign, for example, "sometimes I shoot from the lip" and "gee, we made a mistake". However, that does not overlook how the campaign went.

Let us look at page 22. One paragraph states:

The GST has lengthened and deepened the recession. It is costly for small business to administer and very expensive for the government to collect. And the GST has fallen far short of its promised revenue potential—

I think they have corrected that revenue potential. The amount of extra taxes they are going to grab after this change will make up for that loss.

—partly because it has stimulated the underground cash economy—.

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I really wonder if any Liberal member on that side of the House could stand up today and say Bill C-70 is really going to address the underground cash economy. It will not touch it. In fact, it will probably get far worse.

The red book goes on to state:

A Liberal government will replace the GST with a system that generates equivalent revenues—

It will not be equivalent. It will be quite a bit more.

—is fairer to consumers—

Consumers are not agreeing with that. I understand there is a petition with 16,000 names attached to it from consumers in the Atlantic provinces who are opposed to this whole idea.

—minimizes disruption to small business, and promotes federal-provincial fiscal co-operation and harmonization.

Let us take a look at one statement regarding small business in this Liberal dead book: "It is costly for small business to administer and very expensive to collect". Will this harmonization answer this statement? What do businesses say? First, it says this new idea will be a nightmare to administer. Three major retailers in Atlantic Canada have stated that their net annual retail deficit will total \$27 million once harmonization is implemented.

One private retailer in the Atlantic region was contemplating opening two new stores in 1997 but has decided against it as a result of the increased costs associated with this harmonization.

The Halifax Chamber of Commerce predicts that the harmonization will push up new house prices by 5.5 per cent. As well, it is going to force municipalities to raise the property taxes.

The GST is responsible for the closure of five Greenberg stores and the loss of many jobs in five major cities in the Atlantic region. They say that if this harmonization comes in they are contemplating that there is a 50-50 chance that it is going to close a lot more stores because of that. This is what the businesses are saying, not what Reform members are saying.

When businesses are saying this and we have 16,000 names on a petition, I wonder why there is not outrage by these Liberal backbenchers from the Atlantic provinces, or does that mean they are approving the loss of jobs? I find that strange because there is a bit of an integrity problem here. I remember when the Liberals ran on the promise of jobs, jobs, jobs. Harmonizing the GST in New Brunswick, Newfoundland and Labrador and Nova Scotia will kill jobs, jobs, jobs. That is what a lot of businesses are claiming. In fact, the stores that are closing, those that are contemplating closing and the ones that would not open up are killing jobs.

If the Liberals want to maintain their integrity which east coast MP is going to resign and run in a byelection? Which east coast MP

will defend their failure to honour their promise by taking it back to the people at a cost of \$500,000? Which MP has the integrity? Our guess is none.

● (1745)

The Fraser Institute states that tax burdens on the Canadian economy remain the single most significant barrier to economic acceleration and job growth, the single most significant barrier. The harmonization of the GST will increase the tax burden on the people of three Atlantic provinces.

In the first nine months of 1996 Statistics Canada stated that retail sales increased only 1.4 per cent. Every economist states that in order to create jobs domestic retail sales must increase, yet this legislation will reduce retail sales in the Atlantic provinces which sign the agreement.

Statistics Canada shows that retail sales in Newfoundland dropped 3.8 per cent. In Nova Scotia they dropped 3.2 per cent and in New Brunswick they dropped 1.4 per cent, yet the Liberal government wants to further harm retail sales at a time when retail sales, according to economists, could create jobs.

The one Atlantic province which refused to harmonize, Prince Edward Island, is showing an increase in retail sales and a 7.5 per cent drop in employment insurance payments. Newfoundland had a 13.2 per cent increase in employment insurance payments and will be hard hit by the increased tax grab. Is the economic growth in P.E.I. not telling the Liberals anything about harmonization? Did the recent provincial election not tell them anything? Their Liberal counterparts, most of whom were anxious to come on board on harmonization, went bye-bye. When the election was over, those who opposed harmonization were victorious.

A Fraser Institute study shows that Canada has the worst tax record of any G-7 country. Taxes are a real problem for this country and the Liberals are a major problem behind the taxes.

How many families must starve, must feel the anguish of break-up and disintegration? The Liberals know that economic destruction of the family unit causes the greatest injury to families, yet they carry on with a policy which will harm families. Even families that through good fortune, not Liberal logic, can keep jobs will suffer under this legislation.

The price of children's clothing will increase during the coldest months of the year. The price of electricity and home heating fuel will increase. The cost of transportation for workers to get to work will increase because the price of gas will increase. Can the Liberals not give the taxpayers a break?

Property owners in the Atlantic provinces signing on to the harmonization plan have all stated that renters will have to pay

higher rents. Does the Liberal government enjoy putting mothers, fathers and children into the snow because of a broken promise?

Increased costs mean that private sector investment in the Atlantic provinces signing on to harmonization will be curtailed. Why would someone invest when they know that their direct costs will increase, when consumers will restrict purchases and when there will be less in retail sales?

Ernst & Young, the government's accounting firm, stated that national chain stores of 50 branches will pay \$3 million in set-up costs and \$1.1 million per year more than stores in provinces without harmonization. If you were going to set up a business, where would you go?

I wish all the people of the Atlantic provinces a Merry Christmas this year. Because of harmonization, next year they may have no job or no money to enjoy the season.

I would like to put out a Pinocchio alert to all Canadians: be careful when a Liberal opens his mouth.

The Acting Speaker (Mr. Milliken): When Bill C-70 is considered again the hon. member will have eight minutes remaining in his time.

It being 5.49 p.m., the House will now proceed to the consideration of Private Members' Business, as listed on today's Order Paper.

PRIVATE MEMBERS' BUSINESS

• (1750)

[English]

CRIMINAL CODE

Ms. Albina Guarnieri (Mississauga East, Lib.) moved that Bill C-321, an act to amend the Criminal Code and the Corrections and Conditional Release Act (cumulative sentences), be read the second time and referred to a committee.

She said: Mr. Speaker, I will be sharing my time with the member for Ontario.

For the second time this year I present a bill which offers Parliament the opportunity to correct one of our justice system's most jagged obscenities. This bill, now called Bill C-321, asks that Canada stop giving volume discounts to its rapists and murders through concurrent sentencing. My bill is about reasonable and

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required change that every major victims group in the country is demanding with the support of most Canadians.

Bill C-321 has as its purpose three objectives: to reduce our inhumanity to the families of victims, to restore some truth in sentencing, and to stop gambling away lives on the chance that a multiple murderer or serial predator will not attack again.

This debate is about competing interests. It is about the interests of the families of victims who need the peace only time can offer to salvage the remnants of their shattered lives. It is about the interests of victims who have every reason to fear the release of a predator and who can never escape the endless parole process that annually threatens to unleash the chained savagery of their assailants. These interests compete with the far more lucrative interests of the predator protection industry which regards each predator as a perpetual revenue generating opportunity.

Since I reintroduced this bill I have sadly been visited by too many victims of crime who have now come to realize that they are also victims of Parliament. Some had lost children, some had lost parents, some had lost spouses, but all had lost faith in the courts, lost faith in parole boards and, most of all, lost faith in Parliament. They all went through trials where the focus of the defence was to weaken their resolve, to humiliate them, to wear them down in an effort to reduce the number of charges or perhaps provoke a plea bargain. Every survivor endured months, even years at the hands of our courts only to find that the predator convicted of the murder of their child, spouse or parent would serve not a single day in jail for that crime. Concurrent sentencing always applies. Judges have no flexibility. The lowest price is the law every day.

Victims come to court with a naive sense that they will find justice there but leave with the reality that their family's tragedy is of virtually no consequence in the sentencing equation. They carry on their lives in helpless outrage, left to pick up the pieces of their dismembered future. But their suffering is far from over. Every parole hearing, every 745 hearing will confiscate any peace of mind they may have regained. Some victims cannot cope, they cannot work, they cannot sleep. The strain tears apart what is left of their families.

Seventy four per cent of parents of murdered children separate; 100 per cent of these families have been sentenced to life imprisoned by injustice, revictimized by the inhumanity inflicted by a justice system driven by billable hours.

But some victims do muster courage and draw purpose from their personal horror by trying to change the system which treated them with such cruelty and disregard. They journey to Ottawa thinking that MPs in Parliament will listen and spare future victims from the barbed face of Canadian justice. However, they soon realize that victims are widely regarded here as a meddlesome nuisance to the lucrative business of justice and watch how their every effort and initiative is stifled by process or hidden opposition.

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• (1755)

Victims know that some members of this House mock them as the walking wounded or try to trivialize their efforts by branding them as a victims industry. They endure the contempt of those in this place who think themselves far too sophisticated, far too educated to be swayed by any tragedy caused by their own resistance to change.

The casualties of our inaction continue to mount. Earlier this summer not one but two multiple murderers were free on parole in Mississauga. Concurrent sentencing had given these repeat killers volume discounts for their crimes.

For John Lyman Kehoe, the second child he murdered did not affect his sentence so he was free in time to create yet a third victim. On July 2, just five months ago, Kehoe and another paroled multiple murderer ambushed a real estate agent, Wendy Carroll, slashed her throat and left her for dead. She survived, but no thanks to the justice system or the parole board which opened the cages of her assailants.

Wendy Carroll's life was nearly erased because our sentencing system erases victims. Had John Kehoe served a consecutive term of parole ineligibility for the second child he murdered, as Bill C-321 prescribes, he would not have been free to prey on Wendy Carroll or anyone else.

Wendy Carroll writes: "Both of these two animals murdered twice before yet only served one 12 year sentence each. This is justice? Where is the justice for the two dead children, the two dead adults and me? I would like someone to explain to me how rehabilitated they both are. I have many scars and permanent injuries to show otherwise".

The only answer we have for Wendy Carroll is that she was part of the annual sacrifice of victims that is necessary to sustain our parole system and all the fees it generates. On average a person a month is murdered by a paroled criminal—a person a month. If a children's toy had that record it would be banned.

The National Parole Board considers its record, its annual slaughter, to be a success story. I did not have to do any research to find a case where a multiple murderer was paroled early and attacked another victim. The place where it happened was a five minute drive from my house and it happened just two weeks after I resubmitted this bill.

The victim cannot understand how two predators who have been convicted of killing four people between them could have been set free to attack again. Their cages were flung open by volume discounts applied to their sentences which disregarded all but the first victim and left them eligible for parole in half the time. Their parole was not denied for long by the National Parole Board.

Why did each of these savages deserve to have his second victim reduced to a mention not worthy of an additional sentence? Why were these predators considered safe to be placed in our communities?

I see your signal, Mr. Speaker. I am going past ten minutes. I am taking the remaining time.

We do not bother with investigations anymore. It is simply a matter of routine for dangerous criminals to be released and for new victims to be savaged. Bill C-321 does not ask the parole board to be any less irresponsible. It does not increase the penalty for any crime. What it asks for is penalties that currently apply to each murder or rape conviction to be served and not be written off as part of the bulk rate for carnage.

• (1800)

A little truth in sentencing, a small measure of public safety, is all that is asked. Perhaps it may also gently reverse the cheapening of life that continues in our courts.

It is the height of irony this week that we will commemorate the slaughter of 14 women by Marc Lépine seven years ago. The irony is that if Marc Lépine had not killed himself he would have been eligible for parole in perhaps as few as three years from now.

Denis Lortie was released in just 11 years for machine-gunning three people to death. How much longer would Lépine have served and why is it that some MPs who rail against such tragedy also support volume discounts for the cause?

Wendy Carroll wrote: "For some reason our politicians have decided to grant rights to violent criminals who have taken every right away from their victims. What are they thinking? How many people must endure the horrific and extremely painful experience I did in fighting criminals like these for my life? How many more innocent people must die before Parliament decides to make some changes?"

Perhaps the subcommittee on Private Members' Business holds that wisdom or perhaps can issue Wendy Carroll with a medal, with a clasp for surviving Parliament's negligence.

I suspect no fact can illustrate the need for Bill C-321 better than the tragic murders of Arnold and Donna Edwards. They were murdered when George Lovie was released immediately after assaulting their daughter. Today the family can look forward to parole and 745 hearings to start in just 10 years. After that time they will have to be constantly on guard in case Lovie is released and hunts down the rest of their family. They are in that situation for one reason. Lovie got a volume discount, sentenced as if he had killed only once and committed no other crimes. Had Bill C-321 been in place at that time, he would have received at least 50 years of parole ineligibility, giving the surviving members of the Edwards family the freedom to rebuild their lives without parole hearings, without fear.

After the trial and the sentence the Edwards family were naive enough to think that Parliament would change the system just because of a few more casualties. Don Edwards, the son of the victims, wrote in a published article: "Letters by family and friends demanding change to the justice system have been sent to three Prime Ministers, cabinet ministers, MPs, MPPs, police, the Ontario Complaints Commissioner. Some have responded and

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others have not. In follow up letters some MPs could not even spell my parents' name correctly. Sad," Edwards said.

He continues: "Family and friends now realize politicians and their aides have mastered the games of pass the responsibility, don't look to me for change, let's talk around the issue and who cares, convicted murders I'll protect".

Edwards' effort spawned a 100,000 name petition supporting a private member's bill, Bill C-330, presented by the member for Hamilton West. Edwards was in the visitor's gallery as one MP denied unanimous consent to have that bill made votable. History repeats as the tragedies mount. Today another MP is here waiting to deny unanimous consent. It is part of the system, part of the strategy to forever frustrate every effort for change.

Debbie Mahaffy spoke for all victims when she wrote to all of us: "Shame on you all for adding to our pain and for your lack of humanity, your lack of will to act appropriately and your lack of wisdom to make a difference". Debbie Mahaffy is here in the gallery today with other victims to see for themselves which MP will defend obscenity and uphold volume discounts for the next Clifford Olson or Paul Bernardo. They have come in the faint hope that the contempt victims now expect from their MPs will not rise again to protect the predators who destroyed their lives.

• (1805)

I ask again for the unanimous consent to declare Bill C-321 a votable item.

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

Some hon. members: No.

The Acting Speaker (Mr. Milliken): There is not consent.

Mr. Dan McTeague (Ontario, Lib.): Mr. Speaker, I want to share my frustration with the hon. member that several members, including the member from Erie, did not see fit to make this a unanimous issue.

Politics aside, at the end of the day we must begin to try to assess the impact that the judicial system and the parliamentary system seems to be working toward. It is one of forgetting those who have suffered at the hands of those who do harm to many others. The process only allows me some four and a half minutes to speak is one that I would reserve for a later time to comment on.

I begin by saying how important it is that the House hear this message of not giving volume discounts to serial murderers. I can

assure the House that as long as I am a member I will continue to work with the hon. member for Mississauga East to make sure that whether this is a votable item or not, the House will have to consider this matter sooner or later.

Many of us on the government side do not believe in capital punishment. I am one that certainly believes in that. I do not believe in capital punishment for a number of reasons and I campaigned on such. Everything else must be considered in the name and the sake of the victim if we are to give any consideration to the pain which he or she has suffered. The pain which their relatives, friends and loved ones will continue to have to endure for the rest of their lives is everything compared to the punishment of putting these people in a correctional facility where they belong, where the punishment for the crimes they have committed are actually served in a way that is consonant with the seriousness and the gravity of those crimes.

In the short time that is given to me and to those Canadians who are tonight watching this debate, I say to them very solemnly that this Parliament will not end this evening mistreating this issue. As members of Parliament from right across the country we believe that the victim is important in the system. What the hon. member for Mississauga East has said before and said again this evening, notwithstanding the fact that the committee has not made this a votable item, is something that I think squares with even the most decent of Canadians who does not believe in capital punishment.

Let us not categorize this as a right or left issue. Let us categorize this as a matter of fundamental justice, of justice that deals with the equity, the weight of someone's crime, and the need to ensure that crime is met with sufficient retribution.

When I say retribution, it is not meant in a sense of saying forever and ever and that the person who is in jail should not count. But it is laughable when 10 people can be murdered and that individual only serves one life sentence. If I were to go to a grocery store to purchase 12 items I would have to pay for 12 items, not one item. What the hon. member has spoken to very eloquently is the need to honour the victims of violence, not those who have hate in their heart and would manifest that by the outward destruction of another life. We must ensure that there is effective punishment.

Yes, we can talk about theories of deterrence. We can talk about theories of recidivism or retribution, but I do not want to get confounded in some ideological argument. I want to deal with the crisis that exists in the country today. It is a crisis based on the recognition that those who commit serious crimes in far too many instances get away with proverbial murder.

I want to acknowledge the presence today in our gallery of Debbie Mahaffy, only one example. This House has an obligation to respect those who carry the burden of their loved ones.

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• (1810)

The hon. member's attempt to have Bill C-321 passed today may not have succeeded. However, as a young member of Parliament and one who believes he has a good chance of coming back after the next election, God willing, although I see some members shaking their heads over there, let me assure the House that the issue will come back again and again. Why? Because Canadians want it and because we should honour the memory of the victims of senseless crimes.

Bravo to the member for Mississauga East.

[*Translation*]

Mr. Michel Bellehumeur (Berthier—Montcalm, BQ): Mr. Speaker, I too will begin by congratulating the member for Mississauga East on this bill. It is evidence of her concern.

However, I think that we must not ignore existing jurisprudence and legislation. There is no doubt that this sort of discourse sells extremely well. When particularly notorious cases are cited and we hear someone say: "I, as a member of Parliament, am going to try to amend the act, so that an individual serves a longer sentence", this goes over very well, particularly when the examples given have been in the headlines for weeks, if not months or years.

While I have a great deal of compassion, I think it is necessary to at least look at what actually exists, both in the Criminal Code, and in case law. We must not pass a bill because it sells well politically, in order to score political points. We must do more than that, particularly when it comes to parole.

I do not mean to say that the parole system is fully meeting the general public's expectations right now. What I am saying is that there should perhaps be a very serious examination of the parole system. Should this be done by a royal commission, or in committee? I really do not know, but there should certainly not be a piecemeal reform of the parole system.

Although the member's intentions are good, I think that her bill is a piecemeal approach to reforming a system that needs a complete overhaul, a very close examination.

It is a bill that is very brief, and very easy to understand. Clause 1 of Bill C-321 states that a sentence imposed for sexual assault—which comes under section 271 of the Criminal Code—shall be served consecutively to any punishment imposed for an offence committed at the same time, and consecutively to any other sentence already being served by the person at the time of sentencing.

This clause may seem rather simple at first sight. It may seem rather simple when first read, but its interpretation might modify the objectives set by the hon. member. For example, a judge already has powers and can, at his discretion, impose consecutive

or concurrent sentences. Sentencing judges already have the power the hon. member would like to include in the Criminal Code.

There is discretion. Certainly, it is not very attractive to defend a murderer, but we must not go overboard here, either. Another member said: "If I go to the store and buy ten items, I have to pay for all ten items", and went on to compare that situation to that of a person committing ten murders and being sentenced for just one. That argument is spurious. It is a gratuitous statement which does nothing to help the cause of the hon. member for Mississauga East, because it deflects the real debate, it exaggerates, and it is inappropriate in a debate of this kind.

Let us say that someone has committed 10 murders. The judge has a head on his shoulders and, in sentencing a multiple murderer, he will take everything into account.

Mr. Speaker, I am sure that you will agree with me that making such statements in this House only deflects the real debate and undermines any credibility they may have. At the present time, judges have the discretion to impose consecutive or concurrent sentences.

• (1815)

Between you and me, even if a prisoner is sentenced to 255 years in prison, it will not make much difference in the end, because he will not live any longer just because he is in prison.

Similarly, I wonder what impact this bill would have on the Young Offenders Act. Will the same system be used? I think Bill C-321 would not be applicable under the Young Offenders Act. And I think that may indirectly be what the hon. member wanted to achieve.

Regarding clause 2, the hon. member is well intentioned, and I understand her position. However, her own government has adopted legislation along similar lines that sets similar conditions and is intended to extend the period of eligibility for parole. This is a recent bill. The official opposition even applauded the advantages of this bill, although we did think it was a little too much to the right, that it tended to respond more to demands made by the Reform Party than to public demand.

As the official opposition, we nevertheless supported major elements of this bill. We wanted to introduce amendments, amendments were made, and in the end the bill was passed. But I do not think the government should adopt further legislation in this respect.

Sure, anyone can see there are problems with the parole system. There are problems. Some day, the official opposition will demand that the government appoint a royal commission of inquiry on the entire parole system, especially since the Auditor General of Canada has raised serious doubts about public security. I think we could conclude that the parole system should be investigated by a

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royal commission of inquiry, because the public's security is at stake. [English]

I hope that the members who support the hon. member's bill will try to convince the government when the official opposition makes its formal request. I hope the hon. member will rise in caucus to say that the Bloc Québécois is right to ask for a royal commission of inquiry on the subject. A long term solution should be considered. We must try and find a solution today, but not in a piecemeal fashion, not just to respond to lobbying by people who had a very traumatic experience.

I do not want to give the impression I have no compassion for these people. I do. I understand it must be very painful for them. However, we cannot base a bill on particular cases, put faces to victims and names to criminals. This legislation does not stand up in this case. There is more heart than head in it. Lawmakers must speak with their heads, even though I sometimes wonder where certain laws come from. In essence, this is the way they should be made.

Yes, I understand the member's desire to have a bill passed. It is a cause she believes in, and I congratulate her on it. However, as legislation and jurisprudence currently stand, it would mean duplication.

This sort of thing also raises a lot of questions, affects other laws, including, among others, the Young Offenders Act. What are the consequences for young people? We are currently looking in the Standing Committee on Justice and Legal Affairs at the approach to take on the whole matter of young offenders. Where would Bill C-321 fit if it were passed?

Sincerely, I understand the member, and I can understand wanting to make a little political hay—we are in politics—but the subject matter is not appropriate to making political hay. We should look instead at reforming the entire parole system to some extent. We must not forget that there are also cases where parents have been closely affected by this, where someone on parole for two or three days comes and kills their child.

There is the case of the Bolduc girl in Quebec. Her father is not advocating putting them in prison for 250 years or whatever. Quite the opposite. The public has to get involved. It has to come from the community. People do not just criticize, they want to make significant changes to the parole system.

• (1820)

Since the government whip seems very interested, I will conclude by expressing my hope that, when the Bloc Québécois calls on the government to appoint a royal commission on the parole system to settle the whole issue, it will look into this very seriously. I also hope the government will support the Bloc's request.

Mr. Jack Ramsay (Crowfoot, Ref.): Mr. Speaker, I am honoured today to support the private member's bill by the hon. member for Mississauga East. This is a good bill. It is therefore regrettable that it has not been deemed votable.

The member who moved this bill has given one of the most eloquent speeches I have ever heard made in this House. It so clearly described the control that the bleeding heart mentality has had upon the justice system for the past 25 years.

The Liberals campaigned on a promise to give backbenchers more weight in this government through added private members' bills. By the admission of the member for Mississauga East, one of the Liberal's own backbenchers, this promise has been broken. The government backbencher accused the Liberal dominated four member committee that determines which private members' bills will be votable of short circuiting controversial bills such as this bill.

The Mississauga East MP said: "We supposedly have open government but we have secret committees and I would guarantee that no member of that committee would oppose the bill openly. They were just encouraged in secret. I am not suggesting it is a kangaroo court. It is more like a cockroach court. You cannot see them at work and they run".

The hon. member was also quoted in the *Hill Times* a couple of months ago as saying: "If I had a bill on lawn care, I bet I would have success in getting it through the committee. If I had a bill that offered better treatment for criminals it would race through the place in a week. But if you have a bill that wants to side with the victims or correct an obscene injustice in our system you can expect resistance and many years of effort and debate".

I could not agree with a member more. The member made these comments in reference to her private member's bill on consecutive sentencing, Bill C-321, which was rejected by her colleagues.

Harsher comments appeared in the *Hill Times* yesterday in reference to Private Members' Business. These words, which I would like to reiterate, are from Debbie Mahaffy, the mother of murder victim Leslie Mahaffy:

I am disgusted but not surprised by the heartless comments on the issue of consecutive sentencing that came out of the flapping mouths of government Liberal members as recorded in your paper on November 11, "MPs Slag Private Members' Business".

—the Secretary of State for the Status of Women says she was not familiar with this serious issue for victims' families because she had not attended caucus that week and as a result had nothing to say. Could it be that the issue of consecutive sentencing has been at more caucus meetings than she? Or perhaps she simply doesn't read newspapers about serious issues of crime.

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Another cruel remark dealing with sentencing of serial predators made by another bright light Liberal—

She named the Liberal which I am not allowed to do, but that Liberal happens to be the chair of the women's caucus.

—chair of the women's caucus is equally inane. Her diatribe that she might support consecutive sentencing if (the member for Mississauga East) brings the issue to the forefront again is mindless and absurd to say the least. The fact that she made this comment after consulting with the justice minister and the Liberal (member for Mississauga West) adds to the obscenity. With this calibre of consultants, I suggest it is time for (the member for Etobicoke—Lakeshore) to seek better advisers.

I have omitted a small portion of Mrs. Mahaffy's letter to the *Hill Times* but I would like to read her last paragraph which has been quoted already in this House but deserves being quoted again. She said: "Shame on all of you for adding to our pain and for your lack of humanity and the lack of wisdom to make a difference".

• (1825)

I will also read from an article which appeared on November 27 in a B.C. newspaper regarding the justice committee's national forum on youth justice. For the record, I did not support the expenditure of \$60,000 to host this meeting because I felt we would be going over old ground by hearing from a number of witnesses who had already appeared before the committee. My opposition to this wasteful use of taxpayers' money caused me to endure a berating and to have obscenities thrown at me by the chair of the committee.

Nevertheless I quote from that article:

Ottawa was a bust for Chuck Cadman. Cadman, whose teenage son Jesse was stabbed to death by another teen four years ago, was invited to speak before the federal standing committee on justice affairs last weekend in Canada's capital city. But the Guildford dad who founded the victims rights group Crime, Responsibility and Youth (CRY) after his son was murdered, says the trip was a waste of time. "I spoke maybe five minutes total", he said. "It was a joke. I shouldn't have even bothered going. The meeting was poorly chaired", he charged.

Of 33 participants, Cadman said, only himself and a representative of Canadians Against Violence Everywhere Advocating its Termination (CAVEAT), another victims' rights group, spoke from the victims' perspective. The other participants were lawyers, criminologists and members of groups like the John Howard society, a group advocating convicts' rights. Everything else was geared to the rights of offenders Cadman said. "I was the only person in the whole bunch who took the victims' side to anything", he said, "and someone from CAVEAT". He said he appreciated being asked to attend, but added, "it was so obviously one-sided".

It certainly is not the first time a witness or an observer has called the committee a bust or a sham. The mayor of Cornwall walked out on the committee calling it a complete waste of time and accusing the committee of being predisposed. I am a member

of that committee and sometimes I cannot disagree with the observations of Mr. Cadman and the mayor of Cornwall.

So far in this Parliament, 16 private members' bills have been introduced to reform Canada's criminal justice system. What has happened to the vast majority of these bills? Absolutely nothing.

This includes Bill C-234 of the member for York South—Weston. This very necessary bill has not become law. It did not even come back to the floor of the House of Commons because the Liberal members of the justice committee killed it. They did this despite the fact that Bill C-234 has the overwhelming support of the Canadian Police Association, Victims of Violence, and tens of thousands of Canadians who have written letters and signed petitions.

Bill C-234 most certainly has the support of the Reform Party because this private member's bill would repeal section 745 of the Criminal Code. It would extinguish a killer's glimmer of hope for being released before serving his full life sentence. It is an injustice that members of this House who gave life to Bill C-234 were denied the opportunity to dispense with or pass this most important private member's bill.

It is also an injustice that the bill of the member for Mississauga East has not been deemed votable. This bill should become law.

Bill C-321 provides for truth in sentencing, a true Reform principle. Bill C-321 provides for the imposition of consecutive sentences on a person who commits sexual assault and another offence arising out of the same event or where the person is already serving another sentence at the time.

Bill C-321 should be expanded to include all offences. No one should get a free crime ride but that is precisely what we do in this country. We permit sexual offenders and other offenders to commit two, three or more offences and serve only one sentence as the other sentences are served concurrently. This is absolutely absurd.

It is also absurd that we permit multiple murderers such as Clifford Olson who killed 11 children to serve only one life sentence when he should be serving 11 sentences. Each of the innocent lives he stole should be validated. Each life is worth at the very least a life sentence. Likewise a person who commits multiple crimes should be given an appropriate sentence for each and every crime. Bill C-321 would end this absurdity. It would put an end to freebie crimes in this country. Therefore I support the member and her bill. I support truth in sentencing.

• (1830)

At this time I would ask for unanimous consent one more time from this House that this motion become a votable motion.

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The Acting Speaker (Mr. Milliken): Is there unanimous consent for the proposition of the hon. member for Crowfoot?

An hon. member: No.

The Acting Speaker (Mr. Milliken): There is not unanimous consent.

Mr. John Maloney (Erie, Lib.): Mr. Speaker, I am pleased to have the opportunity tonight to take part in this debate on Bill C-321, an act to amend the Criminal Code and the Corrections and Conditional Release Act, cumulative sentences.

I congratulate the hon. member for Mississauga East for initiative and persistence in bringing this important question to the attention of the House once again.

The previous bill, Bill C-274, was debated in this Chamber on June 4 of this year. The subject bill has two clauses. The first would require judges to impose a consecutive sentence on a person convicted of sexual assault and another offence arising out of the same event or series of events or where the person is already serving another sentence at the time.

The second clause would amend section 120 of the Corrections and Conditional Release Act by requiring offenders sentenced for first and second degree murder to serve their full parole ineligibility period on that sentence plus one-third or a maximum of seven years, whichever is less, for an offence arising out of the same event or series of events.

For an offender already serving a sentence, when a sentence for murder is imposed he or she would serve one-third or seven years of that sentence. Offenders would be required to serve consecutively all of the parole ineligibility periods for sentences for multiple first and second degree murder convictions not arising out of the same series of events.

The area of concurrent and consecutive sentences can be a confusing one. The power to impose a consecutive sentence must be found in some federal enactment. Section 718.3(4) of the Criminal Code discusses the circumstances where judge may direct that terms of imprisonment be served one after the other, that is consecutively.

The code generally states that this may be done in the following circumstances: where a person already serving a sentence is convicted for a new offence and receives a sentence of imprisonment; where both a fine and imprisonment are imposed, any default time for non-payment may be consecutive; where a person is convicted of more than one offence in the same court at the same sitting and terms of imprisonment for more than one fine are specified, terms of imprisonment for the respective offences are

imposed, or a combination of imprisonment and fines for separate offences.

Over the years jurisprudence has developed in this area and some principles have become clear. Where there is no relationship between the separate commissions of criminal offences the court should, bearing in mind the total term, impose consecutive sentences. A second crime while in flight from a first crime should be punished with a consecutive sentence. Where there are a number of different offences committed within a short period of time, the offences should be grouped in categories and concurrent sentences imposed in respect of each offence in the same category, but consecutive to those imposed in respect of the other categories, again bearing in mind that the total term should not be excessive.

Section 149.1 of the code provides that sentences for escape from custody shall be served concurrently with time being served or, if the court so orders, consecutively. Consecutive sentences are usually imposed as a deterrent, special and general to escape.

Perhaps the distinction between concurrent and consecutive sentences is best summarized in the words of the 1987 report of the Canadian Sentencing Commission: "Concurrent sentences imposed for multiple offences serve two principal functions. First, they permit the court to give proportionate sentences for related offences without disturbing the overall length of the total sentences imposed. Thus they counter any need to reduce sentencing dispositions for individual offences in order to achieve an overall just result. Second, concurrent sentences all serve a denunciatory function since their use denounces criminal conduct without increasing the overall sentence".

Generally concurrent sentences are imposed for multiple offences which arise out of one continuous criminal act or single transgression. These specific examples respecting the use of concurrent sentences cited by the commission are as follows: where an accused is convicted both of conspiracy to commit an offence and the substantive offence, concurrent sentences should be given; where goods from one theft are found in the accused's possession at different times, only one transaction is really involved and concurrent sentences should be imposed; while a sentence consecutive to a life term cannot be imposed because it is an absurdity, there is no prohibition against imposing several concurrent life sentences or other sentences concurrent to life.

The sentencing commission also pointed out that the use of consecutive sentences has been justified on the basis of a number of sentencing principles. One such principle is deterrence; that is, consecutive sentences should be used to discourage criminal activity in certain circumstances, for example, for an offender who commits an offence while out on bail. Consecutive sentences have also been justified on the basis of their denunciatory effect and their contribution to the overall protection of the public.

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• (1835)

As a general rule, consecutive sentences are imposed for multiple offences which arise out of separate criminal transactions. They thus would be imposed for a string of offence, situations where, again in the words of the Canadian Sentencing Commission, several offences arising out of separate transactions are disposed of before the same court at the same time. For example, the court may decide to impose consecutive sentences where the offender is being sentenced at one time for breaking and entering a dwelling house, robbery and assault, all of which were committed on different days.

Parliament has recently dealt with the issue of consecutive sentences in chapter 22 of the Statutes of Canada, formerly Bill C-41, which came into force on September 3 of this year. Section 718.3(4)(a) confirms that a consecutive sentence may be imposed where the accused is convicted while under sentence for another offence. This deals with the second part of the first clause of Bill C-321.

Section 718.3(4)(c)(ii) allows a court to impose a consecutive sentence where an accused is convicted of more than one offence by that court. This would deal with the situation contemplated in the first part of clause 1 of the bill.

I realize that the exercise of this power is discretionary and not mandatory, as would be the case were this bill to be approved. The approach in Canada to date is not to fetter that discretion but to allow judges to balance all the factors before them.

I would also draw the attention of the House to section 718.2(c) of the Criminal Code which confirms the totality principle developed in the case law that where consecutive sentences are imposed, the combined sentences should not be unduly long or harsh.

With respect to clause 2 of the bill, I am informed that the case law is clear that a fixed sentence cannot be made consecutive to a sentence of life imprisonment and that any sentence imposed after a sentence of life imprisonment has been imposed can only be concurrent to it. The authority for that is the *Crown v. Sinclair* for a 1972 report on Canadian criminal cases.

A life sentence is just that, a life sentence. The convicted person may get parole but will continue to be subject to the life sentence literally for the rest of his life and may be reincarcerated after having been released on parole if the person does not comply with the conditions of release.

Accordingly, having consecutive life sentences is, to some extent, a contradiction in terms. However, the fact that numerous life sentences have been imposed on someone is taken into account in the decision to grant parole or not; a very important consideration.

Let me conclude my remarks by mentioning some non-legal considerations of interest. Few Canadians realize that we incarcer-

ate offenders in this country at a rate far higher than most countries in the western world.

According to international statistics compiled by the Council of Europe, Canada's incarceration rate of 130 inmates per 100,000 total population is fourth in the democratic world after the United States, Russia and South Africa. We are well ahead of our European and Australian trading partners. Let me give the House a few examples. The United Kingdom rate is 92 per 100,000; Australia, 85; Germany, 81; Norway, 60; Holland, 51.

When federal, provincial and territorial ministers met in Victoria in January 1995 an item for discussion was the rapid and relentless growth of correctional workloads, particularly prison populations, that all jurisdictions are experiencing.

From 1989 to 1994-95 the federal penitentiary population grew by 22 per cent and provincial prison populations grew by 12 per cent on average.

Notwithstanding a decline in the reported crime rate over the past three years, there are indications that federally there have been fewer conditional releases granted and more revocations of conditional release resulting in more time being served by more offenders. In addition, there has been significant growth in the proportion of offenders serving sentences for violent offences, including homicide.

At the provincial and territorial levels of the system more custodial sentences are being given and for longer periods of time. There has been significant growth in charges for sexual and other assaults.

Among the reasons for the increased offender population are more challenging offenders, such as sex offenders and violent offenders, growing accumulation of lifers in the inmate population, growing use of Corrections and Conditional Release Act detention provisions, fewer offenders on conditional release, new and harsher measures for more serious offences such as the four year minimum sentences for use of firearms.

Correctional Services Canada now double bunks approximately 25 per cent of inmates, and concern about the high rate of incarceration and double bunking has been expressed by the correctional investigator, the auditor general and other interested parties.

Both the Solicitor General of Canada and the Minister of Justice have spoken publicly about the need to continue to work with the provinces and territories to develop strategies to contain the rate of growth of the inmate population. We must do this but we must also balance this with the protection of the public.

I do have concerns that Bill C-321 would contribute further to this correctional overpopulation. I question whether we wish to follow the American example of building more prisons, often at the cost of underfunding health, education and social programs. This is

a sincere concern. The record shows that all levels of government are cutting back where the need is most: health, education and social programs.

• (1840)

The American experience suggests that a more punitive approach to criminal behaviour does not, of itself, increase public protection or reduce levels of crime. Between 1984 and 1989 the American crime rate rose by 14 per cent but the prison population increased by 58 per cent. Today more than 1.5 million Americans are incarcerated. In fact, there are more Americans under criminal justice system supervision than there are U.S. college students.

With respect, I do not think we have much that is useful to learn from criminal justice policy in the United States and, in particular, from its use of consecutive life sentences.

Mrs. Brenda Chamberlain (Guelph—Wellington, Lib.): Mr. Speaker, I am pleased to have this opportunity to speak to Bill C-321. I congratulate my colleague, the hon. member for Mississauga East, for introducing this legislation.

I support the legislation. I know the people of Guelph—Wellington do as well.

On April 9 of this year I wrote to the Prime Minister and the Minister of Justice and asked that they consider allowing consecutive sentencing for violent crimes. I believe that consecutive sentencing is an important step in our efforts to give a strong message that we as a government and we as a society will not tolerate violent crimes.

In my letter I said that we owe a service to the victims of violent crime and their families in considering amendments to the Criminal Code and the Corrections and Conditional Release Act which will change concurrent sentences to consecutive.

While nothing we can do as a government, as individuals or as a society as a whole can change or alleviate the pain and suffering caused by violent crime, legislation like Bill C-321 can offer some support.

Victims are often, if not always, targeted because of nothing more than who they are. A victim may be attacked because she is a woman. A victim may be a young person. They may be a senior or a store clerk. Victims do not have the choice of whether or not to be targeted. They are chosen and they and their families must live with the results of the violent act for the rest of their lives.

For this reason I recently introduced Bill C-344, which would mean no early parole for those who murder a peace officer. Like the hon. member for Mississauga East, I am concerned about the use of

section 745. I would prefer its repeal. However, in the absence of repealing section 745, I believe that bills such as mine and this one are important and necessary.

Discussion on legislation such as this is also a good time to look around our community, communities like mine of Guelph—Wellington, and find ways that we can help eliminate or reduce some of the causes of crime. These causes are not someone else's responsibility. We each owe ourselves, our families and our neighbours the opportunity to effect change.

The people of Guelph—Wellington are asking their federal government to do what it can to effect that change. I believe that passing Bill C-321 is one way to respond to their request.

Some have argued that consecutive sentencing does not make sense. They argue that giving someone a prison sentence of three life sentences or 400 years does not help to address the problems of crime and punishment. I disagree. I disagree for the sake of the victims and their families.

Currently people like Sharon Rosenfeldt and her husband, whose 16-year old son Daryn was killed in 1981 by Clifford Olson, must face the fact that he is eligible to apply for early parole under section 745. Victims and their families find some comfort in the knowledge that the offender will be serving 25 years before he or she is eligible for parole. We can only imagine their suffering and pain when they realize that 25 years means 15 years. For Sharon and her family, it means they are faced with reliving the pain, the sense of loss, the anger and all the other emotions because they were unaware that the offender could seek early parole.

Thankfully, people like Sharon have turned that dreadful event of her son's murder to some good. While Daryn's death can never be understood she and her husband have founded Victims of Violence, which continues to raise awareness on issues like section 745, and to help other families cope with the death of a loved one.

• (1845)

All across Canada people cope with the effects of crime. Whether a house or an apartment has been vandalized by thieves, the family car stolen from the parking lot, or a young woman has been sexually assaulted, we know that crime must be punished.

There are individuals convicted of crimes that are rehabilitated. Many make a return to society and contribute to making Canada great. I welcome the opportunity to give these people a second chance. But there are certain crimes that we cannot tolerate, certain actions which must be punished to the full extent of the law and certain individuals who cannot return to live freely in our society. We can never allow crimes like murder, sexual assault and

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attempted murder to be dismissed. It is because of them that Bill C-321 is necessary.

Every day in Guelph—Wellington heroes go about their work. These heroes include in a special way our police officers, but they also include those who answer the phone at a sexual assault hotline, volunteers at the Guelph Distress Centre, teachers, factory workers, executives and children who take the time to make a difference. These heroes make that difference by caring. They know that no matter what the government does, crime will still occur. They are not asking for the impossible but they need our help to continue their important work.

How can we help? We can help them by passing legislation that gives one clear message: “We do not accept what you have done and you will spend a very long time, possibly the rest of your life, in prison”.

Bill C-321 reminds all of us of our responsibility to fight crime. Whether it be as simple as making sure our neighbour does not walk alone to church or joining Block Parents, volunteering to coach baseball, helping someone who is illiterate, or watching out for a neighbour's house while that neighbour is away on vacation, we can and we must work together to help reduce crime in our communities.

We each have a responsibility to one another as citizens of the greatest country on earth to make our communities safer. Government continues to have an obligation to its citizens, to offer them a justice system that says no to crime and serves notice that those who commit crimes will be adequately and in some cases, yes, severely punished.

This is why Bill C-321 deserves the support of this House.

Mr. Szabo: Mr. Speaker, a point of order. The House has a procedure whereby bills are deemed to be votable by committee and I respect that process. I will not make a motion to that effect.

However, I understand there is a precedent that the subject matter of a bill could be referred to committee with the unanimous consent of the House. In view of the interest of the House on the issue of concurrent versus consecutive sentencing, that this would be a worthy item.

Therefore, I would move that the subject matter of this bill be referred to committee.

The Acting Speaker (Mr. Milliken): The House has heard the terms of the motion proposed by the hon. member for Mississauga South. Does the hon. member have the unanimous consent of the House to move the motion?

Some hon. members: Agreed.

An hon. member: No.

The Acting Speaker (Mr. Milliken): There is not unanimous consent.

The time provided for the consideration of Private Members' Business has now expired and the order is dropped from the Order Paper.

ADJOURNMENT PROCEEDINGS

[English]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

FORESTRY

Mr. George S. Rideout (Moncton, Lib.): Mr. Speaker, I rise to speak for a moment or two about a question which I asked the Minister of Natural Resources on November 6. It concerns forestry practices and the issue of forest certification.

• (1850)

At first blush, I am sure members would think this is not that important an issue. However, as we look at our history and our country we realize that Canada is a forest nation. We possess over 10 per cent of the world's forests, forests which provide habitat for a wide variety of wildlife, forests that are places for citizens of Canada to visit in their leisure time and forests that are important parts of our social and cultural history. For many people, forests are synonymous with Canada.

On the economic side, the Canadian forest industry is one of Canada's largest and, accordingly, most important industries. It provides for one in fifteen jobs. It produces exports which are by far the single largest contributor to Canada's positive trade balance.

Forests and forest industries are found in every province and are critically important to every Canadian. Sometimes we do not stop to think about it but even as we look around the Chamber, the contribution that the forestry industry makes to the beauty and enhancement of this Chamber becomes evident.

As a trading nation, we need access to foreign markets. In the world we live in we also need to demonstrate to our customers that we are good custodians of our forests.

The question of sustainable forest management is paramount to Canadian interests. Our ability to manage our forests in a sustainable manner for all of their benefits is important for every Canadian. I know that provinces are continually reviewing and upgrading their forest policies to achieve sustainable forestry and it is ultimately their responsibility under the British North America Act to manage the forests because they are a provincial responsibility.

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ity. I also know that Canadian industry has made great strides in improving the standards of forest management in Canada.

I would like to ask the minister, through the parliamentary secretary, why it is that Canada continues to be criticized for its forest management practices. I understand that the Canadian forest industry has been active in developing a standard for certification of Canadian forest practices. What will the impact of forest certification be on the sustainable forest management in Canada? Will certification move Canada toward achieving sustainable forestry and will it help the Canadian forest industry to be more competitive in world markets?

Mrs. Marlene Cowling (Parliamentary Secretary to Minister of Natural Resources, Lib.): Mr. Speaker, the question of sustainable forest management is one of the most important challenges facing Canadians.

It is fair to say that people from around the world are asking that the global forest be managed in such a way that the whole array of social, economic and environmental values associated with forests are protected. In Canada this is a major priority for governments, industry and our citizens.

At a recent meeting of the Canadian Council of Forest Ministers, we confirmed again our commitment to sustainable forest management. Ministers agreed to adopt a Canadian criteria and indicators as a means to monitor sustainable forestry. We agreed that the national forest strategy be renewed.

At the international level, we have been working hard to ensure that the principles of sustainable forestry are promoted in the discussions on global forests. Recognizing the need to manage

forests on a sustainable basis, the Canadian forestry industry has also been promoting sustainable forest management through the development by the Canadian Standards Association of a sustainable forest management standard. This standard has been approved by the Standards Council of Canada. It is now available to Canadian companies that wish to seek certification that they have a process to ensure sustainable forest management.

They have taken the initiative outside of government to promote sustainable forest management. Forest certification provides a transparent, scientifically based and inclusive approach for industry to demonstrate its commitment to and practice of sustainable forestry.

The Canadian industry is a world leader in this regard. It has led an international industrial group in approaching the International Standards Organization, seeking access for companies who wish to be certified under the environmental management standard provision of the ISO. This is an additional step toward a better standard of forestry in Canada, increasing the confidence that Canadians have in the industry's ability to manage the forests and help to ensure access for Canadian forest products in world markets, products which are made from wood from sustainably managed Canadian forests.

[Translation]

The Acting Speaker (Mr. Milliken): The motion to adjourn the House is now deemed to have been adopted.

Accordingly, this House stands adjourned until 2 p.m. tomorrow, pursuant to Standing Order 24(1).

(The House adjourned at 6.54 p.m.)

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