



CANADA

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OFFICIAL REPORT
(HANSARD)

Thursday, June 6, 2002

—

Speaker: The Honourable Peter Milliken

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HOUSE OF COMMONS

Thursday, June 6, 2002

The House met at 10 a.m.

Prayers

•(1000)

[*Translation*]

INFORMATION COMMISSIONER

The Speaker: I have the honour to lay upon the Table, pursuant to section 38 of the Access to Information Act, the report of the information commissioner for the period from April 1, 2001 to March 31, 2002.

[*English*]

This report is permanently referred to the Standing Committee on Government Operations and Estimates.

ROUTINE PROCEEDINGS

•(1005)

[*English*]

BILL C-5

Mr. Geoff Regan (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.): Madam Speaker, I am tabling in both official languages, a document entitled "Proposed Revised Report Stage Motions at Report Stage of Bill C-5".

It is this document that is referred to in the notices of motions standing in the name of the Leader of the Government in the House of Commons.

* * *

GOVERNMENT RESPONSE TO PETITIONS

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

CANADA PENSION PLAN

Hon. Lawrence MacAulay (for the Minister of Finance) moved for leave to introduce Bill C-58, an act to amend the Canada Pension Plan and the Canada Pension Plan Investment Board Act.

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

* * *

DRUG SUPPLY ACT

Hon. Lorne Nystrom (Regina—Qu'Appelle, NDP) moved for leave to introduce Bill C-473, an act to ensure the necessary supply of patented drugs in cases of domestic emergency or to deal with crises in countries that receive assistance from Canada.

He said: Madam Speaker, I am pleased to introduce this bill today. It is a bill that would give Canadians access to important medicines in the event of a biochemical attack and, at the same time, provide access to medication or medicine. It would also provide fair compensation to the pharmaceutical companies.

The bill would also provide that the government covers the cost of producing the drug while providing the manufacturer with a reasonable profit.

The bill would also allow for multiple producers to manufacture the drug and to ensure that the beneficial drugs be widely available to the Canadian public at a time of crisis.

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

* * *

•(1010)

[*Translation*]

COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Mr. Jacques Saada (Brossard—La Prairie, Lib.): Madam Speaker, if the House gives its consent, I move that the 64th report of the Standing Committee on Procedure and House Affairs, presented in the House yesterday, be concurred in.

The 64th report deals with the list of members and associate members for the Standing Committee on Government Operations and Estimates, and for the Standing Committee on Transport.

Routine Proceedings

(Motion concurred in)

[English]

Mr. John Harvard: Madam Speaker, I rise on a point of order. I am asking a question relative to Bill S-7. I assumed that you would be making some reference to Bill S-7. I did not think it was my duty to ask for unanimous consent for the passage of this motion. Could you give me clarification?

The Acting Speaker (Ms. Bakopanos): The hon. member was supposed to seek the consent of the House to concur in this motion under motions.

Mr. John Harvard: Madam Speaker, if I may, I am more than happy to do that. I just want to say that I was given different advice, but if you want me to go ahead, I will do it right now.

The Acting Speaker (Ms. Bakopanos): We will do this one step at a time. I did go to petitions and the hon. member, under advice obviously, had assumed that it would be ask by À the Chair.

Do I have the consent of the House to go back to motions?

Some hon. members: Agreed.

Some hon. members: No.

Mr. John Harvard: Madam Speaker, I am rather stunned by these developments. May I then seek clarification from the Chair? Now that we are denied returning to motions to deal with this matter, where does this leave us? Could I have clarification on that?

Hon. Don Boudria: Madam Speaker, we have had further conversations among House leaders and I respectfully submit that you might want to again seek that consent.

The Acting Speaker (Ms. Bakopanos): Does the House agree to return to motions?

Some hon. members: Agreed.

CANADIAN HERITAGE

Mr. John Harvard (Charleswood St. James—Assiniboia, Lib.): I gather, Madam Speaker, that you are asking me to seek unanimous consent. I did this on Monday and I did not think it was necessary to do it again because of a notice of motion, but I am more than happy to do it.

Madam Speaker, I think if you seek it you would find there is unanimous consent of the House to adopt the following motion. I move that the fourth report of the Standing Committee on Canadian Heritage presented on Monday, June 3, 2002, be concurred in.

The Acting Speaker (Ms. Bakopanos): The House has heard the terms of the motion? Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

● (1015)

PETITIONS

HEALTH

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Madam Speaker, I am pleased to present a petition today signed by many Canadians across this country who are concerned about the state of health care in Canada today. They call upon the government to rethink its position of funding cuts to our health care system and its complicity in the developments pertaining to private hospitals in Canada.

The petitioners call upon the government to take immediate action to save public non-profit health care and to stop two tier American style health care from coming to Canada.

[Translation]

CANADA POST

Mr. Yves Rocheleau (Trois-Rivières, BQ): Madam Speaker, I am pleased to present a petition by some 25 Quebecers from all regions. The signatories decry the salaries and working conditions of the rural route mail couriers, who, as you know, work under the thumb of the Canada Post Corporation.

Mr. Gérard Asselin (Charlevoix, BQ): Madam Speaker, it is my pleasure to table a petition for the member for Manicouagan, who is detained at home due to illness, for the member for Chambly, who is critic for Canada Post, and for the many signatories from the Sept-Îles—Port-Cartier area and so on.

We are tabling in the House today, pursuant to Standing Order 36, a petition bearing a number of signatures with respect to Canada Post and rural route mail couriers. These people often earn less than minimum wage, and the Canada Post Corporation Act denies them the right to collective bargaining.

The petitioners are asking parliament to repeal subsection 36(5) of the Canada Post Corporation Act, which they consider unfair and discriminatory against rural workers.

GOVERNMENT CONTRACTS

Mr. Ghislain Lebel (Chambly, BQ): Madam Speaker, I am pleased to present this morning a petition signed by 50 people from across Quebec and Canada demanding a public inquiry into all these alleged scandals cropping up day after day in the press and here in the House of Commons.

People want the truth and want clarification. They are therefore calling for a public inquiry, and I am sure that the hon. member for Chicoutimi—Le Fjord over there would have signed this petition himself had he been able to.

That is why I am presenting this petition.

* * *

[English]

QUESTIONS ON THE ORDER PAPER

Mr. Geoff Regan (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.): Madam Speaker, the following questions will be answered today: Nos. 146, 150, 151 and 155.

Routine Proceedings

[Text]

Question No. 146—**Mr. Gerald Keddy:**

Can the Department of Fisheries and Oceans (DFO), or any other relevant department, indicate, on a yearly basis, from 1990 to 2002 inclusive, the number of times (a) fisheries surveillance aircraft and (b) fisheries patrol vessels (including Coast Guard and DFO) have conducted surveillance excursions on the Grand Banks?

Mr. Georges Farrah (Parliamentary Secretary to the Minister of Fisheries and Oceans, Lib.): The following table shows the number of sea and air patrols in the Grand Banks area for the period 1990-2002, figures shown for the year 2002 include the period January 2002 to May 2, 2002 inclusive.

Surveillance Patrols 1990-2002		
Year	Sea	Air
1990	50	516
1991	77	518
1992	74	496
1993	56	437
1994	60	498
1995	56	585
1996	57	449
1997	57	440
1998	49	468
1999	35	434
2000	33	379
2001	31	467
2002	10	166

Note:

Department of National Defense, DND, fisheries patrols, by ship and air, are included in the annual figures provided above for each year indicated. Annual DND sea patrols range 8 to 10 per year, except 2001 when 5 DND patrols were achieved due to 9/11 contingency.

Approximately 55 DND air patrols are conducted in support of DFO each year. DND patrols, air and sea, are provided under the terms of a memorandum of understanding between the two departments. DFO fishery officers are deployed on all DND fisheries patrols.

Question No. 150—**Mr. Grant McNally:**

With regard to changes made to the list of eligible passport guarantors: (a) what was the rationale behind eliminating the role of a signing officer at a credit union or caisse populaire to act as a guarantor for a member; and (b) what supporting documentation was considered in arriving at this rationale?

Ms. Aileen Carroll (Parliamentary Secretary to the Minister of Foreign Affairs, Lib.): Titles assigned to various positions differ from bank to bank making it impossible to determine if individuals meet the criteria by virtue of their title alone. Within an organization, “bank signing officer” may include individuals who are both qualified and unqualified to act as guarantor. The term has no clear universal definition. By keeping the guarantor categories to manageable proportions, the Passport Office is able to verify guarantor qualifications at minimal cost without disrupting rapid service.

There was no supporting documentation considered, however, “bank signing officer” is not clearly defined. When the name of a

signing officer does not appear on the association’s membership list, the Passport Office is unable to verify his or her qualifications. Because there is no association or official membership list that covers all types of bank signing officers, the decision was made, effective immediately, to remove the category.

Question No. 151—**Mr. Garry Breitkreuz:**

Does the government have any statistics or research about the death rate after a pregnancy, and if so, what is, in the 12 months after the end of a pregnancy, the total death rate by women having an elective abortion compared to women carrying their baby to term?

Hon. Allan Rock (Minister of Industry, Lib.): Statistics Canada has only a limited amount of data and research on the death rate after a pregnancy. Estimates of maternal mortality after pregnancy have been calculated by the Maternal Health Study Group of the Canadian Perinatal Surveillance System, which includes staff from Health Canada and Statistics Canada, in two recently published studies in Chronic Diseases in Canada.

Among the 1,939,471 women for whom a pregnancy or birth was known to have occurred during the study period (1988-1992), the authors identified 438 women who died of any cause of death either while pregnant or within 225 days of a registered birth or stillbirth.

Statistics Canada also annually publishes data on deaths and death rates, including maternal mortality, defined as deaths caused by complications of pregnancy, childbirth, and the 42 days following termination of a pregnancy. Of the 329 maternal deaths that occurred from 1979 to 1998, seven deaths had an underlying cause of complications from abortion.

Other than these results, Statistics Canada is unaware of any other data that could shed light on the question posed.

Question No. 155—**Mr. Howard Hilstrom:**

Can the Minister of Health indicate: (a) the estimated amount of non-approved veterinary drugs that are being used on animals in Canada annually; (b) if plans exist for a memorandum of understanding between Health Canada and the Canadian Food Inspection Agency that gives this agency’s compliance officers jurisdiction to enforce laws and policies relating to drugs used in animal feed, and if so, the expected date of the signing; (c) the amount of active pharmaceutical ingredients imported and used on animals in Canada annually; and (d) the estimated amount of non-approved veterinary drugs entering Canada annually under Health Canada’s “own use policy”?

Hon. Anne McLellan (Minister of Health, Lib.): Health Canada does not currently have a formal system in place to track non-approved veterinary drugs that are being used in animals in Canada. Anecdotal data are available which indicates some extra-label use of drugs, drugs used for purposes other than approved usage, as well as importation of non-approved veterinary drugs for use on animals.

As part of its strengthening exercise, the veterinary drugs directorate of Health Canada will be conducting a survey this summer and fall on the extra label use of veterinary drugs in Canada. This is a major step in addressing this issue.

Supply

Efforts are also underway to step up investigation and interception of cases where unapproved products are being imported or sold in Canada. Results of monitoring by the Canadian Food Inspection Agency, CFIA, for violative residues of veterinary drugs in food have shown consistently high compliance.

Discussions are well underway between Health Canada and the CFIA to develop a memorandum of understanding. This agreement will be in place by the fall of 2002 and implemented by April 2003.

Health Canada does not currently have a tracking system in place to monitor how active pharmaceutical ingredients, APIs, are being used in animals in Canada. Again, only anecdotal information is available at this time.

Health Canada's health products and food branch inspectorate is presently enforcing a policy which restricts the extent and the purposes for which APIs can be imported into Canada.

(d) We do not have specific information from Canada Customs and Revenue Agency on the importation of these products. The current policy on personal importation applies to drugs for human use only and not for drugs intended for veterinary use.

There is anecdotal information that veterinary drug products are being imported under this policy which are not for personal use but which are being sold or used by veterinarians to treat food producing animals. For this reason, Health Canada's veterinary drugs directorate is developing a policy to address the importation of veterinary drug products. Prescription veterinary drugs can only be imported into Canada by animal owners.

Again, foods are regularly and systematically analyzed by the CFIA for veterinary drug residues to ensure compliance with Canadian regulations.

* * *

[English]

STARRED QUESTIONS

Mr. Geoff Regan (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.): Madam Speaker, would you be so kind as to call Starred Question No. 153.

[Text]

Question No. 153—**Mr. Guy St-Julien:**

With regard to Inuit sled dogs, for the current Nunavik territory and for the period from 1950 to 1969, did the government, through one of its departments or agencies (i) order the killing of the dogs, (ii) adopt a policy supporting it, (iii) promote it directly or indirectly, and if so: (a) what were the reasons, and what was the nature of the problem the government was seeking to resolve; (b) was any consideration given to other actions or approaches for resolving that problem; (c) how was it decided that the killing of the dogs was the most appropriate action to be pursued in relation to the said problem; (d) how many dogs were killed as a result of government decisions, policies or actions; (e) were the Inuit consulted on the killing of the dogs, and if so, how and to what extent; (f) were any Inuit directly compensated for the loss of their dogs, and if so, how and in what amount or by what means; and (g) were any remedial measures taken to help offset effects on Inuit resulting from the killing of the dogs, and if so, what was the nature of these remedial measures?

[English]

Mr. Geoff Regan: (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.) RCMP records

do not indicate the existence of any government policy regarding the systematic killing of sled dogs. There was no arbitrary killing of dogs in the communities of the current Nunavik territory for the period from 1950 to 1969, except when dogs were deemed dangerous or posed a threat to individuals.

* * *

QUESTIONS ON THE ORDER PAPER

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

The Acting Speaker (Ms. Bakopanos): Is it agreed?

Some hon. members: Agreed.

* * *

COMMITTEES OF THE HOUSE

CANADIAN HERITAGE

Hon. Don Boudria (Minister of State and Leader of the Government in the House of Commons, Lib.): Madam Speaker, I rise on a point of order. I wonder if I could have the attention of all members who are present.

I understand there was some confusion as to the status of what was sought by the member for Charleswood St. James—Assiniboia. I wish to reflect everyone's intention and I thought I would put it into the record for greater clarification.

I believe you would find agreement that journals record the motion for which the member for Charleswood St. James—Assiniboia sought consent to be deemed defeated on division.

The Acting Speaker (Ms. Bakopanos): Is that agreed?

Some hon. members: Agreed.

The Acting Speaker (Ms. Bakopanos): The motion is then defeated on division.

GOVERNMENT ORDERS

[English]

SUPPLY

ALLOTTED DAY—INCOME TAX

Mr. Charlie Penson (Peace River, Canadian Alliance) moved:

That, after overpaying at least \$3.3 billion to several provinces as a result of its own accounting errors, this House calls upon the government to forgive any past revenue overpayments to the provinces since retroactively clawing back these revenues would severely affect the provinces' ability to pay for healthcare, education and social services.

The Acting Speaker (Ms. Bakopanos): Since today is the final allotted day for the supply period ending June 23, the House will go through the usual procedures to consider and dispose of the supply bill.

Supply

In view of the recent practices, do hon. members agree that the bill be distributed now?

Some hon. members: Agreed.

• (1020)

Mr. Charlie Penson (Peace River, Canadian Alliance): Madam Speaker, it is a pleasure to rise today on the supply day motion that we presented dealing with the federal government's overpayment to the provinces of approximately \$3.3 billion due to its own accounting errors. This is one of those issues where we can take a couple of different approaches to resolving it.

Essentially what happened is that in late January of this year some provincial governments received a nasty shock. It seemed that the federal government's accounting error had resulted in \$3.3 billion in overpayments to Ontario, Manitoba, Alberta and British Columbia. Ontario received the largest overpayment. These miscalculations happened over a period of time from 1993 to 1999. It also put out of line the equalization payments resulting in another overpayment of approximately \$300 million.

Just this week the auditor general confirmed that the total overpayment was at \$3.7 billion: Ontario was overpaid \$2.8 billion; Manitoba, \$364 million; British Columbia, \$95 million; and Alberta, \$3 million. Nova Scotia received \$9 million and New Brunswick received \$4 million in overpayments on equalization transfers. How did this happen? Where does the fault lie? We maintain that it lies with the Liberal government, which took power in 1993.

Under federal-provincial tax agreements the federal government, through CCRA, administers personal income taxes on behalf of the provinces, other than Quebec. The federal government has the responsibility for the collection of all provincial income taxes, except for Quebec, and for paying those amounts to the provinces. The federal government's miscalculation was on the refund for capital gains taxes on mutual fund trusts. Since capital gains are taxable only when an asset is sold, mutual fund trusts pay the required federal and provincial tax to the CCRA but are reimbursed when fund investors sell or redeem their units and pay tax on their capital gains.

What happened is that the CCRA never accounted for the refunds of the provincial tax assessed on capital gains when it calculated the federal reconciliation figures. CCRA used the gross figure instead of the net. The implications of this error are significant.

In addition to the overpayment of capital gains refunds, this miscalculation also put out of line the complicated federal-provincial equalization program formula. With the bulk of overpayment going to Ontario it artificially raised the equalization line, meaning that Canada's have-not provinces were overpaid almost \$300 million in federal transfers.

What will the federal government do about its mess? So far we have seen two approaches.

The first approach is the co-operative approach. The former finance minister gave the impression to the provincial premiers that he would be lenient in terms of payback. Newspaper accounts reported that the federal and provincial governments were close to finalizing a deal last week before the finance minister was fired. The

Manitoba government claims it was assured that the federal government would cover 70% to 80% and perhaps even the full amount of the overpayment.

This makes sense to us in the Canadian Alliance. It takes into account that this error was an error of the federal government. It did not happen just once. It happened year after year for almost 10 years. The same people at the CCRA were making this error over and over again.

It would also take into account the common law principle of estoppel, which is defined in *Black's Law Dictionary* as:

A bar that prevents one from asserting a claim or right that contradicts what one has said or done before or what has been legally established as true; and an affirmative defense alleging good-faith reliance on a misleading representation and an injury or detrimental change in position resulting from that reliance.

• (1025)

That is what I would call the equity argument. The federal government has to take responsibility for its error, in the same way that many of us would if we did not keep track of our household finances and we paid wrongly for a long period of time. The common law principle we are talking about is that when something becomes a practice over a very long period of time it comes to be accepted.

The provinces, not realizing that the federal government had made this error in calculation, were collecting this money, even though they did not realize it was overpayment. Therefore they were spending the money on program spending, on education, health care and those types of programs that entitle their citizens to services that the provinces provide.

This massive error was made by the federal government and was not a result of a miscalculation as to whether a province was entitled to a certain amount of money. Rather it was an error in federal mathematics. Therefore it was a mistake, in fact, not in law. In this sense the federal government would be hard pressed after almost a decade of acting in a certain way to say now that the provinces should not have relied upon the federal behaviour and calculations.

This was not a one time thing, as I have said. This went on for almost 10 consecutive years. Since the federal government was negligent for so long, it has a responsibility for the fact that it paid out the wrong amount of money.

In addition there appears to be a precedent set by the former minister of finance, Michael Wilson, in the Conservative government of Brian Mulroney 12 years ago. Way back then, miscalculations on corporate taxes between 1985 and 1990 resulted in a federal overpayment of \$40 million to Manitoba. What did Mr. Wilson do? He agreed to a corresponding equalization payment at 80¢ for every dollar to the province to be paid back to the federal government. The Canadian Alliance certainly hopes that the federal government would be as generous to the provinces about its mistake as the former Mulroney government was.

This is what I call the co-operative approach and it is one to which we would agree. Provinces, through no fault of their own, received this money. It was part of their budgetary process. They spent the money and it would be very difficult for them to recover it.

Supply

The second approach seems to be the one that is favoured by the current Minister of Finance and by the Prime Minister, as opposed to the approach taken by the former minister of finance. This is what I call the confrontational approach. Under the new Minister of Finance it seems that things are not as clear as they were under the former minister. He and the Prime Minister have suggested that the federal government will demand an immediate payback for the federal government's mistake.

This is an approach we could use but it is fraught with difficulties. The question is whether it is a good approach. Canadians ask themselves whether the Prime Minister and the new Minister of Finance will force those provinces that have the hardest time balancing their books, in some cases, to pay for the federal government mistake. If we do go down that road and that is the road chosen by the federal government, it certainly will sour federal-provincial relations, something the Liberal government may be used to but it certainly is not good for the federation.

What are the options for the provinces under this approach? They could cut their own program spending in the next year or they could raise taxes. Basically those are the only choices they have. If the federal Minister of Finance and the Prime Minister insist that this has to be paid back, that is the reality. The provinces from where the paybacks have to come have to come up with the money somehow, money that has been long since spent.

It does not seem like either of these choices are a good way to resolve this because it will mean a loss of service or an increase in taxes for Canadians in the affected provinces.

If the federal government demands repayment for other logical reasons, what will it do with the \$3.3 billion? It certainly does not have a good track record with Canadian taxpayer money. The provinces should be question whether, if it gives the money back, it will use it in a way that is beneficial to Canadians.

● (1030)

We have certainly seen in the last few months in this parliament in the current year many examples of waste of taxpayer money. We see it every day in the sponsorship program. The Prime Minister said the other day in Winnipeg "So we lose a few million dollars here and there. Well, it's probably good for the country". I do not agree with him. It is never good when we are losing hard earned taxpayer money.

That is the record that they have over there. Let us have a look at it. We have wasted billions of dollars of taxpayer money on misguided ideology of state corporatism. Canadians have seen their tax dollars poured into blatant patronage projects, such as Shawinigate, sponsorship programs for Liberal advertising friends, a billion dollar boondoggle at HRDC, corporate welfare and wasteful industrial and regional development programs for well monied companies such as Bombardier, Pratt & Whitney, IBM, General Electric. These are some of the biggest corporations in the world. Here we are handing out money. What is the record on that money that they are handing out? I think they describe it as repayable contributions.

What does that mean? Repayable contributions is a real problem in itself. Either it is a contribution or it is repayable. It cannot be both.

In fact, I think the Canadian Taxpayers Federation just identified that in the seven years since the TPC, the technology partnerships Canada program, has been in effect, the federal government has recovered just 2%.

An hon. member: Unbelievable.

Mr. Charlie Penson: It is just unbelievable, as my colleague just said.

In a sense the government has just admitted that this is not a loan at all. It is not a loan to Bombardier. It is not a loan to Pratt & Whitney. It is not a loan to General Electric. It is an outright grant. At least the previous government was honest with what it called it. It called it a grant and there was no intention that it would ever be paid back.

We have seen millions of dollars of taxpayer money given away to these large corporations. Essentially the government tells us that the companies will give us research and development. We see that Bombardier is in a huge international subsidy war with Embraer of Brazil. The World Trade Organization has been very critical of the federal government for subsidizing Bombardier. The WTO said in its latest ruling that Canada had to stop. The federal government has not stopped this practice.

What happens? We recover the \$3.3 billion from the provinces. The provinces have to go to their taxpayers and say that they have to up provincial taxes to get the money to give back to the federal government, money that the provinces thought was theirs and was spent on social programs over 10 years. Now the provinces have to raise provincial taxes or cut services. That is the option. It is as simple as that.

What will the federal government do with this money when it gets it? Hopefully it will be spent wisely. That is not always the record that we see in the House.

Taxpayers in Ontario and Manitoba will be asking, when they pay increased taxes, if the money will go to a hotel in Shawinigan, or motels, or arenas, or golf courses, or regional development programs that the auditor general criticizes routinely as essentially digging a hole in the ground and pouring the money in. That is the record.

Instead of these kinds of programs and state corporatism on which the government has been spending money, perhaps it should be looking at cutting income taxes and let people get ahead. That has not been their practice in the past.

It is really a matter of priority. We could take the confrontational approach that the government seems to be bent on with the current administration, the current Minister of Finance and I say the current Prime Minister because who knows how long that will last. Really what we need is a program, because Canadians deserve better than they are getting, an end to wasteful spending and a better co-operative approach with the provinces.

The federal government has made the mistake. I say let the federal government eat it and get on with matters.

When the Prime Minister says that we lose a few million dollars here and there, I do not think Canadians accept that. They would not want to see their taxes raised in those provinces or program spending cuts for health and education in order for the federal government to receive this money back and then waste it in that style.

As the premier of Manitoba has noted that the extra funding it received, which was calculated in error, was spent on hospitals, schools and roads.

• (1035)

What is the Liberal government doing on the other side of things? It has stashed \$7 billion in off-book foundations, most of which is being invested, sitting in bank accounts not even being spent.

Some people suggested that the money was designed for the next election campaign. It could pull it out and use it as it wished during that time, \$7 billion of which the auditor general has been critical as recently as the day before yesterday. In a speech in a Senate committee, the auditor general said that this was not acceptable accounting practices.

When the federal government gets the money back, what will it do with it? The provinces received the money in error. We have seen that they have spent that money on hospitals and schools as opposed to the record of the Liberal government which has spent it on Swiss-style bank accounts with foundations and on patronage payments.

It is bad enough that the federal government has moved into social areas. I am just talking about the souring of relationships with the provinces and federal-provincial jurisdiction. If we take the confrontational approach, as the Prime Minister is basically saying we should, I suggest it will continue to sour relationships with the provinces, partly because the federal government does not have a very good record in this area. It moved over the past 30 years to take over a number of areas of provincial jurisdiction. It has muddied the water. It has even offered cost sharing programs that entice the provinces to accept some diminishment of provincial responsibilities in the jurisdictional area to get federal government money. It is like the proverbial carrot dangled in front of their noses.

Some of the areas that the federal government has moved into in the last few years that belong to the provinces are basically social areas clearly defined in the constitution as provincial areas such as health care, labour force training and education through such things as the millennium scholarship grants. We see more and more of this approach by the federal government through not minding the store in its own areas of jurisdiction and not doing the things it ought to, as was assigned to it over 100 years ago by the fathers of confederation.

Defence was an area that was clearly given to the federal government in the constitution. What has happened to monetary policy? What has happened to security and immigration? The government has messed up big time. In fact it has hardly paid any attention. If it paid any attention at all, it was to diminish the role of the defence department. Our armed forces are struggling to maintain even uniforms for use in desert conditions. My understanding is that they have them now though. They got the new uniforms just in time to come home. Is that not something? The defence department was cut back for years in the federal government's program of priorities.

Supply

What is it doing instead? It is muscling into provincial jurisdiction. It is none of its business. Why does it not pay attention to its own areas of jurisdiction? It does not have a good record there.

September 11 will show how weak the federal government has been in its own areas of jurisdiction such as security, immigration and refugees. I and my party say that the government should get back to the business that was assigned to it in the constitution by the Fathers of Confederation and stop meddling in provincial government affairs.

It seems to me that the approach the federal government is taking is one of confrontation. We believe that it should recognize that it was the main problem in the overpayment. It was a year after year miscalculation. Why does it not let it go, let the provinces solve their problems as best they can, get out of provincial areas of jurisdiction and really get back to what it should be doing?

Balancing the federal budget was done on the backs of the provinces. The Liberals already muddied the waters with the provinces. The federal government took \$20 billion out of the provinces by way of transfers just to balance its own budget. We recognize it needed to balance the budget but why would it do it on the backs of the provinces and force them to accept many lesser amounts from the federal government? The provinces had to really scratch and cut in order to balance their books.

The federal government cut transfers to the provinces by \$25 billion by the year 2000. What is happening? The federal government's budget was up with an increase in spending last year of almost 12%. About 2% of that happened because of increased security and defence spending.

• (1040)

The other 10% is just a Liberal increase, which has been so connected with this Liberal government over the last 30 years. It cannot resist increasing spending. With another \$3.3 billion coming from the provinces, what is the government going to do with it? Probably it will just increase spending again.

The Canadian Alliance does not support this. We support a more co-operative approach with the provinces. Let us write this off as a mistake, correct the problem so it does not happen again and move on toward better provincial-federal relations.

Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.): Madam Speaker, I am not sure what the topic is today. I listened to that speech and it was all over the place. I listened and did not do any heckling like some of my colleagues on the other side apparently like to do. I listened attentively to the speech to see where the member was going with it.

In terms of the overpayment issue, it is very clear from this gentleman across the way that—

An hon. member: Oh, oh.

An hon. member: It is very difficult to hear the comments.

The Acting Speaker (Ms. Bakopanos): Yes, it is very difficult to hear the comments of the hon. member over the heckling. Order, please.

Supply

The hon. parliamentary secretary.

Mr. Bryon Wilfert: Madam Speaker, maybe the hon. member thinks he is in a bar.

In any event I would like to indicate to him that it is appropriate to listen very carefully.

Let me point out some of the facts that the hon. gentleman across the way raised. He painted a picture of an economy in terrible shape and yet GDP growth surged by 6% in the first quarter of 2002, outpacing that of the United States. Growth was well balanced in the quarter with a solid 3.5% raise in domestic demand led by a second quarter of strong residential investment growth.

Let us look at other facts. This strength in the domestic demand was fueled by a pickup in personal income growth. We also note that it is the result of strong recent employment performance. Real exports also contributed to the strength in growth of 5.9%, reflecting resurgence in the U.S. demand for Canadian goods and services. The recent strength in the Canadian labour market continued in April with an increase of 37,000 new jobs, bringing gains in the first four months to 207,000.

Mr. Scott Reid: Madam Speaker, I rise on a point of order. My understanding is that under the rules of order of this place the question of relevance applies not only to speakers but also to questions and comments.

The Acting Speaker (Ms. Bakopanos): I do not believe that is a point of order, but we will assume that the hon. member will get to his question very soon.

Mr. Bryon Wilfert: Madam Speaker, I am allowed to make comments and that is in fact what I am doing. Since we obviously gave a lot of latitude to my friend across the way who was all over the map on everything under the sun, I thought I would stick with some real economic points.

My friend says that we should write off this overpayment and just let the provinces take the money. There are good examples of provinces giving overpayments to municipal governments in this country. What did they do? They demanded the money back and they got it back. The province of Ontario is a good example.

The member suggests, first, that we have not made a decision. We are reviewing the auditor general's comments on this. I would like to ask the hon. member, does he think it is prudent for us to make a decision before we have analyzed the comments of the auditor general in terms of this overpayment issue?

• (1045)

Mr. Charlie Penson: Madam Speaker, I would like to thank the member for his question. I can understand him wanting to make a speech on the finances of the nation thinking that perhaps the position of finance minister might be available again very soon, considering that the finance minister holds so many different positions. My understanding is that his caucus was all over the map on this issue and on many other issues in the last few days so he should be used to it.

He talked about how well the economy is doing, and I have to agree, but it seems strange that the Prime Minister would fire the

finance minister under those kinds of circumstances if that is the case.

If we look at it in the bigger light of how we are doing internationally and how we are doing against our major trading partner, the United States, and he raised these issues, the facts of the matter are that we still have the highest personal income taxes in the G-7, we have only 80% of the productivity of the United States and our standard of living is only 70% of that of the United States. This has been happening during the time that the Liberal government has been in power, 1993 to 1997.

I guess the linkage he is making is that the government should recover the money from the provinces that have even more money, but I am suggesting this: What is the government's record in spending this money once it has it? I thought I made a fairly clear point that there has been a tremendous amount of waste in the government. It has happened through patronage projects. We have seen it for months in the House. It is raised almost every day with a new scandal about waste of taxpayers' money. As well, I have suggested that government priorities are all wrong with things like corporate statism and corporate welfare. Money that hardworking Canadians struggle to raise is going to big corporations.

The point I was raising is that yes, we could take the approach the member talks about and we could recover the money from the provinces. That is one approach we could use, but as I put it, that to me seems to be a confrontational approach. The federal government made the error, not just in one year but for almost 10 years, year after year. The provinces have spent the money, so they are going to be put in the position that they somehow have to recover it. In the case of Ontario \$2.5 billion would have to be paid back. What are their options? That is what I was pointing out to the hon. member. What are their options? Are they going to raise taxes to do it or are they going to cut program spending?

In the case of Manitoba the premier has told us that money has long since been spent on social programs, education, health and building roads in the province. Does the federal government want the province of Manitoba to pay that back and to suddenly have to come up with some new taxes in order to do so? I think that is the wrong approach.

The Liberal government does not have a good record in provincial-federal relations. Now is the time for it to help clear the air. It could say "We made a mistake, it is our mistake, and we recognize that we could get it back but there is still only one taxpayer out there". While the government is at it, maybe it could also admit that it does not have a very good record in spending public money to begin with. We see numerous examples of that in the House almost every day.

I think that the better approach, and our party supports it, is to forgive the overpayment, clean up the problem so it does not happen again and move on.

Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.): Madam Speaker, I am pleased to have an opportunity to address the motion put forth by the hon. member for Peace River.

The issue of overpayments to provinces under the tax collection agreements is a complex one, so I would like to take a few moments to provide some background, beginning with a quick explanation of how the tax collection agreements function.

Under the tax collection agreements, the Canada Customs and Revenue Agency, CCRA, collects personal income taxes from all provinces and territories except Quebec. The federal government pays to those provinces the appropriate share of the taxes collected, based on accounts provided by CCRA.

Overpayment to the four provinces, namely Alberta, British Columbia, Manitoba and Ontario, are the result of a tax accounting problem at CCRA. The problem relates to the accounting of capital gains refunds by mutual fund trusts. Mutual fund trusts pay federal and provincial income tax on capital gains. Under some circumstances, mutual fund trusts can receive a refund of both the federal and provincial portions of this tax paid.

Due to a problem with CCRA accounting processes, however, the provincial portion of the capital gains refund claimed by mutual fund trusts was, for many years, not being deducted in the computation of the provincial tax revenues. Instead, it was deducted from federal revenues.

In other words, when mutual fund trusts paid provincial income tax on capital gains, the amount of the tax was added to the payments to the provinces. However, when the mutual fund trusts received a refund of provincial taxes paid, the refund was not deducted from the payments to the provinces.

The problem did not affect taxes paid by individuals or businesses. It was strictly an issue between governments. Nevertheless, the amounts of the overpayments were significant. They amounted, as was pointed out, to some \$3.3 billion for the years 1993 to 1999. Alberta, British Columbia, Manitoba and Ontario are the most significantly affected provinces. Ontario's overpayment is about \$2.8 billion and Manitoba's is more than \$400 million. British Columbia was overpaid by \$120 million and Alberta by \$4 million.

In the course of enhancing computer systems used for tax accounting, the CCRA realized that there might be a problem and, as a result, initiated an in-depth review. As soon as this internal review process indicated that the problem was real, the CCRA informed the finance department and the auditor general.

I am pleased with how the government has acted on this issue. In all instances we have been upfront and transparent with Canadians. We have been quick to take action. As soon as the auditor general confirmed that the problem existed, we took action to prevent further overpayments, we began discussing the issue with the provinces, and we asked CCRA and the auditor general to confirm the amounts involved, which brings us to where we are this week.

Just a few days ago, on Monday, the auditor general gave the Minister of Finance the reports on the overpayments. There are four reports altogether. There is an auditor general's report for the years 1997-99. There is an accountant's report for 1993-96 and another for the years prior to 1993. For the 1993-96 period, the procedures carried out are the same as those used to conduct an audit. However, because some documentation was not available, the auditor general

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cannot express an audit level verification on the amount of the overpayments for these periods.

I am sure that when my colleague, the Parliamentary Secretary to the Minister of National Revenue, speaks she will of course elaborate on this. She will be splitting her time with me.

For the period prior to 1993, the auditor general found that the necessary financial information to determine the amount of the overpayments relating to the period does not exist.

• (1050)

The fourth report deals with CCRA accounting practices. It essentially verifies that CCRA has implemented procedures to account for the provincial portion of the mutual fund trust capital gains refund. Practically speaking, it means that problem has been solved.

In the spirit of accountability and transparency the Minister of Finance made the auditor general's report available to the provinces and all Canadians as soon as he received them.

Moving forward, we need to review and thoroughly understand the auditor general's findings before making a decision on how to resolve the issue. I am sure all members would agree that it is prudent to do so. Otherwise we would be taking rash action. We must also consider what the impact may be on the provinces and territories. Because the overpayments made under the tax collection agreements affect the calculation of equalization they have an impact on all provinces, not just the four I mentioned earlier.

I think hon. members will recognize that where there is an overpayment of any kind, whether by a federal or provincial government or by an individual, it is normal to expect the amount overpaid to be returned. However as I mentioned earlier, this is a remarkably complex issue. The solution is far from clear at this point. Suffice to say that the government is determined to ensure the problem is resolved in a reasonable and fiscally responsible manner.

As we work toward resolving the issue I can assure the House that the government will continue to co-operate fully with the auditor general and with the provinces and territories. We will continue to be honest and up front in dealing with the issue for Canadians.

• (1055)

Mr. James Rajotte (Edmonton Southwest, Canadian Alliance): Madam Speaker, I thank my hon. colleague for his speech on the issue.

I will ask him a question which was raised by our finance critic regarding the repayable contributions. If the federal government is so intent and keen on going after the provinces for its own mistakes on overpayments, could the hon. member please enlighten me as to why it has not been more diligent in going after things such as the repayable contributions to which our hon. member referred?

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I have in my hand a 20 year history of Industry Canada's repayable contributions and the actual repayments by program. About \$4.19 billion was paid out under the department's programs. Less than a billion, \$.9 billion, has been repaid. Could the hon. member explain why the government has not been more diligent in going after this?

Let us look at a program under Industry Canada, Technology Partnerships Canada. The release of two annual reports this year, one for 1999-2000 and the other for 2000-01, revealed that of the \$1.6 billion spent or outlaid since the program was created in 1996 until March 31, 2001, only \$20.1 million was repaid.

Why is the federal government going after the provinces for its own mistake while not going after the repayable contributions or loans it makes through Technology Partnerships Canada?

Mr. Bryon Wilfert: Madam Speaker, I thank the hon. member for his question.

First, the hon. member suggested we were going after the provinces and territories. As I indicated in my speech very clearly, we are reviewing the auditor general's report. It is a complex issue and no decision has been made. It would therefore be premature for the hon. member to come to a conclusion we in the government have not reached.

We are not going after anyone. We are reviewing. We have been up front with the provinces and territories. We have provided them the information. We have released the auditor general's report not only to the provinces and territories but to Canadians as a whole. An assumption has been made regarding a conclusion which has not been reached.

As far as Industry Canada is concerned, I am sure the hon. member can appreciate that I do not have the information in my hands. I appreciate the comments he has made. He may find it helpful to direct the question in writing to the appropriate individual, probably the minister. Otherwise I cannot comment on it.

It is critical that the information on the overpayment be available in the public domain so people can look at the four reports. As I mentioned, there are four reports and they are very complex. We want to make sure that when we come to a decision we do so in the interest of all Canadians.

• (1100)

Ms. Sophia Leung (Parliamentary Secretary to the Minister of National Revenue, Lib.): Madam Speaker, I am pleased to respond to the motion tabled by the hon. member for Peace River. My hon. colleague the Parliamentary Secretary to the Minister of Finance has provided a clear explanation as to how we will deal with the issue. However I will discuss it further for the benefit of hon. members.

The motion before the House today fails to recognize the fundamental responsibility of government: When a problem is identified it must be corrected as quickly as possible. When it involves taxpayers' money as this problem does, steps must be taken to ensure the money is put to the use for which it was collected.

I will focus my speech on what I believe was an effective and responsible reaction to the accounting problem on the part of the government. Members of the House will recall that on January 29

the Minister of National Revenue announced that CCRA had identified a problem in tax accounting that resulted in overpayments to six provinces under the Tax Collection Agreements.

I cannot emphasize too strongly that the problem does not affect taxes paid by individuals or businesses. As a result of the accounting problem the Government of Canada over a period of more than 25 years overpaid some provincial governments under the Tax Collection Agreements it has with the provinces. The only significantly affected provinces are Alberta, British Columbia, Manitoba and Ontario.

The accounting problem was detected by CCRA staff in the course of working on the modernization and computerization of one of CCRA's accounting processes. The overpayments to the provinces are the result of a problem in accounting for provincial capital gains refunds of mutual fund trusts.

As soon as the agency's internal review indicated that a problem existed the auditor general was immediately contacted. Every effort has been made to ensure as open and transparent an investigation as possible while ensuring no individual taxpayer information is released. We have respected confidentiality. The government took immediate action to ensure the overpayments would not be continued.

As members know, the auditor general has studied the CCRA accounts to confirm the scope of the problem. Her report was received earlier in the week and was promptly made available to the public. In her report the auditor general gave complete assurances that there had been \$2.5 billion in overpayments in the period from 1996 to 1999. She gave a partial assurance that over \$800 million had been overpaid in the period from 1993 to 1996. In the spirit of accountability and transparency the reports were released to the provinces and the public as soon as they were received. The auditor general also confirmed that the CCRA had made changes to its accounting practices applicable to mutual fund trust capital gains refunds to avoid a similar omission in the future.

Members should realize that the problem was not simple to detect. It arose with respect to the capital gains realized by mutual fund trusts. Mutual funds are a type of collective investment vehicle which allow Canadians a simple way of investing indirectly in a broader range of stocks and bonds in a number of different markets. The funds are essentially approved investments.

• (1105)

The problem happened like this: When a mutual fund sells one of its investments and makes a profit it has a capital gain and must therefore pay a capital gains tax. When the value of the investment is realized by an investor in the trust, for example when an investor sells his or her share in the trust, the investor realizes a capital gain and must pay tax on the capital gain.

However that is two capital gains taxes on the same profit. The basic principle of capital gains is that tax should not be paid twice on the same transaction. Therefore when the investor pays the tax on the capital gains the CCRA refunds to the trust the capital gains it had paid.

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The problem arose because the provinces have capital gains taxes that mirror those of the Government of Canada. The CCRA was collecting the entire tax on the capital gain from both the trusts and the investors, including both federal and provincial shares, and paying the provincial share to the provinces. This is where the error occurred. The provincial portion of the capital gains refund for mutual fund trusts was being deducted from federal revenues rather than provincial ones. In short, the provinces ended up getting more tax revenues on the capital gains of mutual fund trusts than they should have, while the Government of Canada ended up getting less than its share.

As members can understand, this was not easy to detect. In her statement of January 29 the Auditor General of Canada said controls and reviews by CCRA and the Department of Finance did not reveal a problem, nor did their audit work. The problem was only discovered when CCRA automated the tax filing process for mutual fund trusts.

Although the problem was detected in the course of computerizing the accounting processes, members should not assume CCRA does not rely extensively on automated systems already. The agency has one of the largest and most sophisticated information technology outfits in all of Canada. Its expertise is recognized worldwide. The CCRA continues to work full time to modernize its processes so it can provide increasingly higher levels of services to Canadians and Canadian businesses. Our tax administration is truly leading edge.

However the CCRA does not work in isolation in its modernization process. It is consulting with large and small businesses and other interested parties in determining the direction its modernization efforts should take over the next 10 years. The process which CCRA calls Future Directions will ensure that, particularly for business, the computer and information systems it develops will be consistent with those being developed by the private sector.

By making every effort to ensure the systems under development will be compatible and client friendly, CCRA is demonstrating its commitment to better client service now and in the future. The Minister of National Revenue and the management of CCRA should be saluted for their openness and transparency in ensuring everyone knew they had found a problem and that they were taking every step possible to resolve the issue.

• (1110)

For that reason I believe our government will be able to maintain the spirit of co-operation and transparency, and to find an appropriate solution to the problems by working with the provincial governments affected.

I cannot support the motion presented by the member today because we need to explore all our options.

Mrs. Lynne Yelich (Blackstrap, Canadian Alliance): Madam Speaker, I listened with great interest to the member. I listened to all the technological problems she expressed and the 10 years it took to discover this great error.

At the end of her remarks the member said that she was exploring options. I wonder if she would agree to simplify the tax system somewhat. The system sounds very complicated. She talked about the taxes and the difficulty in detecting the serious problems that

have occurred. Since billions and billion of dollars were miscalculated, would she consider a simplified tax system?

Ms. Sophia Leung: Madam Speaker, yes, we are trying to streamline the system. We are upgrading the computer system to ensure that we will not have mistakes in the future. I think we are trying to simplify matters and trying not to have as many loopholes as we had before.

Mr. James Rajotte (Edmonton Southwest, Canadian Alliance): Madam Speaker, I thank my colleague for her speech today and thank her for clarifying some of what happened.

As the member is the Parliamentary Secretary to the Minister of National Revenue, I believe she has direct knowledge of this area.

I understand her argument about capital gains. She said that this was discovered when there was an update in the computer systems and a change in accounting. I believe I heard her correctly when she said that. With her direct experience, could she provide more background on what sort of computer change happened when this error was discovered?

Further to that, she talked about the period from 1993 to 1996 and from 1996 until 1999. The capital gains tax goes back to 1972, so this could go back even farther.

I know the previous speaker said that the government had not made a decision yet, but it does seem intent, through its opposition to the motion, on asking the provinces to pay the money back. If further monies are discovered and further errors are discovered with the provinces, because this does go back to 1972, will the government then ask for those monies back as well?

Ms. Sophia Leung: Madam Speaker, the problem for many years was virtually undetectable because the mutual fund trust was not a significant investment vehicle until 1990. That really was the start of our problem.

In the meantime, our improved system will make it easier to detect any future problems or mistakes. We are reviewing other options to know what we should do. I also want to inform the member that the province of Alberta has voluntarily refunded the overpayment.

We all know the government has a lot of distribution for funding, especially the CHST and the equalization payments. We need the funding to support the other provinces.

• (1115)

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Madam Speaker, I am pleased that my colleagues of the Canadian Alliance have raised this major problem, which was discovered last January. It has been analyzed since then by the auditor general.

I will start by asking the government a question. Is there someone piloting the plane, is there anything working properly in this government? For the past two months or so, problems have cropped up every week. When it is not a matter of funding or lost reports, it is problems related to the near-corruption of this government.

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Today, we are informed, with a little more precision, based on the analysis of the auditor general, that there have been shortcomings in the administration of our taxes. From 1993 to 1999 in particular, the federal government overpaid four of the Canadian provinces to the tune of \$3.3 billion. If we include the year 2000, since we can make an estimate from the data available, we could add on another billion, for the grand total of \$4.3 billion.

It is an aberration that there is not more control over the taxes we pay to Ottawa. The other side is constantly telling us about competency, about good governance, about transparency. Over the past two months, there has been one example after another proving that it is just the opposite. This government lacks transparency in the allocation and distribution of government funds. This government is not managing our taxes properly. This government spends its time pondering the issues that we, the opposition, have raised.

These issues often relate to the very integrity of this government, with regard to the allocation of subsidies. In recent weeks, we witnessed it in the area of sponsorship. All that this government was able to say is that it is checking things out, it is investigating, it is examining the problem. The government leader is about to fall asleep over this issue, because whenever we raise a management or corruption problem, he tells us "I will check, I will review, I will examine". Since he began giving us this line, the files have been accumulating on my desk and we never get answers to our questions on the proper or improper use of public funds, which are made up of personal and corporate taxes.

The issue that confronts us today is a serious one. As we know, the federal government collects all the taxes paid by individuals and businesses, in all the Canadian provinces. It does so on behalf of the provinces, except for Quebec, which set up its own revenue department several decades ago. It is the federal government, based on certain parameters, that redistributes to the provinces the taxes to which they would normally be entitled if they themselves had collected these taxes from their taxpayers.

In redistributing these funds, the federal government made a mistake during the years 1993 to 1999 in one area of personal income tax, namely trust funds. It gave too much money to four provinces: Ontario, Manitoba, British Columbia and Alberta. It gave them \$3.3 billion more than these provinces would have been entitled to if they themselves had collected the taxes from their taxpayers.

As I mentioned earlier, in the year 2000, another mistake was made in the redistribution of the taxes, with the result that these four provinces received an additional \$1 billion, which they should not normally have received.

All of these miscalculations in estimates from 1993 to 1999 and all of these miscalculations in the redistribution of taxes have had a ripple effect, a domino effect on other aspects of the federal government's fiscal policy, including equalization. From 1993 to 1999, by overestimating the fiscal capacity of the provinces targeted by the equalization calculations, Ontario and other provinces received most of the overpayments made by the federal government, the result being that equalization payments to receiving provinces were overestimated.

• (1120)

If we take Quebec as an example, due to miscalculations from 1993 to 1999, it is said to have received an equalization overpayment of \$825 million. If the provinces that received part of the \$4 billion in overpayments made by the federal government pay it back, it could have a domino effect when it comes to equalization.

We are talking about a lot of money for Quebec: \$825 million. This represents 80% of the budget for all of Quebec's CEGEPs. This represents half of the budget for universities and 65% of health care spending in the Montérégie, where the beautiful riding of Saint-Hyacinthe—Bagot is located. An amount equivalent to 65% of health care spending is a great deal of money and not enough right now, incidentally. However, by taking away \$825 million, if all of the provinces were asked to pay it back, including indirect reimbursements as a result of equalization, that is the kind of impact this would have.

If we look at the overpayment figures received by the four provinces I mentioned earlier, Ontario, Manitoba, British Columbia and Alberta, when we look at the per capita figure, we come up with fairly sizeable amounts. For example, Ontario received an overpayment of \$321 per person.

If we compare this with the equalization payments resulting from this error and received by the provinces, if we look at the \$825 million overpayment received by Quebec because of this miscalculation by Revenue Canada on a per capita basis, it works out to an overpayment of \$321 per person for Ontarians, compared to \$111 per person for Quebecers, for the overpayment resulting from this overestimate of Ontario's revenues, or rather of its fiscal capacity.

There is therefore a difference between the net benefit received by Ontario as a result of this error, which led to \$3 billion tax overpayment it should not have received from the federal government. There is a difference of approximately \$220 per inhabitant between the benefits that went to Ontario and those that went to Quebec.

If we look more closely at the situation, we agree with part of the motion put forward by our colleagues in the Canadian Alliance, that there should not be a clawback for an error of this magnitude. There would be too many consequences and domino effects on equalization and on other tax considerations. But, if four provinces benefited from an error made by the federal government between 1993 and 1999, and even 2000, if they received more in taxes than they would normally have received from their taxpayers, somewhere it must be taken into consideration that these four provinces benefited from an error, while six provinces did not. The relative wealth of these provinces and others was therefore attributable to an error by Revenue Canada.

Since it is impossible to change history, and since we accept and support the first part of the motion of the Canadian Alliance to the effect that the government cannot demand repayment from these four provinces. The six other provinces that did not benefit must instead be compensated. I noted that, even by comparing Quebec's equalization payment—the other benefiting provinces could have also been used—even comparing the amounts of equalization per Quebec resident with the amounts an Ontarian, for example, received as a result of the federal government's overpayment in tax terms, the difference represents about \$220 per capita.

We contend that this is the compensation that should be given, on a per capita basis, to the six other provinces that did not benefit from Revenue Canada's error.

● (1125)

This is the error that is known about, that is, the one made between 1993 and 1999. Then there is also the error we estimate to amount to over \$1 billion, for 2000.

However, Revenue Canada has acknowledged that these errors may have occurred since 1972. The auditor general has not closed the door on the possibility that the amount overpaid to the provinces between 1972 and 1992 can be calculated.

She has even cast doubt on Revenue Canada, which is now the Canada Customs and Revenue Agency, in connection with the response given by a senior official, who said that there was not enough information to evaluate the amount of the overpayment between 1972 and 1992. According to the auditor general, the figures could be calculated.

However, if we limit ourselves to the 1993 to 2000 period, it would be appropriate—based on discussions with my Canadian Alliance colleague, who is the sponsor of the motion—if the fruit of the federal government's error is left with the four provinces, to compensate the other six, which did not benefit from the error, on a per capita basis.

I gave an example a little while ago, concerning excess equalization payments and the difference between them and the amounts involved in the federal refund for Ontario and the three other provinces—with Ontario benefiting the most—the refund of excess taxes.

This is the solution we see. The federal government does not have to ask the four provinces to pay for past mistakes. Particularly since the four provinces in question are grappling with financial problems which grow worse with each passing year, as the population ages and pressure is put on the health sector.

Canadian provinces and the government of Quebec are already facing enormous pressures on their public finances. These pressures have grown worse since 1995, when the former minister of finance, who recently stepped down, made the worse cuts in the history of Canadian federalism in health and education transfer payments to the provinces and to the government of Quebec. The provinces were bled dry.

I did not take part in the chorus of praise for the former minister of finance, because praise is not what he deserves. When we look at who did the job, he is not the one we should be describing as a good

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manager. We have seen the glowing terms used by analysts who have lost their powers of judgment and analysis in recent days and have been saying that he was the best Minister of Finance since Confederation. Let us be serious.

The reason the Minister of Finance was able to eliminate the \$43 billion deficit was because he got others to do the work. He did not do anything. He sat back and pressed a button to destroy social programs, and got the provincial ministers of finance to do the actual dirty work of downsizing.

This is what has happened since 1995. Which means that any chorus of praise with respect to Quebec should be directed at Mr. Campeau, who was finance minister when the former minister of finance made his first deep cuts, at Ms. Marois, and at Bernard Landry. They were the ones responsible for putting the federal fiscal house in order. They were the ones who were the good managers and who did more with less, given these deep cuts by the federal government and the former minister of finance, pretender to the throne.

Oh, he did work on this. Since 1995 he has been working at preparing for his exit. The former minister of finance was preparing for his exit, because he kept on announcing really insignificant surpluses and then, at the end of the fiscal year, making spectacular announcements of a surplus. This is a farce. It is the way a trumped up reputation is built. It is also how a person can prepare his exit in order to prepare for a leadership race. That is what the finance minister had been doing ever since 1995.

The unemployed merit congratulations, a handshake and a shower of praise. Every year, the former minister of finance has literally helped himself to the EI fund surplus. And yet he is being praised to the skies as a great humanitarian and a great person. The reputation as a humanitarian and a good administrator both need rethinking.

It is easy to be a good administrator when the EI fund is now being used just like any other source of funds and becomes part of the government's consolidated fund. It is no longer insurance. It is easy to pad the surplus when 60% of the unemployed are shunted aside as no longer eligible, thus making it possible to inflate the surplus and one's popularity as a good administrator. I think the unemployed are the ones deserving the shower of praise, not the former minister of finance and pretender to the throne.

● (1130)

Getting back to the issue before us, after depriving the provinces from a net \$24 billion since 1995—this is taking into account the amounts given gradually, the \$800 million here and the \$800 million there—in transfers for health, education and income security, would it not be a good idea for the federal government to give back some of the money that it literally stole from the provinces, and to begin by not retroactively claw back the \$4 billion paid by mistake between 1993 and now, and instead compensate the other six provinces that did not benefit from this mistake, this incompetence in the management of public funds?

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It seems to me that this would give back a small portion of what this government stole from the provinces. Normally, that money should have been used to strengthen the health system, which is in great need of additional funding, particularly with our aging population.

Would it not be a good idea to leave them this \$4 billion and compensate the other six provinces, so as to partly make up for the money stolen by this government and the former minister of finance and help fund education?

Members opposite talk about youth with their hands on their hearts; they talk about the future; they say that our young people represent our future and that they are proud of them. How many times did we hear the Minister of Finance talk about the future of young people and say that he really cared about it? Such hypocrisy.

At the same time that they were saying this, they would tell us that cuts were necessary, that cuts had to be made in social transfers to the provinces. It might be a good idea to let the provinces benefit from this mistake this time around. It would also be a good idea to compensate the other provinces that did not benefit from this mistake. It would just help them a bit.

They are swimming in money; it should be made clear today that they will not ask these four provinces to reimburse them and that they will compensate the other six provinces. Enough with the jokes from the other side.

I hope that the new Minister of Finance will go over the former minister's figures. There is only so much we can take when it comes to being laughed at like this, to being told that there is no more money left, that things look bad, that the surplus will not be very much, that the economy is in a downturn.

Hon. members will recall, six months ago, our competent former finance minister—who is being heaped with praise today, even the analysts have lost their objectivity—was forecasting a surplus of \$1.5 billion for the financial year ending March 31. We ended up with a surplus of almost \$10 billion, \$9.8 billion to be precise.

Six months ago, our calculations predicted a surplus of between \$9 billion and \$10 billion. How is it that he, with all of his expertise, he who has received nothing but praise for the past week, could not anticipate this?

Enough with the jokes from the other side; enough with them telling us that they are good managers, that things are being checked, that they are improving, and will be even better in the future. Let them start being normal for once. Let them start by managing public money normally. Let them also see that while Ottawa is sinking under the weight of the surplus, Quebec and all of the provinces of Canada are having trouble making ends meet at the end of every month.

The population, particularly the aging population, has needs with it comes to health care. The future population also has needs, those who will take over for us. These young people need investment in education from the provincial governments, that are responsible for this education.

The four provinces should be allowed to benefit from this mistake, but those that did not benefit from the federal government's mistake should also be compensated.

I would like to propose an amendment to the motion moved by my colleagues from the Alliance.

I move:

That the motion be amended by adding the following to the end of the motion:

[*English*]

“and to give compensation to others which have not benefited from these errors”.

● (1135)

[*Translation*]

The Acting Speaker (Ms. Bakopanos): The Chair will examine this amendment in order to determine whether it is in order.

Mr. André Harvey (Parliamentary Secretary to the Minister of Transport, Lib.) Madam Speaker, to be very honest, I wish to take advantage of my colleague's expertise. The bulk of his speech constituted an objective analysis of the opposition motion we are dealing with.

I am sure he is aware that the government, Canada Customs and Revenue and the Department of Finance in particular, are going to give very careful scrutiny to the technical error for the years 1993 to 1999.

I would, however, like to make the following point. Sometimes, when analyzing figures, there is a tendency, not always deliberate, to exaggerate certain information. I recall, for instance, the campaign launched in Quebec by the government in power concerning the 15 cent federal contribution to health care, while we now know that the figure is excess of 40%. This is public knowledge.

I would like to take advantage of the fact that my colleague has spoken on this issue. Given his frequent dealings with funding and his very clear understanding of the difference between tax points and equalization payments, I would like to ask him what he thinks of the present position by the Part Québécois and even the government—the possibility is being discussed—of holding a referendum on tax points this fall, knowing that the cost of this referendum will be some \$50 million and it is supposedly a known fact that a consensus will be readily attainable.

This morning I read an article by André Pratt in which he characterizes such a referendum as an exercise in futility, that will be costly and above all risky.

I would therefore ask my colleague, in all honesty, what he thinks of the appropriateness of holding a referendum which strikes all Quebecers as pointless and would cost between \$50 million and \$75 million.

The Acting Speaker (Ms. Bakopanos): Before the hon. member responds, I must inform the House that, pursuant to Standing Order 85, an amendment to an opposition motion may be presented only with the consent of the sponsor of the main motion. This consent has not been indicated to the Chair.

Supply

Mr. Yvan Loubier: Madam Speaker, on a point of order. I obtained the consent of the sponsor of the motion, of my colleague, with whom I discussed the matter this morning. He can confirm that.

[*English*]

Mr. Charlie Penson: Yes, we agree with that, Madam Speaker.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Madam Speaker, I would first thank my colleague from the Canadian Alliance for agreeing to this amendment and for being open to discussion this morning. I will remain objective in my response to my colleague of the Liberal Party, as I have since the start of this debate.

First, I would correct his figure of 40% for health. It is very inflated. Second, even taking into account the tax points given up in the 1960s, the figure is around 20%. However, if these tax points are taken away, the figure drops to 13%.

It would be a good idea to take them away. If they gave up a taxation area in the 1960s, they gave it up. After 30 years, a person cannot claim right of ownership of a house that has been given up.

This area of taxation was given to the provinces and to the government of Quebec in the 1960s and to other provinces in 1977. It does not even appear any longer in the columns of Liberal government figures. This then is proof that the funds are not allocated. There is no spending, but it was transferred, sold, given away in the 1960s. This is just a little point I wanted to make.

As regards the holding of a referendum, we are still pondering the issue, both in Quebec City and within our party. However, a referendum has two virtues, even when there is consensus on the question.

First, it makes the federal government realize that this consensus is real consensus. The hon. member knows—because he witnessed it when he was in the opposition, before joining the Liberals—that even when we have had very strong consensuses in Quebec, they were ignored. This government would not accept them, it would just ignore them.

That was the case with the Young Offenders Act, on which there was consensus, and even unanimity in Quebec. Still, this government just would not listen. Having the public express itself clearly on an issue such as tax points is an additional argument. Therefore, we must consider this option.

The second virtue of a referendum is that it informs the public. We may talk about tax points, but the fact is that there is a fiscal imbalance. It is even reflected in the last fiscal year, with this \$10 billion surplus, even though the government said there would be no surplus. These surpluses will grow, they will not shrink.

There has been a certain slowdown in the economy in recent months and, despite this slowdown and the new security measures, such as those announced in the last budget in December, there is a surplus. In the years to come, the surplus will increase almost exponentially.

This situation must be explained. The misinformation dished out by the Minister of Intergovernmental Affairs, who says just about

anything that comes into his head on this issue, who tries to publish a document so ridiculous that it does not stand up to even an hour of superficial analysis, must be countered. He comes out with complete nonsense, such as that we heard yesterday, when he said that a referendum on a federal issue was illegal in any event, or some such drivel. I no longer really listen to him.

Nonetheless, the public must be given accurate information. This is a serious situation. On behalf of the public, I only hope that the new Minister of Finance is more receptive than the previous one, that the new Minister of Finance analyses the situation properly, unlike the previous incumbent.

I hope for this receptiveness on behalf of Quebecers and Canadians, who hope to have the best services possible, particularly in the health and education sectors.

• (1140)

[*English*]

Mr. Charlie Penson: Madam Speaker, I would like to thank my colleague from the Bloc, the finance critic, who has made a good intervention this morning. He did talk quite a bit about the previous finance minister and what his practice was, it seems, of not being very good at accounting. He talked about the employment insurance surplus that year after year has built up a tremendous amount of money for the federal government. Even in this current year there is \$3 billion more collected than what is required by the chief actuary. This surplus has been built up to something like \$35 billion over the term of the former finance minister.

There is also the matter of the foundations that the former finance minister funded, of which the auditor general is very critical, with essentially over \$7 billion in off book foundations.

As well, there is the practice of underplaying or lowballing the federal revenues in his budget to always make it look like he is doing better than he had projected. In this current year it looks like there will be a \$7 billion to \$10 billion surplus. The finance minister had projected \$1.5 billion. It seems to me that was a practice that the former finance minister engaged in. I am not sure what he was trying to do. Perhaps it was to build up funds for an election year or his own campaign or whatever.

Again, it seems to me that it goes with this whole problem the government has of problems with calculations made by Revenue Canada and with overpayments, this current matter we are discussing today. If the federal finance minister and his department cannot run the department in a better fashion than that, is that not really a serious problem we have here in Canada?

[*Translation*]

Mr. Yvan Loubier: Mr. Speaker, I thank the member for Peace River for his comments and his question.

Of course, there is a problem. When it is not a problem of cronyism or outright thanking with money friends who have made contributions to the Liberal Party of Canada, it is clearly a problem of management abilities.

Supply

The member mentioned it: the fact that a \$4 billion error such as this was made in overpayments to four provinces raises serious questions about this government's competency and that of the main administrators at Revenue Canada, or the Department of Finance.

The former Minister of Finance's estimates are a farce. From 1997 to today, the former minister was out by \$66 billion in cumulative surpluses. This means that every year, he diverted billions and billions of dollars away from public debate. This was repeated until after five years, a total of \$66 billion had been accumulated.

This means that citizens of this country did not get the real picture of public finances, they did not see what this government could have done because the truth was being kept from them. They were being told all kinds of things about the surplus. They were told "there will not be that much of a surplus. We must be careful, we must be prudent".

There is a difference between being prudent, even being extremely prudent, and saying all kinds of things to the public and taking them for idiots. The former Minister of Finance took the public for idiots. He was \$66 billion off in his forecasts; it makes no sense.

During all those years, I think he was trying to set the stage for his exit, the way he did reaping incredible praise on his abilities as a manager. That is what he did. He put his leadership campaign before the welfare of the population. That is what he did.

• (1145)

[*English*]

Hon. Lorne Nystrom (Regina—Qu'Appelle, NDP): Madam Speaker, I want to stand today to say a few words about the motion before the House which was moved by the Alliance.

When we start talking about equalization and the overpayment to the provinces, the first thing that comes to my mind is that this is a government across the way that cannot count the overpayment to the provinces it is now trying to collect in terms of equalization.

We have had the consistent budgets of the former minister of finance where he has been consistently underestimating the surplus, not just by a small margin, but radically underestimating the surplus. Last year was a very good case in point, where he had a budget in December estimating the surplus to be about \$1.5 billion.

Before I get into the rest of my remarks, I want to say that I am splitting my time with my colleague from Winnipeg Centre who will talk more specifically about some of the impacts of the motion vis-à-vis Manitoba and the overpayment in the province of Manitoba.

In general we have had across the way a minister who has really underestimated the surplus, year in and year out. He said the surplus would be \$1.5 billion for fiscal 2001-02. As it turns out, the surplus will be more like \$7 billion or \$8 billion or even \$10 billion for fiscal 2001-02. He cannot count and the government has not been able to count, as I said a minute or two ago. It does this year after year.

It is okay to be frugal. It is okay to be prudent. In the past we had a Conservative government led by Brian Mulroney that could not count the other way. It kept saying that we would have a small deficit and the deficit got larger and larger. I see my good friend from Nova Scotia hanging his head in shame as he recalls those days in the Conservative Party when the deficit started to bloom each and every

single year, hitting at one time a \$40 billion deficit in one particular fiscal year. It really went out of control. The thing about the NDP in Ontario is that it is very good at estimating whatever the surplus or deficit might be.

What I am talking about here is the ability to count. Because if we cannot count and we do not know what the numbers are, it is very hard for people to do any planning if they are not sure what the balance sheet will be at the end of the year. It is hard for the provinces to do planning as well. We are see that now in spades in some provinces, particularly in Manitoba as it worries about this huge overpayment and whether part or all of it might be collected by the federal government.

As we know, the federal government has a taxation agreement with all the provinces except Quebec. It collects these taxes and then makes payments to the provinces in terms of the share of the money that the provinces get.

I also want to spend a few minutes this morning talking about the importance of having an equalization system in the country. This has been part of Canadian fiscal federalism now for quite some time. I can remember many years ago when this was a very important issue in the House in terms of how we create the equality of conditions between the wealthier provinces and the poorer provinces in the country. I remember this during the Trudeau years. I also remember during the constitutional debate when we decided as a country, as a parliament and as provinces to enshrine the principle of equalization in the Constitution of Canada as one of the defining elements of what the country is all about, the creation of the equality of condition between the provinces.

Regardless of whether people come from a poorer province or a wealthier province, the citizens of that province have equal rights to a decent public education, to decent health care, to a decent standard of living and to decent services. If people come from oil rich Alberta where there is a lot of money because oil was discovered there or whether people come from New Brunswick, which has not over the years had the same fiscal ability, people still have the right as citizens of those provinces to have equality of condition. That is what equalization has been all about.

Recently we have had, in particular from the Alliance Party, a movement that is calling into question whether these equalization payments should be there at all or whether these equalization payments should be as high.

Coming from a province like Saskatchewan, which usually gets equalization but a very small part of it, very small payments from equalization, or sometimes does not receive any equalization at all, let me say that it is very important that we defend the principle of equalization and modernize the formula for equalization so that we have greater equality among the provinces.

•(1150)

People should be aware that the Reform Party now the Alliance Party wants to curtail equalization payments. We made a very clear statement about this a week or so ago when the member talked about Atlantic Canadians and how they had developed a psychology of dependency on payments from the federal government. At a press conference he said that other areas and not just Atlantic Canada had this same psychology of dependency.

I wonder to what areas he was referring. He is obviously referring to the other recipients of equalization, which historically have been the provinces of Saskatchewan, Manitoba and Quebec. That kind of narrow minded philosophy is very dangerous. It is not the position of somebody who should be a national leader with a national vision of equality across the country. This is the position of someone with a narrow regional vision who does not see a role for the public sector or for public services as a way to enhance the common good in the country.

It is important to reinforce the idea of proper equalization, that it be updated and that the formula be modernized to ensure that every Canadian, regardless of where they came from and regardless of the province's historic wealth or lack thereof, has an equal opportunity to participate in the public good.

When we look at the motion before us, it is very important to reinforce those ideas. The government across the way has to provide more accurate forecasts as to what the revenues are. We can plan to put more money into public services.

Last year, if the federal government had taken its \$10 billion surplus and reinvested two-thirds of that in the economy in terms of our infrastructure, think of the jobs that could have been created. If the federal government had invested some of that money in public health care, we could have had a stronger public health care system in Canada. Unfortunately the provinces' shares have gone up over the last couple of decades and the federal government's share has gone down.

With federal investment we could have a national pharmacare program or a home care program with national standards. However the federal government cannot properly count money coming into the federal treasury. At the end of the year, because of current legislation, any surplus goes automatically toward the national debt and that cheats the country of proper debate on where these surpluses should go. That is why it is important that we have more accurate accounting from across the way.

If the Liberals cannot count figures more accurately, then the very least we should have is a fiscal stabilization fund. At the end of the year any surplus would go into this fund and then parliament, on behalf of Canadians, would decide how much money would go into improved services, how much to the national debt and how much into tax cuts. We could then have a democratic debate in the House of Commons to indicate where taxpayer money would be spent. That is the way we should go, but unfortunately we do not have it today.

Last year there was a surplus of \$17 billion. The federal government said that the surplus would be much smaller. What happened to that \$17 billion? Every penny of that \$17 billion went to pay down the national debt. If Canadians were consulted, I think

Supply

they would have said that it was important to pay a significant portion on the national debt, but not everything. I believe they would have said to put some of that money into health care, public education, the farm crisis and infrastructure.

An hon. member: What about the 50:50 formula?

Hon. Lorne Nystrom: My colleague from Winnipeg asked me what about the 50:50 formula? The federal government puts 50% of extra money into improved services for Canadians and 50% of the money into paying down the national debt and lowering taxes. There was a lopsided proportion where the government put \$100 billion into tax cuts over five years. Now it is putting the entire surplus into paying down the national debt and the services that ordinary Canadians need are falling by the wayside.

The last point I would like to make before my 10 minutes runs out and my friend from Winnipeg speaks is that public investment into social programs, such as health and education, into the environment, into infrastructure in Canada and into the farm crisis is good for all Canadians, not just for particular sectors. It strengthens the economy, creates jobs and creates a wealthier economy which gives us more money for social programs in the long run.

•(1155)

An example is the farm crisis where farmers are now suffering because of low commodity prices. The Americans have brought in a farm bill which increases subsidies by tens of billions of dollars; \$180 billion over 10 years. What the western grain farmers are now asking for is trade injury legislation to the amount of about \$1.3 billion from the federal government. The federal government can afford it. If it put that money into the farm economy, it would create jobs and wealth and would help every Canadian.

Mr. Pat Martin (Winnipeg Centre, NDP): Madam Speaker, I thank my friend, the NDP finance critic, for sharing some of his time with me. Coming from the province of Manitoba, I felt it very important that I speak to this motion because I believe that the overpayment issue of the mutual trust fund refunds affects my home province in a disproportionate way. In fact the impact is far greater given our financial structure and financial base than it is to some of the other provinces.

Manitobans are very apprehensive, given that a complicated set of negotiations with the former finance minister appears to be at risk. We almost resolved or felt we were getting close to resolving this complex and thorny issue until such time as the person we were negotiating with disappeared from the bargaining table to be replaced by a new finance minister.

Recent headlines give us cause for apprehension. For instance, it says in a recent newspaper that the finance minister sides with the PM on the repayment of provinces and that the Prime Minister took a hard line view that the provinces must repay the money. The former finance minister argued that it was a federal government mistake.

Supply

I do not think we are being paranoid when I say that people in my home province are apprehensive that the deal seems to have fallen off the rails. I was very pleased when our finance critic offered me the opportunity to share with the House some of the Manitoba point of view on this issue.

The figure that has been bandied about in other speeches is that the overpayment to Manitoba was roughly \$408 million. The figure that we are dealing with is \$710 million. For a province with the size of an economy like Manitoba, this has a huge impact in our ability to operate. Of the \$3.3 billion, \$710 million is the impact on my home province, which is 4% of the population and almost 30% of this debt.

I will back up a little to explain why this has a disproportionate impact on Manitoba. It is true that Manitoba is fortunate to have a robust financial service sector but this means that the federal error has had a greater effect on personal income taxes in Manitoba than any other province. The effect in Ontario is the largest in absolute terms but the largest in practical terms is in Manitoba. These mutual fund trust refunds in other provinces are much smaller and as a result they affect the income tax revenues of both provinces to a much smaller degree.

As I mentioned, the minister of finance for the province of Manitoba had a series of indepth meetings with the former minister of finance federally. What he brought to the attention of the former minister of finance was a similar precedent setting situation. In the late 1980s we had a similar situation arise regarding equalization issues with corporate income taxes.

In this case the refunds were properly netted from the income tax payments remitted to the provinces. However corporate income tax shares were skewed and the entitlements within the equalization program were distorted. Therefore, we had problems because taxes on the capital gains of the mutual trust fund corporations were being included in the province's tax base even though the taxes were also refunded to the companies. Everyone can see this is a serious and very similar problem.

In that example, the federal government took swift, corrective action by amending the equalization regulations and the regulatory change was made immediately and retroactively. In other words, the hon. Michael Wilson, the former federal minister of finance, noted that the failure to act would have created an unjustifiable anomaly within the equalization program. He acted swiftly and corrected it.

I have copies of the correspondence that went back and forth between the former minister of finance, Mr. Clayton Manness, in Manitoba and the former federal minister, Michael Wilson. That arrangement, as I say, was quite satisfactory. They saw the problem, identified it, dealt with it and resolved it.

● (1200)

I do not think the people of Manitoba were as concerned then as they are today. They feel they are not getting that same sort of cooperation or recognition of the impact on Manitoba. It would be of no benefit to anyone if we were to penalize Manitoba by retroactively going back to 1993 and demanding full payment on all these overpayments. Other speakers have pointed out that especially in today's surplus environment it is particularly wrong to be going after this money in such a seemingly aggressive way.

I would like to point out that the \$710 million the government says that the province of Manitoba should pay back is equal to one month's surplus in the EI account. The EI fund is showing a surplus of \$750 million a month. Less than one month's surplus of the EI account could forgive this terrible burden that Manitoba is carrying. In my riding of Winnipeg Centre \$20 million a year is pulled out of the riding in EI claims that would have been allowed under the old rules but are not under the current rules. That is just one example of how we are in an era of unprecedented surpluses. It is a terrible time in federal-provincial relations to go aggressively after the provinces, especially provinces like Manitoba where the impact would be severe.

The principles previously agreed to during the negotiations with the two finance ministers to resolve the issue were that the settlement arrived at should be comprehensive and fair. Both parties were willing to concede that. The approach should be responsible, and that should go without saying. Also revenue stability must be addressed. These have been detailed in Manitoba's position paper and they have been reiterated in a letter of March 22 from the Manitoba minister of finance to the former federal minister of finance. We felt that we were making inroads along that route and that we could look forward to a satisfactory resolution.

Therefore I do not understand the shift in mindset on the federal government side. What happened in the changing of the guard? Why can we not count on a deal that we thought we had with the previous finance minister? We do not have to revisit the case. If we were close to a resolution that both the federal government and the provincial government was satisfied with, why then is that deal in jeopardy today?

I would ask that question of members of the other side. I hope, in speeches from the Liberal Party members, they can answer that question in a more specific way because I have not heard them address it in any positive way. I have heard platitudes about the glory of the equalization program of which we are all in favour. The transfer of funds and the equalization of standards of living around the country is the greatest single achievement of Canadian federalism. However that is not what we are here to discuss. The motion we have before us deals with a specific overpayment regarding these mutual trust refunds, especially as they pertain to the provinces that are so negatively impacted by that.

The other thing we need to mention is that the four provinces affected are not the only ones impacted. The corrections are still being reviewed and we do not know the total effect of this. However of the \$3.3 billion we are dealing with today, 90% of that was accumulated during the years 1997, 1998 and 1999. The years 1993 to 1997 are still under study. We do not really know the full effect of this anomaly yet.

Supply

I would argue that any resolution that we come to to deal with the outstanding \$3.3 billion should also apply to whatever is found in the detailed auditing of the 1993 to 1997 period because that could be equally as large and we could be faced with the same debate one year from now when that study is finished.

I would appeal to the members on the government side and I would appeal to the current Minister of Finance and the Prime Minister to revisit their notes from the negotiations that took place between the finance minister of Manitoba and the former federal finance minister and honour the principle of those negotiations and the agreements that were tentatively struck. The people of Manitoba deserve that sort of recognition. It is also within the capacity of the federal government to show that to the other provinces as well.

● (1205)

[*Translation*]

Mr. André Harvey (Parliamentary Secretary to the Minister of Transport, Lib.): Madam Speaker, I am certain my colleague said more than he intended to when he said he heard nothing but platitudes from the government side. I will not even ask for an apology from him. I know he means well.

I would, however, like to point something out and take advantage of this opportunity to ask one little question of him. He has said, as you know, that the technical error started to show up in the accounting back in 1993, in other words that what was required to quantify the consequences of this technical error was in place.

At that same time, from 1990 to 1995, Ontario had an NDP government, which managed to take its deficit from \$5 billion to, I believe, \$15 billion within a single mandate, with all that technical information available.

I would like to ask my colleague whether they intend to follow the same principles as the Ontario NDP government applied at that time, or whether they intend to correct their platform.

[*English*]

Mr. Pat Martin: Madam Speaker, I do not know whether it is the hon. member's comments or the translation but his question did not mean anything to me. I cannot understand what he is saying. Who is they and who is we? I would have to ask what he is talking about?

[*Translation*]

Mr. André Harvey: Madam Speaker, what I mean is that he knows very well that the government considers the technical problem we are dealing with to be very serious.

Since he seems to have all the solutions and considers everything we have to contribute here as mere platitudes, I would like to ask him whether he intends to apply the same approach as the NDP did in Ontario, tripling the existing deficit within a single mandate.

[*English*]

Mr. Pat Martin: Madam Speaker, I wish the hon. member would use what little time we have to deal with serious issues instead of frivolous questions like that.

What I was getting at and what I would like the government members to address is whether the deal that was being struck between the finance minister of Manitoba and the former federal finance minister will be honoured by the government and by the

current Minister of Finance. That is the question I would like to put before the House. I do not wish to engage in some kind of back and forth match with the hon. parliamentary secretary, especially a meaningless debate that we seem to be having which serves no purpose.

I would like to deal with the state of the investigation of the years 1993 to 1997. The hon. parliamentary secretary seems to be knowledgeable with this file. Will he perhaps share with us some of the specifics of the investigation for that period? How is it going? Is the investigation finding gross overpayments? Will it constitute as much money as the years 1997 through 1999?

● (1210)

Mr. Rick Borotsik (Brandon—Souris, PC): Madam Speaker, I have been looking at all the information that I have which has been gleaned from the province of Manitoba. The number I come up with, between the years 1993 to 1999 for Manitoba, is \$408 million. The hon. member from Winnipeg indicated that this number was not the proper number, that it was over \$700 million. Is that the number that extends into the budget year 2002? Where did this number come from?

Mr. Pat Martin: Madam Speaker, I thank the member for his question. My understanding is that the \$408 million deals strictly with the mutual fund audit surpluses, but there are other factors involved with the equalization formula that compounded and added to that. The figure that is being used and the figure we see, even in yesterday's *Winnipeg Free Press*, is \$710 million total.

It is true though that for the fiscal year 2000 the overpayment was \$168 million above and beyond, but that has been repaid. As of March 2002 Manitoba had to come up with \$168 million and give it back to the federal government.

The Acting Speaker (Ms. Bakopanos): I wish to advise the House that the motion presented by the hon. member for Saint-Hyacinthe—Bagot is in order.

Mr. Bill Casey (Cumberland—Colchester, PC): Madam Speaker, it is a pleasure to rise on this issue today. I will be sharing my time with the distinguished member for Brandon—Souris.

We have experienced in the last few weeks and months incredible revelations about lost contracts, lost money, overpayments and even theft, as referred to by the Prime Minister. This is an incredible issue we are dealing with today. In the province of Ontario alone there was an overpayment of \$2.8 billion. This is more mismanagement.

The issues that have thrown the House into chaos for the last few weeks are not something new and this is not an isolated issue. This is a good example. It is not a few dollars; it is \$2.8 billion that was overpaid to Ontario.

How can an entity, even if it is the federal government, miscalculate, underestimate or whatever \$2.8 billion. It is hard to get our heads around this on how the government could make such a big mistake. It is more mismanagement on behalf of the government who claims it is so competent and such a great manager.

Supply

It is more of the same thing that we have heard lately about contracts being issued over and over again for \$500,000 and \$600,000 but no reports in return and no value for these incredible amounts of money that we could be using for other purposes. Again, it is total evidence of mismanagement and lack of attention on the part of the government to what it is doing.

In the last few days we have discovered that the government is continuing to issue contracts to the same outfits that do not produce reports and charge these incredible amounts of money for things that we do not even have a clue what they are for. It is further evidence of a continual approach of incompetence in government affairs and the management of taxpayers' money.

The government has lost its focus and is unable to focus on the issues that involve our money, our investments and expenditures, and sharing with the provinces. The government is so embroiled with its own internal problems. Those problems are taking priority over everything.

The issue of \$3 billion or \$4 billion does not matter any more. The government will worry about that later. Those amounts of money do not matter to the government. It does not focus on them. It does not pay any attention to the softwood lumber issue which has devastated jobs across the country and has brought turmoil and confusion to the whole industry. There is confusion regarding the relationship between the United States and Canada. The government has not addressed it because it is busy dealing with its own internal struggles about who will be the boss and call the shots.

If the government demands that this money be returned it should also be required to pay the provinces back, as the previous speaker mentioned, for the overcharge in employment insurance funds. To me this is the fraudulent taking of money. On everybody's paycheques there is a box that says employment insurance premium. It is not an employment insurance premium any more. It is a tax. It is not for employment insurance. It will not serve unemployed people. It will not help retrain people or do anything except be a tax that will go to general revenues. It is taxation under false pretenses. It is fraud. Under any other circumstances, in the private sector or anywhere else, the government could be charged with fraud and obtaining money under false pretenses.

Therefore, if the government were to demand that the provinces pay back the mistake that it made, it should also be required to pay back the employment insurance premiums which it has deliberately taken from people under false pretenses. What is sauce for the goose may be sauce for the gander.

The government is demanding money back that has already been spent on health care, social transfers and education. The provinces have already spent money in these areas where the government has cut back dramatically on its transfers to the provinces, not to mention the EI issue. The government has cut back on its transfers to the provinces by \$6 billion a year. In 1995 alone there was \$6 billion in cutbacks. If the provinces have to pay this money back the federal government should have to pay that \$6 billion back to the provinces and so on and so forth for every other year where it cut back and broke agreements on health care and social services contracts with the provinces.

●(1215)

However, the money has already been spent on health, education and social programs. These clawbacks will do nothing except hurt the provinces who are already struggling, like Nova Scotia, with a deficit and a debt that is hard to overcome.

That brings me to another point, that of equalization payments. This was clarified by the Senate all party report released in March 2002 entitled "The Effectiveness of and Possible Improvements to the Present Equalization Policy". Recommendation No. 7 states:

The government change the Generic Solution so as to increase the share of a province's entitlements that are protected when its non-renewable natural resource revenues increase.

The provinces in Atlantic Canada have been fighting for months for exactly that. The premiers of Newfoundland, Prince Edward Island, New Brunswick and Nova Scotia all support this. The recommendation further states:

It may be that although the Accords have operated in a technically correct way they may not have realized their intent.

They have not, and again this is what the premiers have argued so much and strongly for in the last few months. Recommendation No. 8 states:

The government should undertake an evaluation of the Equalization provisions of the Atlantic Accords to determine if they have met the intent for which they were designed.

The presumption is that they have not. It goes on to state:

It was suggested that equalization payments are inadequate because they do not take into account the different developmental characteristics of each province.

This again involves transfers between the provinces and the federal government. It is a different issue but it involves the same concept and same principle where the government has not kept up to date on its transfer arrangements and formulas. It is cheating the provinces, and will in the future, out of their share of equalization payments in the same way it is now saying it made a mistake and overpaid some provinces \$3.3 billion. Somehow it overlooked \$3.3 billion. This is so indicative of the mismanagement of the government.

We think this is a good motion. We support it unless the government is prepared to pay back the transfer payments it took from the provinces and pay back the employment insurance premiums it stole from every employee and worker in the country.

Mr. Rick Borotsik (Brandon—Souris, PC): Mr. Speaker, I thank my colleague from Cumberland—Colchester for his excellent comments, particularly when he indicated that if this were to come to pass in regard to moneys being collected from the provinces, money should be returned not only to the provinces but to other individuals, certainly with respect to EI. I never thought about that but there are literally tens of billions of dollars that have been taken out of the pockets of his constituents and my constituents that should be returned if this is the kind of philosophy that now is going to be carried on by the government.

Supply

However, first I would like to thank the Canadian Alliance for bringing forward the motion. I do support it, coming from the province of Manitoba. It is an excellent vehicle and opportunity for me as well as others to put forward our position with respect to this overpayment to the provincial governments of Manitoba, Alberta and Ontario in particular and how the government is going to resolve the problem.

I would also like to say that in a previous life I did have an opportunity to deal with budgets. On the municipal side, those budgets were very dependent upon provincial budgets. There were grants that were given to the municipalities and we waited for those grants and those dollars flowed. Once we received those dollars, we spent them on services for our own constituents.

The same is true with the provincial governments. They depend on the federal government, in some cases through their equalization and transfer payments, to be able to make up their budgets and put forward those dollars, through CHST for example, into services provided for their constituents. This is exactly what the province of Manitoba did. From 1993 until now, it has been putting those dollars it has been receiving into services for its constituents, into health care, education, social services, highways, you name it. Provincial governments are responsible for a lot of those services and now suddenly the federal government is suggesting that because of the 1993-99 overpayment, there has to be a payback.

It is nice to have Manitoba finally lumped into being a have province, Alberta and Ontario being the have provinces. Unfortunately, Manitoba being not quite as fiscally fortunate as to have the resources of Alberta and Ontario, we have in the past been seen as a have not province. That does not mean defeatist. It simply means that we do not have the resources that the other provinces have and we do depend on that equalization, but that is the cornerstone of our federation. That is the cornerstone of Canada: that we as citizens share and that we share with other provinces, including Manitoba, so that we can have similar services in all our areas.

The province of Manitoba brought this to the attention of the federal government a number of years ago. The federal government continued, right through this government from 1993 to 1999, not to assess the proper capital taxes on mutual fund trusts. In fact, Manitoba currently has a cost associated to it of \$408 million. As the member for Winnipeg Centre indicated, however, over the other years that has amounted to somewhere in the neighbourhood of \$700 million.

A comment was made by, I believe, the Minister of National Revenue. She stated:

The error doesn't affect taxpayers...because it was a government-to-government transfer of personal income taxes it collected on the provinces' behalf.

Basically she is saying that because it is province to province there is really no impact.

There is a substantial impact. When those dollars already have been spent and now are being calculated and recharged to that province, my province suffers because we do not have the ability to put forward those revenues in any other way, shape or form to support those services. So when the minister of revenue says that I take great exception to it, because it is not just province to province,

it is the people, the taxpayers of that province, who ultimately are going to be impacted.

By the way, I will speak on behalf of my province of Manitoba. There are 99 members of parliament on that side of the House who come from Ontario. Ontario will be assessed somewhere in the neighborhood of \$2.8 billion. As my colleague from Cumberland—Colchester would say, it will be 2.8 thousand thousands—

An hon. member: Million.

● (1220)

Mr. Rick Borotsik: I am sorry, a thousand millions. You are right. I get confused with the big numbers.

That is \$2.8 billion that will be reassessed to the province of Ontario. I want those members across on that side to substantiate that being recharged by the federal government. They can stand up and tell their constituents that there will not be more money for, are members ready for this, water services. There will not be more money for the highway systems. There will not be more money for the hospitals. There will not be more money for the school systems. All of that will be because \$2.8 billion has to be paid back by the province of Ontario. Let them tell their constituents that the federal government, although it was the government's error and the government was made aware of it and was not charging it, now will enforce the fact that they have to pay it back. I would like to be there when they stand on that podium and on behalf of the federal government ask for the money back from their Ontario constituents.

I have a couple of quotes, but first let me say \$3.3 billion is a lot of money. Let us make no mistake about that. It is a substantial amount of money. That \$408 million for the province of Manitoba means as much as this does to the province of Ontario with the different levels of population and, as I said, with revenue centres available.

We have had examples of the government's largesse in the past with respect to taxpayers' dollars. Just recently we have talked about other ad contracts that have gone to certain corporations, with millions of dollars attached to them. We had a program that was implemented by the federal minister of finance of the day just prior to the last federal election, the energy rebate program. Do you remember that one, Mr. Speaker? It was \$1.3 billion that the minister of finance put into place in a very short period of time and distributed to whole numbers of people across the country. The reason I mention it is that it was \$1.3 billion that automatically or simply came in and was expended, half of what is being asked to be retained by the provinces here. It is not really an issue of money. It is an issue of the political will to be able to say that the government should leave the money where it is, where it went to with the provinces.

Supply

Also we have heard just recently that there will be surpluses. When there is a surplus on the federal side and then the government insists that money be paid back by the provincial side, particularly by my province of Manitoba, the government is saying that on the one hand it has the money, the provinces do not have any, it wants the provinces to pay back what they do not have, but that is too bad, it will take the money and spend it whichever way it as a federal government wants to. Quite frankly, there are a lot of people out there who do not have a lot of confidence in how the federal government is spending their money right now, let alone more money that they want to ask for from the provinces to spend in other areas and in other ways, shapes and forms.

In fact, the province of Manitoba, in its previous administration as well as the current administration, in my opinion has done an exceptional job in balancing its budget. It now has a very small, minor surplus going into this fiscal year but it has done so with caution and carefulness. It has been done by two administrations, by two different political parties. I believe it has been done to the betterment of the citizens of the province of Manitoba, but if the government starts asking for more dollars to come back from the provinces, it will have a very serious impact.

As for the Manitoba solution, I would like to quote the Manitoba finance minister of the day, Greg Selinger. He stated:

Manitoba proposes that the solution to the problems arising from this error should be based on the principles of comprehensiveness and fairness, responsible action, and a concern for fiscal stability.

What he is saying is that Manitoba knows it has done a good job provincially to try to have that fiscal stability and the federal government should not throw in a monkey wrench that will cause the provincial government some serious concerns and fiscal instability.

He went on to state:

The full facts must be known, and the full effects of the decisions on transfer payments must be factored in. Any correction to tax payments for previous years must result in parallel corrections to transfer payments in order to provide equitable treatment and assure the integrity of these programs.

What he is saying there is that the government simply cannot ask for the \$408 million back unless it goes back to 1993 and factors in what would have been paid in transfer payments had these calculations been made properly back in 1993.

This is not a simple issue. What is simple is co-operative federalism. What is simple is fairness and equality. What is simple is this: do not impact the provinces of Ontario, Alberta and Manitoba, particularly to the extent where they will pass on those effects to their constituents when in fact those constituents are our constituents as well federally. I ask, please do not do this to the province of Manitoba, the province of Ontario and the province of Alberta.

• (1230)

Mr. Loyola Hearn (St. John's West, PC): Mr. Speaker, I listened with interest to both my colleagues. One of the things the member for Brandon—Souris mentioned was that the people of Atlantic Canada in particular are in a different groove. This was also reiterated by the member for Cumberland—Colchester. He mentioned that we are not defeatists, as some parties think, not at all. In fact we see a great ray of hope for the economy of Atlantic Canada, nor are we going to be defeated by the way we are being treated by the present administration in relation to funding.

I just wonder if my colleague would comment on how Atlantic Canada has been treated. I am thinking particularly of provinces that have rich resources, Newfoundland and Nova Scotia in particular. Others may have them also and in time they will be developed.

However, as our resources are being developed the only encouragement we are getting from the federal government is for it to say it is there, it is waiting, that we are to develop the resources and the federal government will take the revenues. We will end up with no resources and be no better off economically. How can provinces, regardless of where they are geographically, improve their own lot in this country if, as they develop the resources and bring in revenue, that revenue is grabbed by the central government? It would be just the same as if we were being grabbed by a foreign country and were not able to reinvest in the province's concerns.

We can get on our feet economically if we get fair treatment. This is similar, in a way, to the clawback. We have a clawback on our resource funding similar to the clawbacks that we are seeing right now for Ontario, Manitoba and the other provinces involved. I would like the hon. member's comment on that.

Mr. Rick Borotsik: Mr. Speaker, my colleague from St. John's is a defender of the province of Newfoundland and I give him full marks for that. He is absolutely correct. There has to be a consistency within the programs across the country. There has to be a fairness. I have talked about fairness and equitableness. That is what has to come.

There is a real serious issue right now with the resource issues in the Atlantic provinces. As I said, there has to be a consistency. What is good for one side of the country and one province must be good for the other side of the country and its provinces. Specifically with the resource sector, specifically with the oil and gas, it should be that the Atlantic provinces have the same ability to retain those revenues within their own boundaries so that they can then pass on those services through those revenues to their constituents.

The problem is with the equalization and the transfer. We have seen this in other levels of services. When a dollar is gained from that resource and that source, a dollar is taken away with respect to the transfer and the equalization. Unfortunately the provinces never get ahead. They are simply saying that they should be given the opportunity to compete and the opportunity to have the same levels and standards of service as other provinces in the country. They are asking for the opportunity of reducing their taxes.

The CA has consistently said to reduce the taxes and make sure that there are lower tax levels and we will have the economic activity. That is true, but if the money is taken away on one hand when a province develops a dollar on the other hand, it does not have the opportunity of reducing the tax levels and being able to compete on that level playing field. There has to be a consistency. There has to be equity in this area. I could not agree more. That is the way this country was developed and built. That is what our cornerstone is. That is the equalization that we talk about constantly in our constitution. I believe very seriously that we have to be more fair and more equitable with regard to the Atlantic provinces.

Mr. Monte Solberg (Medicine Hat, Canadian Alliance): Mr. Speaker, I will be splitting my time with the member for Prince George—Peace River.

Supply

There are a number of issues that arise from the \$3.3 billion overpayment that was discovered by the Canada Customs and Revenue Agency at the end of January. Just to remind the House, between 1993 and 1999 there was an overpayment of about \$3.3 billion: \$2.8 billion to Ontario; about \$408 million to Manitoba; \$121 million to British Columbia; and about \$4.4 million to Alberta. There are a number of issues that flow from this.

One is the issue of competence. How could an overpayment of that magnitude occur and escape the notice of the finance people at the CCRA who are supposed to be in charge of this? That is one issue and some people have addressed that. Another issue that flows from this is the propensity of the government to make these wild projections. Also there is the issue of high taxation.

The one issue I want to talk about is the issue of fairness. I want to do that by reminding people about some of the history of federal-provincial negotiations, discussions and transfers going back a number of years.

When we look back over the last number of years with respect to federal-provincial transfers and we go back to the beginning of the modern health care system in Canada, I want to remind the House that the agreement at the time medicare was brought in was that the federal government would fund 50% of health care and the provinces would be responsible for the other 50%. In exchange for agreeing to that, the provinces were to be bound by the Canada Health Act. That was the agreement the two sides came to.

Consequently after that period, although the provinces adhered to their side of the bargain and abided by the Canada Health Act, the federal government broke its contract with the provinces and started to reduce the level of transfers to them. Subsequent to that there were a number of agreements between the federal government and the provinces establishing new levels of transfers through the CAP. There were all kinds of different transfer programs over the years but federal governments kept breaking the deals.

The last example of that, and the most famous one of modern times, was in 1995 when the federal Liberal government broke a deal with the provinces to fund health care to a certain level in Canada. It arbitrarily cut \$25 billion in transfers for health care to the provinces. The result was that the provinces had to cut funding for hospitals. Because of that there were, and still are today, much longer waiting lists for surgery. As well, money was not available to provide funding for nurses and doctors and many of them went to the United States.

The provinces took the political heat for these arbitrary cutbacks by the federal government. When it came to protest this, the protestors did not go to the lawn of Parliament Hill, they went to the provincial capitals and protested.

The federal government has repeatedly broken deals with the provinces with respect to funding health care. Now we have a situation where there is an overpayment to the provinces, such as the \$2.8 billion to Ontario, which the federal government is preparing to demand be paid back. As an example, Ontario in particular has been cheated out of billions of dollars because in 1995 the federal government arbitrarily broke an agreement it had reached with the provinces. It really strikes me as odd that the government is even

contemplating forcing the provinces to pay back this money when it has cheated them out of billions and billions of dollars for health care, \$25 billion since 1995 alone. That is the point I really wanted to make.

Even more galling is that now we are in a situation where because of these huge cuts in transfers to the provinces, the federal government is running a big surplus of \$10 billion a year. There is so much money that the government is starting to hide it in all kinds of trust funds which the auditor general has taken issue with and has suggested is completely improper. With all this money pouring in, running a surplus of \$10 billion, the government is driving up spending as much as it can in order to eat it up.

● (1235)

The point is simply that the provinces are the ones that had to increase spending dramatically for health care. They are not in the same rosy situation the federal government has been in. They are the ones that had to drive up spending for health care. They are struggling to maintain a balanced budget but because the federal government cut the transfers for health care so dramatically, it now has big surpluses and again is taking issue with the idea that the provinces should not have to pay back the overpayment that was made to them.

I want to make another point about fairness. I talked about the long history of broken contracts between the federal government and the provincial governments, with the federal government always being the one breaking the contracts.

Back in the 1980s when we ran into the financial wall and the government of the day was trying to figure out a way to deal with its budget problems, it imposed a cap on transfers to the have provinces, whereas the have not provinces continued to get larger transfers that reflected the increase in the cost of health care to some degree. The provinces of Alberta, Ontario and British Columbia at that time were regarded as have provinces. Coincidentally those are three of the four provinces that received an overpayment.

I want to argue that during the 1980s when the federal government imposed this new regime that it arbitrarily decided to do certainly without the concurrence of the provinces, it threw everything out of whack. The age old formula we used to have in determining how the transfers should be paid to the provinces was completely changed. It was the have provinces, Alberta, British Columbia and Ontario, that paid even more. Remember that through equalization and just about every program the government runs, they already pay more. By coincidence they are the ones that were given an overpayment between 1993 and 1999.

One could make a pretty good argument that they have already paid over and over again, especially through the 1980s, much more than anyone else because they were have provinces. One could make a successful argument that they are getting back money that was really owed to them over the course of time.

Supply

Having said that, I am certainly not arguing that we should make this a habit. I want to argue that the federal government has made a big error, but now that the money has been spent by the provinces at a time when they are really pinched and when the only way to recover the money would be to probably take a whack out of health care again because it is one of the biggest budgets, the federal government should leave it alone and just promise never to do it again. Clearly that is the appropriate approach. If we do not do that, we will be in exactly the same situation we were in in 1995 when the federal government cut transfers to the provinces for health care. Again it was the provinces that took the heat at that time, not the federal government.

My argument is a simple one. Over many years the federal government has broken contracts with the provinces. It has cut their ability to fund health care. This is a bit of money coming back the other way, granted through a mistake, in kind of an ad hoc way. I do not think we want to see that continue, but now that it has been done and because the only solution would be to cut deeply into programs like health care, we need to let sleeping dogs lie.

We urge the federal government to vote in favour of the motion.

• (1240)

Mr. Charlie Penson (Peace River, Canadian Alliance): Mr. Speaker, the member for Medicine Hat has a very good understanding of the history that has led to a lot of the difficulties with the provinces from the federal government side of things.

I would like to ask him more about the history of the former finance minister and the Liberal administration from 1993 to the moment. They have not been very good at doing the books for the country.

They seem to have overestimated the need for employment insurance premiums from both employees and employers. There is something like a \$30 billion surplus in that fund. Even last year there was \$3 billion more than was needed. They have been putting money into foundations, \$7 billion, which the auditor general says is really hurting the accountability factor and reporting to parliament.

The former finance minister was good at low balling or underplaying the surplus. Last year he estimated the surplus would be \$1.5 billion. Many economists are saying it looks like it will be more like \$7 billion to \$10 billion. This was a fairly consistent way in which the former minister operated.

I ask my colleague from Medicine Hat, is that not an irresponsible way of accounting by the federal government?

• (1245)

Mr. Monte Solberg: Mr. Speaker, I always find it very funny that two successive finance ministers lecture those in the private sector on their accounting practices while at the same time the auditor general routinely rips apart the federal government for its poor accounting. Of course there is the scandal right now in public works and other departments where there does not seem to be any accounting at all, no paperwork. I always find it odd that the federal finance ministers get up and hector those in the private sector on their accounting practices.

My friend is right. I was the finance critic for the reform party and the Canadian Alliance for a number of years. When I first started out,

the finance minister was high balling the size of the deficit by billions of dollars. Then he would bring in a deficit that was much lower and would trumpet that. It was a political tool. It completely misrepresented the financial situation of the country. Surely to goodness the federal government should have some kind of obligation to accurately represent what the financial situation of the country is.

The same thing applies to the EI account. My friend is completely right. In that situation we have a notional account that many people felt should run a surplus to a point where there would be enough money in that account to withstand a recession. Many economists have said that should be somewhere in the range of \$15 billion. It is now double that and it is getting higher and higher. The federal government has an obligation to lower premiums so that workers do not continue to fund increases in spending by the government. That is another example.

My friend also mentioned foundations. There was all kinds of year end spending that was completely guided by the government's attempt to spend the money so that it did not have to go toward paying down the debt.

There was all kinds of creative accounting. I have only touched on a few.

Hon. Maria Minna (Beaches—East York, Lib.): Mr. Speaker, I want to go back to the comments of the member for Medicine Hat. It seems that everything is the problem of the federal government and the provinces are saints and have done absolutely nothing wrong. Perhaps he should represent the Canadian people at the provincial level. Yes, there were cuts as we all know to get rid of the deficit. It is not a big secret. However in the health care system, after the last health accord the funds have all been replenished in the system.

The problems in the provinces were not due simply to the cuts that took place at the time. There were a great many other problems in the provinces themselves including their own cuts.

I will use my own province of Ontario as an example where tax cuts after tax cuts were made even at the expense of dealing with its deficit and debt situation. We replenished per capita funding to Ontario which had been taken away previously. That was a huge windfall of close to \$1 billion. However the hon. member refuses to talk about that. In Ontario now it is a per capita basis transfer of moneys.

Mr. Monte Solberg: Mr. Speaker, I think the member is completely wrong. It is like the federal government takes away \$10 and gives back \$5 and says it has replaced everything. That is exactly what it did with respect to the transfers.

I point out that when Ontario was introducing its tax cuts, it was raising the level of health care spending at the same time. In cutting taxes, Ontario made its economy that much more vibrant which allowed more revenues to come in so that it had the capacity to increase spending for health care. That is how the province handled it. In fact, that is a good model for the federal government and it should follow it.

Mr. Jay Hill (Prince George—Peace River, Canadian Alliance): Mr. Speaker, it is a pleasure to join in the debate on the opposition motion, the last opposition motion before we break for the summer recess.

If the government decides to demand the \$3.3 billion in capital gains refund overpayments from the four provinces including the \$121 million from British Columbia it will be a massive blow to those provinces, particularly British Columbia. I will focus my remarks on the devastating economic and moral impact repaying the overpayments would have on the province of B.C.

Clawing back \$121 million could not come at a worse time for British Columbia. The provincial finance minister announced earlier this year that for the first time in recent history B.C. has become a have not province. Finance minister Collins also announced that British Columbia's budget deficit for the coming year would be a record \$4.4 billion.

If that is not bad enough, the Conference Board of Canada predicts real GDP growth in B.C. this year will be a paltry 1.8%, the weakest performance of all provincial economies. The board also said the softwood lumber dispute with the United States is keeping the outlook for forestry gloomy and that rising interest rates would suppress housing starts next year. Furthermore, the value of B.C. exports declined 24% in the first quarter of this year mainly because of the major reduction in demand for energy products.

To battle the bleak economic forecast the B.C. government has had to make tough cuts and spending halts. The government will cut all ministries except health care and education by 25% over the next three years. The provincial government is currently restructuring education and health care. Given this depressing economic climate the federal government's demand for \$121 million for its own mistake will have a negative effect on the lives of all British Columbians.

Time and time again the federal government has demonstrated a callous neglect for B.C. It is turning its back on British Columbia on almost all major industrial fronts. Farming is under threat due to the recent U.S. farm bill and the dramatic increase in subsidies to U.S. farmers. What is the federal government's response? It has done nothing.

Offshore drilling for oil and gas is another issue. B.C. is dependent on the co-operation of Ottawa to start exploring for oil and gas. This is an opportunity, given the success in Newfoundland, for the federal government and the B.C. government to work co-operatively and be proactive on this front for the betterment not only of British Columbians but all Canadians.

I have raised the issue of the mountain pine beetle time and again in the House. The mountain pine beetle is eating up massive amounts of forest in the B.C. interior. Yet the request for \$60 million of federal assistance over five years to help solve the problem has been ignored. Where is the federal government's help? It is nonexistent.

There is also the potential impact of softwood lumber tariffs on B.C.'s economy. The forestry sector directly accounts for about 9% of the province's total economic output. Approximately 20,000 forest sector jobs province wide, or one in five, are expected to be lost as a result of restructuring in the industry between 2001 and 2003. Up to

Supply

50,000 jobs could be adversely affected by the tariffs. What has been the government's response? It has directed less than \$100 million toward the softwood lumber crisis. If the situation was not so serious it would be laughable.

How can the government justify giving \$158 million to three marketing companies in Quebec for advertising and sponsorships, companies which could not possibly employ more than a few hundred people, while giving only \$100 million to a situation affecting 50,000 potential jobs in B.C.?

Now more than ever the province of British Columbia needs co-operation and a little understanding from the federal government. It does not need an economic blow that would require it to take \$121 million out of its budget to repay a mistake made by the federal government.

• (1250)

This brings me to another point: The new finance minister justified his decision to ask for the overpayment to be repaid by saying it is common practice and that the government is maintaining its fiscal policy of reducing the national debt. Why does the minister find it acceptable to hide behind the Liberal policy of reducing the debt while overseeing a ministry that has been diverting funds to foundations to avoid paying the surplus toward the debt? I am speaking of the roughly \$7 billion that has been hidden away in foundations which are largely unaccountable and which, by the auditor general's own accounting, she cannot get at to see where the money is going or where it is to be spent.

These types of justifications and hypocritical actions, like the government's dishing out of hundreds of millions of dollars to Liberal friends and contractors while in the same breath it demands an economically strapped province to pay for a mistake it did not make, only add to the growing perception that the federal government does not care about British Columbia. The government's arrogant and dictatorial style of governing is fueling the increasing sense of cynicism and hopelessness Canadians from coast to coast have toward our federal political system.

This brings me to the morally negative impact the federal government's actions are having on the province of British Columbia, an impact it will further by demanding repayment of the \$120 million.

Supply

By and large the people of British Columbia read the same news stories as people in Ottawa. Do members think British Columbians are uplifted when they read that B.C. must pay Ottawa \$120 million and then turn the page and read that the Prime Minister paid \$101 million for two new Challenger jets he did not need? Are they uplifted when they read that over \$158 million was awarded to three Quebec marketing agencies that coincidentally happened to have donated \$246,000 to the federal Liberal Party since 1997? Are they uplifted when they read that the former defence minister paid his ex-girlfriend \$36,000 to produce a 14 page report on post traumatic stress disorder when his own department was also studying the issue? Are they uplifted when they read that \$1.6 million was given to Groupaction Marketing for three contracts? As if that were not enough, the public then finds out two of the reports were identical. One cost \$575,000. The other, which the government never received, cost \$550,000.

Why would the government demand the money back just to give out billions of dollars in federal programs that have been proven to be deeply flawed like the HRDC billion dollar boondoggle, Shawinigate or the sponsorship program? Does the government think its demand for \$121 million from B.C. will restore hope and trust in the political system among British Columbians?

The new finance minister should follow in the footsteps of his predecessor who advocated forgiving past revenue overpayments to the provinces. Political gains and leadership infighting should not be allowed to adversely affect millions of people's lives, jobs, hopes, education and health care.

Given the callous disregard the government displays on a daily basis for the tax dollars with which it is entrusted, is it any wonder Canadians have given up on democracy? They do not bother to vote anymore. Before he became Prime Minister the current Prime Minister promised Canadians in the red book of 1992-93 that he would restore trust and integrity to government. Yet time and again he has done everything possible to destroy that trust. Is it any wonder Canadians throw their hands up in despair and say the system is so wrong they might as well vote Liberal and have it all?

It is frightening to see this happening in a supposed democracy. Why would the federal government want to rub salt in the wounds of British Columbia as it struggles with the damaging softwood lumber tariffs? British Columbians would not mind repaying the money if they felt Ottawa would manage it wisely and contribute tax dollars fairly to all the provinces. However with the federal government's track record why would B.C. want to give the government its hard earned money and be forced to cut social programs so the money could be burned up in smoke by some Liberal government spending boondoggle?

In conclusion I will quote from Mark Twain's autobiography because it is pertinent to my point about Canadians giving up on the system and the actions of the federal government affecting the morality of Canadian society. Mark Twain said:

To lodge all power in one party and keep it there is to insure bad government and the sure and gradual deterioration of the public morals.

●(1255)

Mr. Rick Casson (Lethbridge, Canadian Alliance): Mr. Speaker, I thank my hon. colleague for a great presentation on how the whole issue is affecting his province of British Columbia.

The hon. member raised issues that do not only pertain to British Columbia. He talked about the farming sector having been devastated by the federal government's inaction on trade issues. The pine beetle infestation in British Columbia is horrendous. We went through it a few years ago in parts of Alberta. It can be very damaging but nothing is being done. By allowing the softwood lumber agreement to lapse the federal government has created tremendous hardship for the people of B.C. Every time the government puts its hands into the fishing industry it mismanages it.

A lot of us in the House cut our teeth in municipal politics before we came to this place. Can the hon. member comment on the cloud that hangs over the ability of provincial governments to properly budget and forecast? It is something that eventually affects the grassroots level of government and the taxpayer. Municipalities know full well that if the provinces are hit with the repayment a lot of it will come to rest with them. Could my hon. colleague comment on that?

●(1300)

Mr. Jay Hill: Mr. Speaker, I thank my hon. colleague for his question and for his observations about how it would affect not only British Columbia but the other provinces. The federal government may demand them to pay it back despite the fact that it was no fault of their own and that it occurred a number of years ago. As my hon. colleague has pointed out, the money has been invested at the municipal level. It has also been invested at the provincial level for things like health care, education and social services.

The overpayment problem we are addressing today points to something the Canadian Alliance, and before it the Reform Party of Canada, have pointed out consistently since arriving in this place in 1993: The Liberal government has been intent on addressing the deficit by downloading the problem to the provinces. It has done this consistently through the years it was balancing the budget.

The government has done this primarily in three ways: First, it cut transfer payments to the provinces. Second, it pursued a policy of overtaxation. Third, it benefited from a period of great economic prosperity to dramatically increase its tax revenues, especially GST revenue. We all recognize this. We do not need an economist to explain it to us.

With regard to the comments of my hon. colleague, we must remember that there is only one taxpayer. I think that was his underlying point. Clawing back the money would have a negative impact on British Columbia which is struggling to make ends meet and is making difficult choices that affect every British Columbian. It is not very popular when a provincial government does these things. It happened in Alberta under the present premier. It happened under Premier Harris in Ontario. The governments of those provinces had to make tough choices to get their fiscal houses in order.

British Columbia is trying to do the same thing. Clawing back the extra \$121 million of overpayment from B.C. would be cruel and unusual punishment by a federal government that has shown itself to be inept at managing the nation's finances.

This is coming out more and more often. Almost a scandal a day has been coming to light to show how the federal government wastes taxpayer money. The bottom line, as my hon. colleague says, is that if the government claws back the money it will ultimately be reflected at the grassroots level. It will hit the municipalities, the regional districts, the counties and the provinces. Whether in B.C., Manitoba, Ontario or whatever province, it is at the municipal level that services will ultimately be cut to pay back the overpayment. That is where we will see the big difference.

Mr. Grant McNally (Dewdney—Alouette, Canadian Alliance): Mr. Speaker, I have an example of why Canadians are showing that they no longer trust the government. An individual named Pierre Corbeil who was a Liberal fundraiser somehow got hold of a list of grants in Quebec and was thrown in jail for influence peddling.

This is the kind of thing that has been going on. Is it not an example of why Canadians have lost trust in the government?

Mr. Jay Hill: Mr. Speaker, my colleague raises just one issue. I wish it was only that one. That is the most glaring and the most recent.

When we go back to the issue surrounding the scandal known as Shawinigate many other names crop up repeatedly of individuals who should never have received money from the Canadian taxpayer. The money does not come from the federal government. It comes from the taxpayer. They should not have received it. There is almost a scandal a day attached to the government's arrogant way of governing and mismanagement of Canadian tax dollars.

• (1305)

[Translation]

Mr. André Harvey (Parliamentary Secretary to the Minister of Transport, Lib.): Mr. Speaker, I am pleased to say that I will be splitting my time with the hon. member for Algoma—Manitoulin. I have no doubt that my colleague will be making an extremely important contribution to this debate.

With respect to the substance of the motion before the House, everyone agrees that this is an extremely serious technical problem. Overpayments were made over a period of almost ten years, for technical reasons. Corrective action was taken two years ago. With the assistance of the Canada Customs and Revenue Agency and the Department of Finance, the Canadian government is doing everything it can to try to find a solution which is fair for everyone. At

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least four provinces are directly affected by these overpayments. Since equalization payments are involved, this also affects the other Canadian provinces to a lesser extent, given that the proportion was altered slightly.

This is a significant problem, even if it does not involve \$50 billion. But it is a question of fairness, and the government considers this a very serious matter. Our opposition colleagues often make very serious references to the auditor general's reports.

The role of the Canadian government is to work together with the auditor general, as it does on many other issues, to be sure that a reasonable solution is reached. Naturally, we must rely on the technical analyses of the auditor general, the Department of Finance and the Canada Customs and Revenue Agency.

In Quebec, we are used to this. It is always the federal government's fault. Even the temperature is blamed on the federal government. What I find surprising is that our Canadian Alliance colleagues are now spouting the same line. For all the opposition parties, individual or collective problems in this country are always the fault of the federal government.

Let us take health care in Quebec. The transfers were restored and there was good co-operation between the federal and the provincial governments, including the government of Quebec. It is not the federal government's fault if thousands of nurses have had to take early retirement. I have doctor friends who have had to take retirement.

Even with funding restored, there is a problem in the health sector. People need to be involved in sizing up the problem. There is an administrative problem as well, and this is true in all sectors.

I remember that, when we had the flood, some thought that the federal government was to blame. During my election campaign, the Parti Québécois and the Bloc Québécois held a press conference. One week before the election, they talked about the natural disaster that had occurred back home, the flood. The Canadian government was not present. It had not been invited. We had no responsibility regarding the flood, but we contributed to the restoring of major infrastructure to the tune of 90%.

When problems occur, we must face them with a minimum of serenity. Serenity and patience are good for one's health and also when dealing with issues. It is not true, as père Gédéon, the old Quebec television character, would often say, that it is the federal government's fault. We are all co-owners of the Canadian federation.

Mr. Gilles-A. Perron: No wonder you changed parties.

Mr. André Harvey: Our role is to do everything we can to allow our partners to take part constructively in the improvement of fellow citizens' well-being.

In the issue before us today—

Some hon. members: Oh, oh.

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• (1310)

Mr. André Harvey: I hear hon. members yelling. They want to deal with tax issues by holding a referendum in the fall on tax points, on tax fairness, a referendum that will cost between \$50 million and \$75 million. One does not need to be an actuary to figure out that what is needed to solve our problems is co-operation, not confrontation. We do not consult the public on commonly accepted practices.

I think that federal-provincial relations must be productive on all issues. And in the issue before us, which is the result of technical overpayments, we should not blame the Canadian government for everything. The federal government is aware that a technical error was made and our role is to objectively look at the consequences.

This is not easy. We are in the process of conducting a technical analysis, in co-operation with the auditor general, the Department of Finance and the Canada Customs and Revenue Agency. I am convinced that, in this case as in others, we will find a solution that will suit everyone.

The role of the Canadian government is not merely to transfer funds. The role of the Canadian government and of provincial governments is to assume leadership in important areas.

I have nothing against my colleagues in the Bloc. I will explain calmly, without too much distress, and I tell myself what counts is finding the right solutions. Indeed, I recall that for 30 years it was a historic debate. "The federal government has to transfer hundreds of millions for manpower training to us". Finally, after some thirty years, we did.

I meet a lot of stakeholders and I can say that the work the Government of Canada did in the field of manpower training continues to be respected today. We transferred it. They said that the government transfers \$600 million annually to Quebec to manage this sector.

However, many stakeholders say to me "It is too bad. We liked it when the Canadian government had its manpower training programs. There were officials in all our little rural municipalities, who supported the development of these sectors". We did it because it involved, as we said at the time, historic demands by Quebec. Finally, the federal government agreed to transfer the funds.

Today, the scenario is being repeated with parental leave, which we have just increased from 6 to 12 months. In Quebec, there is a big campaign underway to get the Canadian government to transfer funds for parental leave.

In Quebec, there is no program at the moment. However, they think that our program is particularly well thought out. It is not yet finalized. Once again they say "Transfer the money to us".

The members opposite are eager to ask questions. They may be assured that I will respond to their comments with considerable patience. I will not be aggressive. I will explain the facts.

They are campaigning to get the funds for parental leave. We already have the program. In recent months, we have extended it from 6 months to 12 months. The fact that a program works well

under the Canadian government is no reason for transferring it to the provincial governments all the time.

I can think of all kinds of examples where I believe the government should take responsibility. Take the CFDC in my region. I remember that the PQ government wanted to transfer the CFDCs and integrate them to the structure that they had just created a few months before. As far as I am concerned, when a federal government structure works well, it should be respected by all of the provincial stakeholders. I think this is important, and we will continue.

In my region, we have Canada Economic Development. Members of the Bloc Québécois seem angry when the Government of Canada implements progressive measures that work well. The Government of Canada is not there to fade into the background. We are here to show that the Government of Canada is capable of doing good work. We are doing this when it comes to research. Instead of striking committees, we will be building laboratories for areas of research that are critical for regional development. I think it is important to recognize this.

• (1315)

As for the issue at hand today, I am not worried about the decision that our government will make. The decision regarding the four provinces that are directly affected and also those that are affected indirectly will be made in the interest of all Canadian taxpayers.

Mr. Gilles-A. Perron (Rivière-des-Mille-Îles, BQ): Mr. Speaker, thank you for this opportunity to say a few words about my colleague from Chicoutimi—Le Fjord, although I do not know if I should use that term for the member across the way.

His speech addressed the actions of the government. I would like to remind him that I have already heard this same critic say such things as "What was scrapped in Canada was not the GST, but the health care system, particularly in Quebec". These words were pronounced here in this very House on October 25, 1999.

A little later, referring to the action of the federal government, he said the following. "Yes, people are tired of the constitutional debate, but they certainly need a break from the provocation carried on for the past 30 years by the leaders of the Liberal Party of Canada". This was on November 29, 1999, right here in this House.

Another quote of his, this time on poverty. "In the seven years since the Liberals took office, poverty in families and child poverty have gone up 50%." This the member over there said on March 20, 2000 in this House.

Here then is the question I would like to ask him: When is he going to change hats again? When is he going to change parties again?

Mr. André Harvey: Mr. Speaker, the example comes from on high. The founding leader of his party was a member of just about every party in Canada. He even found that there were not enough parties, so he created a new one, the Bloc Québécois. He quickly left it.

Nevertheless, the member enjoys quoting from my speeches. During the last election campaign, the Bloc Québécois published all of my speeches. I guess they were pretty good, since I won by several thousand votes. I recommend they publish my speeches again in my riding. That would be most helpful.

If my speeches really were that bad, the Prime Minister has certainly forgiven me. This means that he is quick to forgive, because we are doing good work. My first concern—and I have not switched parties seven times, I only changed parties once—has always been my fellow citizens.

All of my constituents stood by me throughout this process, I guess. Rest assured that we will continue to do good work. I understand why the Bloc Québécois is worried and nervous. According to the polls, they have the support of only 20% to 25% of voters.

We are looking forward to the next provincial election in Quebec. We know that their colleagues in the Parti Québécois are in deep trouble. We are expecting, by the way, a Parti Québécois leadership race in the fall. Their worries are understandable. I understand and share this concern of theirs.

[English]

Mr. Rick Casson (Lethbridge, Canadian Alliance): Mr. Speaker, the member opposite said it was not the government's fault that this happened. I take exception to that.

It is the government that sends out these cheques, so if the provinces were overpaid then I, and many Canadians, would assume that it is the government's fault. It was indicated that the cabinet, the agencies and the provinces would get together to come up with a solution to this issue.

Does the member not understand and does he not think that the best solution for this problem is to forgive this money so it does not further deteriorate the health care, education and infrastructure systems in our country? If indeed this bill is sent back to the provinces, that is exactly what will happen.

• (1320)

[Translation]

Mr. André Harvey: Mr. Speaker, I thank my colleague for his question. I am sure that my colleague will understand that, in the whole process of government, before making any decision, it is important to have all of the relevant technical information.

This obviously requires very close work between the auditor general, the Department of Finance and the Canada Customs and Revenue Agency.

This work is currently being carried out. The calculations are in the process of being done. I am sure that our government will be fair in its solution to this problem, which affects all of the provinces, in fact, and indirectly, all citizens.

[English]

Mr. Brent St. Denis (Algoma—Manitoulin, Lib.): Mr. Speaker, I wish to join the debate on the motion before us today which deals with the consequences of a problem that was recognized by the Canada Customs and Revenue Agency in its accounting processes.

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This is an instance of the opposition failing to recognize that the government has done an effective job of recognizing and attempting to correct a problem immediately. Rather than recognizing this fact, the opposition would tie the government's hands as it tries to negotiate a solution with the provinces who I am sure will be willing to come to an agreement on the most appropriate course of action that is most fair to the taxpayer.

Indeed, an error was made and the error should be corrected. It is only fair for the provinces not implicated in the error that we do something about it. Because they do not have the mutual fund activity as these six provinces do, they have in effect been penalized.

As a result of the problem, the Government of Canada, based on the accounts provided by CCRA, overpaid six provinces under the tax collection agreements that it entered into with those provinces. Members of the House must realize that the impact of the accounting problem did not affect all the provinces equally or proportionally because it related to mutual fund trusts. These investment companies are based primarily in the four provinces of Ontario, Manitoba, British Columbia and Alberta.

The issue goes back to the introduction of the capital gains taxes in 1972. The problem for many years was virtually undetectable because mutual fund trusts only became a significant investment vehicle in the early 1990s. The overpayment to the six provinces was a result of a tax accounting omission in CCRA reports used by the Department of Finance to determine how much tax revenue to distribute to the provinces.

In the course of enhancing computer systems used for tax accounting, the CCRA identified a problem that caused it to initiate an in-depth review. With some 2,200 separate accounts, CCRA's tax ledger system is complex.

The problem, in brief terms, is as follows. Mutual fund trusts pay federal and provincial income tax on capital gains as their business proceeds. Under circumstances set out in the income tax legislation, mutual fund trusts can receive a refund of both the federal and provincial portions of the tax paid once the investors realize the gains and pay tax themselves where the tax benefit has been transferred from the trust to the taxpayer.

Due to a problem in CCRA accounting processes, which are audited by the auditor general, the provincial portion of the capital gains refund claimed by the mutual fund trusts was not being deducted in the computation of the provincial tax revenues. Instead it was deducted from federal revenues; a mistake.

Very simply, when mutual fund trusts paid provincial income tax on capital gains, the amount of tax paid was added to the payments to the provinces. However when the mutual fund trusts received a refund of provincial taxes paid, or the individual taxpayers made their claims, the amount was not deducted from the payments to the provinces.

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As soon as the CCRA's internal review process indicated that the omission of certain data in its reports to the Department of Finance was resulting in overpayments to the provinces, the agency informed the Department of Finance and the auditor general. Remedial measures were put in place as soon as the auditor general confirmed that the problem was real and overpayments relating to mutual fund trusts were stopped.

Detecting the problem was not easy. The Auditor General of Canada herself noted that audit work had focussed on changes in systems and accounts, something that typified the CCRA's management of the process. The system for recording tax revenues relating to capital gains associated with the mutual fund trusts had not changed substantially since its inception in 1972.

Focussing on changes was indeed where the problem came to light. In the course of introducing computer processing to reporting for mutual fund trusts, CCRA discovered a problem. As members know, a great revolution in the application of computers to business and government has taken place over the last 30 years, a sea change in fact.

• (1325)

Members need not be reminded that one does not make dramatic changes to the tax accounting system without being absolutely certain. In their position the CCRA managers and staff were looking at a problem that had not been picked up before by the auditors. The problem was brought to the attention of the CCRA's commissioner in late December. On the very next day he ordered a full internal review to be certain that this was a problem.

When the report of this review was received by CCRA management on January 9 this year, the Department of Finance was informed and the auditor general was asked to review the CCRA findings and confirm that a problem truly existed. As soon as the auditor general confirmed that the problem was real, the CCRA implemented remedial measures. Additional ledger accounts were created for each of the provinces to ensure that provincial shares of capital gains taxes arising from mutual fund trusts were debited when refunds were issued.

As members are aware, people often blame computers and modernization for many of the problems that organizations experience. It is refreshing and heartening to see that an organization that has adopted technology as eagerly and energetically as the Canada Customs and Revenue Agency has benefited from its embrace of technology, not just through better service to Canadians but also by identifying problems that could have continued for much longer.

The House should also be grateful to the Minister of National Revenue and the management of the CCRA for being so upfront when the problem arose. At no time did they seek to avoid responsibility or blame for the problem. When action was required, they acted decisively. The House can be assured that the Government of Canada will demonstrate the same responsible leadership in addressing the consequences of this problem.

We should acknowledge that an error has been made and for the benefit of all taxpayers the error should be corrected and remedial action taken.

Mr. Charlie Penson (Peace River, Canadian Alliance): Mr. Speaker, I would like to just remind the member that it was the same Liberal government that had formulas for funding for health care back in the late 1960s when health care was put into effect. I remind him that at the time his government told the provinces that its portion of the funding would never fall below 50%. We know that is not the case now. In the case of Alberta, I think the federal government's contribution is only 12%.

National programs were put into effect and the provinces thought there would be a funding formula that would be adequate. They have had to go basically their own way in funding over the past several years as governments have backed out.

Also the health and social transfers grants were changed to the provinces in the mid-1990s as the federal government, the hon. member's government, balanced the budget. This had severe impacts on the provinces in terms of how they would fund their programs. At the same time these overpayments were occurring, almost 10 years of overpayments.

It would seem to me that the government does not have a very good record in this regard. It walks away from programs and program formulas when it is to its advantage, but when it is not to its advantage, now it wants the money back from the provinces after it has been spent. I would like a reaction from the hon. member to that.

Mr. Brent St. Denis: Mr. Speaker, even though he is a little off topic when he refers to health care, I would be more than glad to offer a response. He failed to recall in his comments that the provinces asked the federal government for a substitution of tax points in lieu of cash, believing practically that over time they would have more revenue from tax points than from a straight cash transfer from the federal government. In failing to acknowledge that, the hon. member is supporting a weak argument because the contribution of the federal government to the provinces for health care and social services is vastly higher than the 12% figure he quotes.

I really wish in fairness he would at least mention that the provinces asked for tax points from the federal government many years ago and received them. Had they not done that, they would be in a lot different position, even according to his own formulas, than they are now.

I would also add that if we do not deal with this overpayment and deal principally with the four provinces that received most of the overpayment, we will be unfair to the provinces that do not have an active mutual fund trust. It is a matter of fairness to the other provinces as well.

• (1330)

Mr. Werner Schmidt (Kelowna, Canadian Alliance): Mr. Speaker, I am absolutely intrigued at the response of the hon. member to my colleague's question. There has to be a real issue here with regard to fairness. I was going to ask a different question but I have to take issue with him on the issue of fairness given the way things are being done in Canada right now.

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Western Canada is getting a fraction of what is due to it on a per capita basis. If the government really wants to treat Canadians fairly, it had better distribute the funds in such a way so that all the provinces are treated at least on an equitable basis, per capita. That is the least the government could do.

Mr. Brent St. Denis: Mr. Speaker, notwithstanding my respect for the member for Kelowna, I think he is arguing that we do away with the very Canadian approach to equalization that has been the case for many years in Canada. To transfer federal dollars to the provinces strictly on a per capita basis in lieu of equalization is absolutely unfair. We do have different regional needs in this country. Some provinces have access to more resources than other provinces.

I suggest that, yes, he was intrigued by my response to his colleague's comments and question. I think he is intrigued because he probably needs to understand better the real needs of our regions across the country.

Mr. Roy Bailey (Souris—Moose Mountain, Canadian Alliance): Mr. Speaker, I am very glad to join in the debate. I think most people have experienced what it is like to get a cheque and then be told "Sorry, we paid you too much". We know how that hurts. I recall the first time that happened to me. I was a teenager working on a snowplow gang. I was overpaid \$18.

An hon. member: Did you give it back?

Mr. Roy Bailey: Yes, I did give it back. I had no choice but to give it back for a number of reasons because I was still working for them at that time.

This is a very serious problem. It goes back to 1972. How much was a dollar worth in 1972 compared to 2002? I do not think anyone has brought that point up so far. If we translate a dollar that was overpaid in 1972 into a dollar today, it would be closer to \$4. That would be absolutely wrong.

The hon. gentleman who answered a question from one of my colleagues talked about sharing and equalization. I am from the west, from Saskatchewan. I can proudly stand and say I know what I am talking about when it comes to sharing equally such things as heritage grants, foundation money and cultural grants. It is not there. We can prove it year in and year out. There is no sharing.

I will use the province closest to mine, Manitoba, to explain what would happen. An actuary showed me how to work this out. He used the provinces of Manitoba and Saskatchewan. He took their populations, which are relatively the same and their demographics and moved them up the scale. He took the spiraling cost of drugs and moved that up the scale. He took the cost of health care and moved it up the scale, but he left the federal grant of 12% to hospitals the same. Within a generation under the same conditions that exist right now, 100% of Manitoba's and Saskatchewan's budgets would go to health care.

If Manitoba was asked to return the \$408 million accumulated since 1972, in a health care system like the one in my province which is foundering, all that would do is make a bad situation worse. We should never forget that health care delivery in Canada was based on the fact that the federal government would always contribute 50%, not 12%. The amounts of money that have been overpaid are far less than if the government was living up to its

agreement of 50% toward health care. When we look at it in that way, the old adage is, a promise made is a debt unpaid.

There are two incidents which happened with AIDA. AIDA was a program designed to help the farmers who were destitute. I could cite 100 cases where farmers finally got relief, sometimes up to \$50,000 and sometimes only \$500 or \$600, and then three weeks later they received a letter saying "We have calculated this incorrectly. Please return the money".

●(1335)

One case that will always be in my mind as long as I live involved a lady who drove daily to Regina where her husband was dying from cancer. I worked on the case for her. Although she lived 200 miles away, I knew her. She received a total of \$1,800 from AIDA. Two weeks later the phone rang in my office and she was in tears. A lot of the AIDA accounts had been miscalculated and she had been asked to repay \$1,800.

To ask Manitoba to return \$408 million to the federal coffers right now is asking it to make very severe cuts. The one place it would have to cut is health care and it is at a bare minimum right now.

The auditor general has told us that something like \$7.1 billion or \$7.2 billion has been set aside for foundations. Maybe the government could be human and instead of doing what it has previously done with foundation grants it could look at what is owing and remedy the situation. Even though the government may not ask for it all back, maybe it could say that in view of the programming and in view of the time when it started in 1972, it will give the provinces some consideration. That is what a government with a heart, a government that really cared about people would do.

If someone who owed me money was destitute, I would tell the person that I would take another look at the situation. That is what we on this side of the House are asking the government to do. We are asking the government to take another look at its own budget for this year. We are asking it to take another look at its foundation grants and all of the other grants it hands out across Canada.

I ask government members to ask themselves if they are doing the right thing. Is this the time for the government to say to the provinces "We made the mistake so now pay up"? I know some of the people opposite very well and I do not think the majority of them have that kind of heart. Intrinsicly, I do not think they really want to do this. Let us give this some consideration.

Supply

• (1340)

Mr. Jim Gouk (Kootenay—Boundary—Okanagan, Canadian Alliance): Mr. Speaker, I am going to start by being slightly controversial. We are looking for the federal government to show some compassion and forgive the overpayment that was made to the provinces. I will start with the question, should we forgive the overpayment to the provinces? The answer to that is no, we should not forgive the overpayment because there was no overpayment.

If we look at the transfer payments particularly in terms of health care, the federal government some years back convinced the provinces to sign on to something called the Canada Health Act. The provision of health care is a provincial jurisdiction but the federal government wanted in on it, as it seems to want in on so many things. The government said it wanted the provinces to sign on to its program and in return it would pay 50% of the cost of the program. That is one-half of the cost of providing health care.

The government share is now down to 14%. There was no overpayment. It was a small down payment on the money the federal government owes the provinces for a commitment it made many years ago, a commitment made, I might add, by a Liberal government.

There was no overpayment. We should keep that in mind as we debate today what to do with the transfers that were made and the question of whether or not too much was paid. It is not an overpayment. It is a matter of the government having given some of the provinces more than it intended but it is still under the amount to which the government actually made a commitment. The Canada Health Act is a great concept, provided the government lives up to the commitment it made.

Health care is in trouble in this country. We all know that. All of us collectively face it every day in our ridings. I doubt that there is anybody in the House who finds that constituents are really happy about their health care.

In the province of British Columbia we are facing a particular crisis. Our previous government ran up a tremendous debt. The federal government knows as well as anyone that when a government runs up a debt, it is harder to fund programs. It has to pay off the debt as well as the interest on that debt because it was irresponsible in the first place. We are struggling with this in my province.

We are also struggling with the fact that the federal government is not providing the money it committed to provide. Now we have yet another hurdle to overcome. The government said that the money it gave to the province, even though it is less than it promised, was actually more than it meant to give and therefore it is going to take some of it back. That is unconscionable.

As was said by the premier of Manitoba “This money was spent on health care, education and social services. It is not in a Swiss bank account. We did not funnel it out to our friends in advertising companies, publication companies and other fancy schemes. We did not spend it on fancy new executive jets. We spent it on services to the taxpayers of this country, the very people the federal government looks to, to provide them with their money”.

In my riding this has had a tremendous impact. We are facing hospital closures. I heard on the radio this morning that here in the Ottawa area people are in deep crisis because beds will be closed in some of the hospitals. In my riding the hospital itself is closing. This is fairly widespread and it is all because there is not enough money to run the programs. There is not enough money because the federal government has reneged on what it agreed to pay. Now the government is saying that even the underpayment it gave the province is really more than it intended and it wants some of it back.

The impact on the provinces where this applies will be absolutely overwhelming. This affects in particular rural communities. It is always tougher to provide services in a rural community because there is not the economy of scale.

We have said that it is more difficult to provide services in our country because it has a large geographic area with a sparse population in comparison to other countries, including the United States next door. We have a country that is as big or bigger than the United States, yet we have one-tenth of its population. It is expensive to provide those services. We understand that. But the rural communities have the same problem again relative to the urban communities.

• (1345)

Cutting back on the payments and then asking for additional money back would just increase the impact all the more. The federal government must stop this quest of trying to get money back from the provincial governments. The money was spent on the people of this country. What it would be doing is going to the people, not the governments, of each province and telling them that the services they received were too much, that it did not intend for them to have that much service from the governments of this country and that it wants them to give some of that service back. If the province gives back the money the impact is less services for the people of that province. Therefore it is really the individual taxpayer who the government would be requesting the money from.

What is the solution in the future? We are in a mess. We need to get out of it by having the federal government show some compassion, recognize the problem and recognize the fact that the money has indeed been well spent. There is no greater use for a tax dollar than that, although the government might challenge that.

How do we prevent this from happening in the future? I think the way we can prevent it is to go back to very old Reform Party policy.

The Reform Party approach first premised that we had far too much government in this country. The only justification for government is to do things for the people which they cannot or will not do for themselves. Therefore we reduce government to doing only those things. That means that government gets out of business and does not intrude on jurisdictions that have nothing to do with it. We reduce it to those things.

Having reduced it to that, we then bring it back as close to the people it serves as possible. We do that so that when something like this happens the government can be held accountable by the taxpayers at the closest level possible, where they can reach out and get a hold of these politicians and tell them to smarten up and do what it is that they are expected to do. It is a little harder, especially for us in the west, when decisions are made by people in the Prime Minister's Office thousands of miles away in Ottawa.

If we took this to its ultimate conclusion, I think it would be realistic to say that we could reach a point where it would no longer be necessary or feasible to pay federal income tax. It would be a shock to those people over there, I assure the House, if they no longer had their hands directly in the taxpayer purse. The government of course would need money to do the things that it must do because some things are best done at the federal level. However, instead of taking money from the people in our province individually and then reducing our own province, the province of those taxpayers, to begging for some of our own money back, the federal government would then bill the province a fee for services rendered.

How do we get equalization if we do that? We bill those provinces the fee on a structured basis based on the provincial GDP. Those better able to pay for the services would pay a little more for them. However, because the government would not have its consolidated tax barrel, which it merrily dips into whenever it wants, it would only be able to charge for a specific service provided. It would have to show the costs of operating that particular program and it would have to justify exactly what it does.

The alternative would be to go to that dreaded word that the media and some of our opponents like to play up, that is, a firewall. However we would not build a firewall around the province. We would build it around Ottawa. We would not build it to keep people out. We would build it to keep the federal bureaucrats and politicians in so that they could not keep raiding the provinces. This is not a battle for one province to stop all the other provinces from getting in. It is a matter of a problem created by the federal government in jurisdictional clashes between the federal and provincial governments.

The government has to realize that there is only one taxpayer. When it takes a dollar from that taxpayer, the only justification is to provide the services necessary for that taxpayer. The money that was paid to the provinces, what it calls an overpayment, was spent providing services to the taxpayer. Instead of asking for that money back, the federal government should applaud the provincial governments for making that provision.

I hope the government will come to its senses, show some compassion, recognize that the money has been well spent and stop trying to take yet more money out of the pockets of the taxpayers and basically asking them to return services.

● (1350)

Mr. Charlie Penson (Peace River, Canadian Alliance): Mr. Speaker, I congratulate my colleague who has just spoken and who made us really aware of the difficulties this would present to a province like British Columbia which is now in the have not category, which is a very big change in short period of time.

Supply

I remember the province of British Columbia contributing to the equalization formula for a great many years, I believe ever since it was set up, until just recently. Various provincial governments made things so difficult that it drove out investment. British Columbia is now a have not province and will be able to claim under the equalization formula.

Does my colleague believe that the federal government bears some responsibility for having miscalculated this program for at least 10 years? Does that fact not have to enter into the mix, that if the government is responsible it should bear some of that responsibility and not penalize the provinces?

Mr. Jim Gouk: Mr. Speaker, certainly the federal government has to take responsibility and not just a part of the responsibility. It was the federal government's error. This was not a bill from the provinces to the federal government. This was a calculation of money that the federal government was going to provide. It has gone on for years. It is a systemic problem.

As I mentioned in my speech in quoting the premier of Manitoba, the money that was overpaid was not stuffed in a Swiss bank account. It was not used on frivolous things. The money was used specifically to provide social services, health care and education for the people of our province and the other provinces.

Under those circumstances, given that it was the federal government's error, given that the payment was actually less than the amount it had committed to pay and given the fact that the money was well spent, it unquestionably should be dropped. The federal government should make whatever corrections it has to make for the future but it should not even think about coming to the provinces and reducing our services even more.

Mr. John Duncan (Vancouver Island North, Canadian Alliance): Mr. Speaker, it is impossible to talk about the \$3.3 billion without also talking about equalization and the impact it has on the provinces. We all know that the equalization formula is changed from time to time and that there is a lot of controversy involved every time that occurs.

It also occurs to me that when the government changes those equalization formulas it is well aware of the financial status of the provinces that are being impacted. Obviously the financial status of those provinces was impacted in some way by the \$3.3 billion account. Given that is what must have occurred, is that not another complicating factor that would lead one to the conclusion that this should be forgiven?

● (1355)

Mr. Jim Gouk: Mr. Speaker, yes, it is yet another example of why the federal government should, in its wisdom, which we hope it has, recognize that it should not be pursuing trying to collect back this money.

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It even holds further. My hon. colleague talked about transfer payments and equalization payments. He is right. The formula keeps changing and that is exactly what it is. It is a formula that is subject to manipulation. That is why I honestly believe that if we get full efficiency from the government, if we reduce it to doing only those things that should be done by government and can best be done at the federal level, then we could get to a situation where we would no longer pay federal tax and the federal government would bill the provinces a fee for services rendered based on the provincial GDP which would become the equalization.

I believe that would be a far fairer system. It would be less subject to manipulation and it would most certainly be something that would hold the federal government far more accountable for the money it spends and the programs it runs.

Mr. Paul Szabo (Parliamentary Secretary to the Minister of Public Works and Government Services, Lib.): Mr. Speaker, this is an important issue for the House to be dealing with. I thank the member for moving the motion. In a nutshell the federal government overpaid four provincial governments about \$3.3 billion with regard to moneys collected on their behalf.

The real question comes down to whether or not overpayments, errors, which occurred because people in good faith understood the information to be correct and it turned out subsequently not to be correct, should be recouped. It leads me to the fundamental legal premise that in legal proceedings when parties have a disagreement concerning matters, one of the premises is that they seek to put both parties in the position they would have been in had the matter been handled correctly the first time.

Arguments are now being made that, notwithstanding had it been done correctly, the \$3.3 billion would have come back to the federal government. There are exacerbating factors or consequences for consideration to be given not to refund or possibly some other arrangement.

STATEMENTS BY MEMBERS

[*Translation*]

MILLENNIUM SCHOLARSHIPS

Mrs. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Mr. Speaker, just recently the Canada Millennium Scholarship Foundation selected 119 young Quebecers to receive millennium excellence awards for the 2002-2003 academic year.

The millennium scholarships are awarded to students on the basis of academic performance, community involvement, leadership and interest in innovation.

[*English*]

I am delighted that one such prestigious laureate is studying at Lower Canada College, a school in my riding of Notre-Dame-de-Grâce—Lachine. Alexandrine Ananou has distinguished herself through her outstanding academic record and her contributions to the community. I wish to salute her and offer her my profound congratulations for this great achievement.

I am particularly pleased to be able to use this venue to praise committed, dynamic and successful students like Alexandrine who will no doubt become the leaders of tomorrow.

* * *

CANADA GAMES

Mr. Larry Bagnell (Yukon, Lib.): Mr. Speaker, I wish to pay tribute today to the 2007 Canada Winter Games Bid Committee led by President Doug Inglis.

The Government of Canada along with the Yukon territory and the Canada Games Council have just announced that the 2007 Canada Winter Games will be hosted in Whitehorse. I would like to thank all my colleagues for their support for this history-making event.

The Canada Games will celebrate its 40th anniversary in Whitehorse, marking the first time that the Canada Games will be hosted north of the 60th parallel. Since the first Canada Games in 1967 in Quebec City over 50,000 young athletes have participated in the games. The Canada Games are held every two years, alternating between winter and summer games.

I would like to take this opportunity to thank and congratulate Mayor Bourassa, Premier Pat Duncan, Mr. Inglis and the many volunteers involved in preparing the bid for the 2007 Canada Winter Games. We wish them much success in their planning and preparations. The next Canada Games will be held in Bathurst-Campbellton, New Brunswick, from February 22 to March 8, 2003.

* * *

● (1400)

SASKATOON CREDIT UNION

Mr. Maurice Vellacott (Saskatoon—Wanuskewin, Canadian Alliance): Mr. Speaker, the Saskatoon Credit Union was named winner of the 14th annual Credit Union Award for Community Economic Development at the May 8 gala banquet held in Victoria, B.C. during the Canadian Conference for Credit Union Executives. The Saskatoon Credit Union was recognized for its numerous community development initiatives.

It has committed \$2 million in mortgages over five years to several affordable housing initiatives, primarily those managed by Quint Development Corporation. The Saskatoon Credit Union has also invested \$675,000 in a micro-loan program for small businesses. Among other initiatives is the credit union's work with environmental groups and organizations helping support disadvantaged youth. The Saskatoon Credit Union has become involved in organizations such as circus arts for inner city kids.

As the award was presented to Paul Wilkinson, president of the Board of the Saskatoon Credit Union, it was stated that:

The Saskatoon Credit Union clearly demonstrates the credit union's commitment to play a leading role in promoting the social and economic needs of less advantaged community members and groups in Saskatchewan.

[Translation]

COMMON CURRENCY

Mr. Guy St-Julien (Abitibi—Baie-James—Nunavik, Lib.): Mr. Speaker, according to a survey released on June 3, the Americans do not want Canadians to adopt their currency.

They are opposed to the creation of a common North American euro-style currency.

The Americans perceive this as a threat to their sovereignty.

* * *

[English]

AIR CADETS

Mr. Tony Tirabassi (Niagara Centre, Lib.): Mr. Speaker, over the weekend I had the honour of attending the 60th anniversary of the Royal Canadian Air Cadets 128 Flying Dragons Squadron from Thorold, Ontario. The celebration was attended by numerous former members of the squadron who shared with me their fond memories of its first days.

This group is comprised of dynamic, enthusiastic and proud young men and women. The cadets make an important contribution to Canadian society, to environmental, citizenship and community activities. The valuable life and work skills learned through the squadron have made them active and responsible members of the community. Each of these cadets has a part to play in the future of our country. I am confident they will bring honour to our communities.

I wish to congratulate Captain Josie Wojciechowska and the Royal Canadian Air Cadets 128 Flying Dragons Squadron and extend best wishes in the future.

* * *

WORLD WAR II

Mr. Roy Bailey (Souris—Moose Mountain, Canadian Alliance): Mr. Speaker, it was on June 6, 1944, that the long awaited invasion of Nazi controlled Europe began. It was the beginning of the end of Nazi Germany.

Military historians have named this day the longest day in history. Canadians went ashore at Juno Beach and fought a battle that is as comparable in memory to that of Vimy Ridge during World War I. Approximately 14,000 Canadians landed on the shores of Normandy and suffered 1,074 casualties of which 359 were fatal. VE Day was still 11 months away.

Today, we have veterans across Canada, some of whom received their injuries on June 6, 1944, whose names appear on long waiting lists to get into promised long term care at veterans' hospitals.

Canadian vets deserve better than this.

* * *

[Translation]

COMMUNITY ORGANIZATIONS

Ms. Diane St-Jacques (Shefford, Lib.): Mr. Speaker, in the riding of Mercier, there are three community organizations,

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Résidence Emmanuel Gregory, Pavillon Emmanuel Gregory, and Pavillon Prospère Boulanger. They serve people in conflict with the law, offering housing, assistance and monitoring in order to help offenders to reintegrate society in a responsible and respectful manner, and thus help to prevent crime.

This past April, the federal government increased their annual budget by 16%, which translates concretely into close to \$300,000 more for these three centres in the riding of Mercier. This will enable them to enhance the quality of the services provided.

I would also like to take this opportunity to mention the excellent contribution made by the volunteers in Quebec's 25 halfway houses, who help offenders to take control of their lives and return to society. Their community actions improve the quality of life for everyone.

* * *

● (1405)

L'OBSERVATOIRE QUÉBÉCOIS DE LA MONDIALISATION

Mr. Pierre Paquette (Joliette, BQ): Mr. Speaker, on Tuesday, the government of Quebec introduced its bill on the Observatoire québécois de la mondialisation.

The observatory, with a board of directors representing all communities, will serve to explain the phenomenon of globalization in all its forms. It will provide the Quebec nation with reliable information enabling it to grasp the issues, assess their consequences and act in a balanced manner to promote controlled globalization that takes human rights into account.

The federal government would do well to emulate the openness and transparency of the government of Quebec in the matter of globalization.

This bill will be at the heart of public consultations, which will take place at the end of August.

The Bloc Québécois, which advocates globalization with a human face, would like to congratulate Minister Louise Beaudoin on this initiative and wishes long life to the Observatoire québécois de la mondialisation.

* * *

SHIPBUILDING

Hon. Gilbert Normand (Bellechasse—Etchemins—Montmagny—L'Islet, Lib.): Mr. Speaker, the people living in the Lévis area are concerned about the future of Canada's largest shipyard, the Davie shipyard. At the moment, the shipyard is depending on a major bid, which could mean jobs for 600 workers.

Indeed, the conversion of the *Midnight Express* is the kind of technological challenge Davie can rise to. Having visited the shipyard and worked with them on the *Spirit of Columbus* platform, I know they will meet this high tech challenge.

The Government of Canada, through the EDC, is prepared to fund up to 60% of this project and grant an interest reduction of some \$10 million to the client company, Torch. So, I truly hope that the Davie shipyard will get out of its slump and recover its vitality as soon as possible.

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[English]

WORLD WAR II

Mr. Leon Benoit (Lakeland, Canadian Alliance): Mr. Speaker, D-Day, June 6, 1944, the Allies launched the largest invasion force ever assembled in history. Landing on the coast of Normandy, France alongside British and American forces were 14,000 young Canadian men.

Making way for the assault, the Royal Canadian Air Force dropped tons of explosives on German coastal defences and Canadian fighter pilots took to the sky to battle the German Luftwaffe. The Royal Canadian Navy provided 109 ships and 10,000 sailors. Guns from the Canadian destroyers pounded the shoreline to clear the way for the advance. On the ground Canadian soldiers fought their way along Juno Beach at the centre of the British front. Thousands were killed and wounded that day fighting against evil for the freedom that each of us enjoys today.

Lest we forget.

* * *

WORLD WAR II

Mr. Carmen Provenzano (Sault Ste. Marie, Lib.): Mr. Speaker, today marks the 58th anniversary of D-Day. On June 6, 1944, 14,000 Canadians landed on Juno Beach in Normandy, France. The Canadian assault force suffered 1,074 casualties that day, that is one in every 14, and 359 Canadians gave their lives.

The D-Day invasion in France was the largest amphibious operation in military history involving Allied troops from all fighting services. It was also the beginning of the end of the war in Europe. It is important that we remember the brave men and women who left Canada to defend those values which define Canadians. They volunteered for what has become a long tradition of Canadians serving the cause of peace worldwide.

To ensure we do indeed remember all Canadians who served in the second world war, overseas and on the home front, the government recently announced \$1 million in support of the Juno Beach centre currently under construction in France, bringing Canada's total contribution to over \$1.25 million.

Lest we forget.

* * *

USER FEES

Mrs. Bev Desjarlais (Churchill, NDP): Mr. Speaker, the new finance minister stated that he believes that users should pay for services. It sounds a lot like Alliance talk.

New Democrats do not believe that victims of crime should have to pay for the police because every Canadian benefits from safe streets. We do not believe air passengers should have to pay extra for security because everyone benefits from terror free skies and buildings. We do not believe Canadians should have to pay to use their roads. We also do not believe they should have to pay for health services because everyone has a right to quality health care.

Obviously the new minister plans to take more from the pockets of Canadians. Where else is the new minister imposing user fees: at ports for cruise ship passengers, to people accessing Parliament Hill?

Canadians will be better served by handling security, police, roads and health care through general revenue instead of the Liberal government nickel-and-diming ordinary Canadians while it plays patronage games with taxpayers' dollars.

* * *

• (1410)

[Translation]

GOVERNMENT CONTRACTS

Ms. Pauline Picard (Drummond, BQ): Mr. Speaker, it is distressing to see the contempt with which the Prime Minister and his government are treating the people of Quebec and Canada, and especially the way in which public money is being squandered.

Senior public servants, who were acting on ministers' orders, have been singled out by the auditor general for their flagrant disregard for the rules governing the management of public funds, as well as for not discharging their duties with appropriate prudence and diligence.

We would certainly like to know who gave the orders to these public servants and who asked them to break the rules. If the government has nothing to hide, it should let the Standing Committee on Public Accounts do its work and, if it has nothing to fear, order that a public inquiry be held.

There are no longer enough days left to show just how big a mess the Liberals have created.

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[English]

ECONOMIC DEVELOPMENT

Mr. Rodger Cuzner (Bras d'Or—Cape Breton, Lib.): Mr. Speaker, I would like to take this opportunity in the House to highlight some of the positive things that are happening in my riding of Bras d'Or, Cape Breton.

The economic foundation of Cape Breton Island has been significantly challenged by the closure of the steel and coal mining industries and the collapse of the ground fishery. Despite these challenges, a renewed sense of optimism is taking hold and the Government of Canada is playing an important role in its economic renewal.

Strategic investments have been made to assist Cape Breton communities in their efforts to adjust these changing economic times and solid progress is being made. In my hometown of Glace Bay the Cape Breton growth fund has assisted in the establishment of a major information technology initiative, the Stream International call centre. Stream has created 3,000 jobs in just 10 months. This translates into \$28 million annually in salaries and wages.

In the last three years the Government of Canada has contributed to the creation of more than 3,000 jobs and there has been a decline in the unemployment rate and the employment participation rate has increased. How is that for a can-do attitude?

*Oral Questions***PRIME MINISTER**

Mr. Greg Thompson (New Brunswick Southwest, PC): Mr. Speaker, we are getting a real bargain with the Prime Minister.

One cruise missile costs approximately \$1.2 million a copy. On the other hand, the Prime Minister only costs the Canadian taxpayers \$265,000 a year. A challenge of course is to apply these destructive forces appropriately. For example, if we had set this man loose in the Afghanistan desert following September 11, there would be nothing left of Osama bin Laden, with the exception of his shoestrings. However it is something like the little guy that he left bloodied on the bar room floor in Shawinigan a number of years ago. The message of course is do not mess with the PM.

Regrettably these destructive forces are focused on the wrong corner of the universe and are being practised on his own party, his own cabinet and the Parliament of Canada and, in fact, the country itself.

Is there any possible way we could send this man—

The Deputy Speaker: The hon. member for Laval West.

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[*Translation*]

MICHEL TARABULSY

Ms. Raymonde Folco (Laval West, Lib.): Mr. Speaker, the Salle André-Mathieu de Laval is now featuring the latest exhibit of the works of Michel Tarabulsy, an artist from Laval West, who is presenting 15 of his gouaches, most of which were done in the early 2000s.

His astonishing works often draw on personal experiences, but they sometimes also take very critical aim at current events.

I wish to pay tribute to Mr. Tarabulsy for his entire oeuvre. I hope that the people of Laval and area will turn out in large numbers to admire the works of this local artist.

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[*English*]

GOLDEN JUBILEE

Mr. Scott Reid (Lanark—Carleton, Canadian Alliance): Mr. Speaker, this year Canada celebrates the golden jubilee of our sovereign, Queen Elizabeth, as she marks 50 years as our Queen and as the head of the Commonwealth. For a half a century Canadians have been blessed with a monarch of grace and dignity.

Queen Elizabeth's wisdom has guided two generations of subjects of all races and of diverse backgrounds and in many lands. It is the sincere hope of all her subjects that she will continue to guide us for many years to come.

Our Queen has reigned during five decades of worldwide turbulence and instability, but she herself has been a rock of stability and has brought her office into the 21st century as a modern, vital and responsive institution.

Fifty years after her ascension, Her Majesty has more support from her subjects than ever, in Canada, in her other realms and around the world.

We salute our sovereign on this great anniversary. May her reign continue for many years to come. God save the Queen.

ORAL QUESTION PERIOD

• (1415)

[*English*]

GOVERNMENT CONTRACTS

Mr. Stephen Harper (Leader of the Opposition, Canadian Alliance): Mr. Speaker, yesterday I asked the public works minister about the government's dealings with Groupaction. We have a company that was paid over \$1.5 million to produce two identical reports, cribbed from the Internet, photocopied and passed along to the government. The auditor general has investigated. The police are investigating. Now the government is giving more contracts to this firm.

My question is this, when will the government stop its business dealings with Groupaction?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, with respect to the sponsorship program of Communication Canada, all new activity with Groupaction was in fact suspended by my predecessor back in March of this year.

With respect to any other marketing or communications business of any kind whatsoever, beyond and apart from sponsorship, I would certainly expect my department to decline new contract awards with Groupaction. We obviously will need to look very closely at the question of business in process, but I will be examining that with a great deal of care.

Mr. Stephen Harper (Leader of the Opposition, Canadian Alliance): Mr. Speaker, yesterday we asked for the suspension of all advertising, polling and research, as well as sponsorship. If that is what the minister is now committing to, why do we have to raise these questions in the House of Commons before action gets taken?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, I indicated all through last week that all these matters were under careful review. As the House knows, there are a variety of inquiries and investigations underway. Last week I indicated, for example, that I was applying a moratorium with respect to further activity under the sponsorship program until I had a chance to review the criteria.

At that time the hon. gentleman raised the issue of advertising, I indicated that I would consider that issue and that I would report back to the House, which I have done.

Mr. Stephen Harper (Leader of the Opposition, Canadian Alliance): Mr. Speaker, I just want to clarify this once again because there is always a bit of wiggle room in these answers.

Oral Questions

Is the minister, other than contracts that have been signed from April onward, committing to the House that there will be no more advertising, sponsorship, research or polling business done with Groupaction? Yes or no.

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, again, just to be clear, the sponsorship part of it has already been dealt with, as the hon. gentleman agrees. With respect to other marketing and communications activities of whatever kind beyond and apart from sponsorships, I would expect my department to decline any new contract awards to Groupaction.

I would say that there are obviously items that at the moment are business in progress. I will need to review those very carefully.

Mr. Grant Hill (Macleod, Canadian Alliance): Mr. Speaker, notice the words “I would expect my department”. This is an opportunity for the minister to stand in the House and tell all Canadians that the Liberal sleaze going to Groupaction is finished. Will he do that? Yes or no.

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, I obviously do not accept the preamble to the question. When I say that I expect my department to perform in a certain way, I fully expect it will comply with the minister's wishes.

Mr. Grant Hill (Macleod, Canadian Alliance): Mr. Speaker, very interesting indeed, “I expect it will comply”. Has the minister changed his mind since last night at midnight? He was defending this program yesterday. Is this not another reason for a full blown public inquiry?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, there has been no change in position. What I said to the Leader of the Opposition a week ago Monday was that I had the issue of advertising questions under review and that I would report to him and to the House as soon as I had an opportunity to finalize my conclusions.

That work is ongoing, but I have been able to take some conclusions in the meantime. Those conclusions have indeed been reported to the House as promised.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, in order to ensure that this year's \$750,000 sponsorship of the Canadian Grand Prix provided all of the visibility the federal government desired, Media IDA Vision received \$22,500. This is what Grand Prix president Normand Legault confirmed yesterday, when he said “it is never the federal government that issues the cheques, it is an agency, but beforehand, we deal with public servants”.

Given that the Grand Prix does business directly with public servants, can the Minister of Public Works and Government Services tell us why Armada made a \$90,000 commission in 2002-2003?

● (1420)

[*English*]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, with respect to applications in process under the sponsorship program for the current year, as colleagues in the House will know that is subject to the freeze that I announced a week ago Monday.

I am in the process of examining all the applications that have come in. I have asked my officials to identify those cases in which the projects might well be able to proceed without the benefit of external agencies.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, in an interview with Paul Arcand of CKAC, when the president of the Grand Prix, Normand Legault, was asked “Are you required to do favours for public servants?”, he answered “the agencies probably do this sort of work”.

In the case of the Montreal Grand Prix, can the Minister of Public Works and Government Services tell us if favours have been received by any public servant this year from Armada or Media IDA Vision, a subsidiary of Groupe Everest?

[*English*]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, what the hon. gentleman appears to be alleging would sound to me like a criminal offence. As the House knows, any matter of that kind would in fact be referred to the police for the appropriate investigation and, if necessary, prosecution.

If the hon. gentleman has information that might be evidence of any kind of offence, I hope he will draw it to the attention of the RCMP.

[*Translation*]

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, despite the fact that Mr. Legault, of the Montreal Grand Prix, remembers negotiating directly with the government, without any middleman, the Montreal Grand Prix event generated commissions of \$108,000 in 1998; \$52,000 in 1999; \$45,000 in 2000; \$60,000 in 2001; and \$90,000 in 2002.

Does he not find \$355,000 in commissions paid to middlemen who did nothing for an organization that negotiates directly with the government a bit steep?

[*English*]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, I already indicated to the House on several occasions that I am actively looking at the possibility of eliminating the agency relationships altogether and proceeding in future years on the basis of direct government administration.

Oral Questions

In the course of this year, which as the hon. gentleman knows is part way through, I am examining those files that might in fact be able to proceed in the short term without benefit of agency participation.

[*Translation*]

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, the minister has been giving this answer for days now. At some point, he will have to make a decision.

Given the number of cases that we have raised, and considering the unjustifiable commissions the federal government has paid out—particularly in the Montreal Grand Prix case, an organization which, I remind the minister, deals directly with the government—will the minister of public works not admit that a public inquiry is needed to get to the bottom of all of these scandals?

[*English*]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, this entire area is being thoroughly examined, obviously on a daily basis here in the House of Commons, also by a committee of the House, by officials at treasury board, by officials in my department as well as by the auditor general and by police authorities where that is required.

* * *

THE ENVIRONMENT

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, today is Clean Air Day yet the government is suffocating in a smog of backstabbing and infighting. It backpedalled on Kyoto. It is now sitting on a report showing it could reduce fossil fuel consumption and save the family farm.

Mandating ethanol as a fuel additive could reduce vehicle emissions by 30% and increase farm commodity prices at the same time: 45% for corn and 66% for vegetable oils.

Why does the Prime Minister not get rid of the stench permeating his government and start by legislating mandatory blend of ethanol gasoline in Canada? It would be good for the environment and good for farmers.

Hon. Herb Dhaliwal (Minister of Natural Resources, Lib.): Mr. Speaker, I welcome the views of the hon. leader of the NDP. We are looking at opportunities of a mandatory ethanol blend. It is something that we are exploring at this time. It would help to reduce pollution and deal with greenhouse gas emissions.

However I want to ensure we have consultations with all provinces and industry, which I have been doing, to ensure we do our homework on something that is an important area that we should consider.

•(1425)

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, considering opportunities for possible future action is not exactly taking action. The government is learning the hard way it cannot buy good public relations. In politics it has to be earned through ethical conduct, bold policies and sound judgment.

The government must stop funding reports that go nowhere. Why will the Prime Minister require that Canadians have access to the cleanest fuel on the market? That means mandating that there be ethanol in the gas that is available for consumption.

Hon. Herb Dhaliwal (Minister of Natural Resources, Lib.): Mr. Speaker, I have indicated to the press and members in the House that this is something we are looking at seriously but we want to ensure that we have consultations with the provinces and industry.

On renewable resources, we just announced \$260 million on wind energy, and we are looking at a variety of other projects. We are doing our part. In fact we are investing hundreds of millions of dollars to ensure that we take a lead role on climate change as well as on the environment.

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AUDITOR GENERAL

Right Hon. Joe Clark (Calgary Centre, PC): Mr. Speaker, the Minister of Public Works and Government Services yesterday deliberately gave the House a careful half answer in saying that the auditor general has the authority of a public inquiry.

The full story is that her authority does not apply to arm's length foundations or to several crown corporations. The auditor general wants her authority extended to penetrate those black holes where there is now no accountability for advertising or other activities.

Will the government extend those powers to the auditor general, and if not, will it name an independent public inquiry immediately with the clear power to look into all of these black holes?

[*Translation*]

Hon. Lucienne Robillard (President of the Treasury Board, Lib.): Mr. Speaker, we have approved a new policy on alternative service delivery arrangements, which requires departments to carry out an impact study and ensure that the public interest is being served.

That said, when a new structure is being created, effort must be made to ensure that proper measures are in place for reporting to the House, to parliament and to the public in general. This we do in all cases, and we improve public reporting.

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[*English*]

G-8 SUMMIT

Right Hon. Joe Clark (Calgary Centre, PC): Mr. Speaker, I have another question about hidden costs.

Oral Questions

The RCMP warned the Prime Minister not to hold the G-8 summit in Ottawa. The prospect of protest was too dangerous. The Prime Minister moved the summit to two sites in Alberta: Calgary and Kananaskis. Now protestors and other activists are bringing the protest to Ottawa anyway. They have already scared the Canada Day celebrations off Parliament Hill.

The Prime Minister is running a three ring summit. The costs and the security risks will be much higher than normal.

I have three questions. Can the government guarantee the security of all three sites? Is there an overall budget? Will the government table that—

The Deputy Speaker: The hon. solicitor general.

Hon. Lawrence MacAulay (Solicitor General of Canada, Lib.): Mr. Speaker, I can assure my hon. colleague that we have the appropriate police forces and security intelligence agencies to make sure that we have the proper security in this country to take care of our citizens in Kananaskis and in Ottawa.

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GOVERNMENT CONTRACTS

Mr. Gerry Ritz (Battlefords—Lloydminster, Canadian Alliance): Mr. Speaker, the minister of public works claims that he decided to keep the money flowing to the Liberal bagmen at Groupaction because of natural justice. He is a prairie boy and he knows that is natural hogwash.

It is indefensible that the minister uses a lawyer's dodge to justify this overpriced photocopying. When will he stop all business dealings with Groupaction, all of them?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, with respect to the photocopying issue that the hon. gentleman refers to, that of course is already the subject of a police inquiry. As a result of that, the former minister of public works and government services already took the step of terminating sponsorship activity with respect to Groupaction.

With respect to other business, as I mentioned earlier in the House today I am pursuing additional initiatives to deal with that, as I promised to do.

Mr. Gerry Ritz (Battlefords—Lloydminster, Canadian Alliance): Mr. Speaker, the Groupaction file is just the tip of the iceberg. There are a lot more lining up and we know they are all bad.

The minister claims he is going to be transparent and accountable in his new role. He has become so transparent we can see right through him. It is a different face but the same old game.

How does the minister think that justice will be served when the very people who signed off on all of these bogus contracts are the ones now doing the review?

• (1430)

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, the review is being conducted by the

internal audit division of my department, which the auditor general has described as excellent and courageous. It is being done by the auditor general herself. It is being done by treasury board. It is being done by the new officials who have been in my department over the course of the last year. The hon. gentleman's allegation is flatly wrong.

[*Translation*]

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, once again this morning, the minister of public works told us that dubious cases relating to sponsorships will be investigated by the RCMP. I am very anxious to hear his response to the case I am about to raise.

How can the minister and the government explain their need to give a 12% commission to Gosselin Communications for a \$1,168,000 sponsorship connected, not just to anyone, but to its police, the RCMP, in connection with its 125th anniversary?

[*English*]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, the RCMP obviously enjoyed a remarkable celebration on its 125th anniversary. It would seem to me that it is appropriate for the Government of Canada, in the appropriate ways, to support that anniversary. I will certainly make inquiries and determine if there is anything at all that can possibly be criticized about this transaction.

[*Translation*]

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, is the minister not being totally ridiculous by considering that a commissioned middleman was needed to give the RCMP money for its celebrations?

Since it is the RCMP which is investigating these questionable cases, is it still suited to do so if it is part of the system? Is a public inquiry not necessary if we really want to get to the bottom of this?

[*English*]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, the RCMP obviously had a very significant reason to celebrate on its 125th anniversary. It was an anniversary that all Canadians wished to participate in, from coast to coast. It was not a police function per se. It was an anniversary celebrating a very important milestone in Canadian history.

As I said to the House earlier today, where there are instances drawn to my attention where in future work can be done without the benefit of an agency, that would be my preference.

Mr. John Reynolds (West Vancouver—Sunshine Coast, Canadian Alliance): Mr. Speaker, yesterday we learned that last summer the public works minister gave the Francophonie Games \$300,000 more than it asked for. It asked for \$2.5 million. It received \$2.8 million.

Why is this? Is it because over \$400,000 of that money went to Liberal friendly advertising firms?

Oral Questions

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, as I pointed out to the House, the Francophonie Games was a very large international undertaking. It was organized over a period of at least two years. It was a complex undertaking involving many participants. Over the course of that period of time, it happens, as in business usually, that contract requirements can change and be amended. This was the case in this instance.

Mr. John Reynolds (West Vancouver—Sunshine Coast, Canadian Alliance): Mr. Speaker, there was no answer to the \$400,000 that went to Liberal friends. It is money that could have been better used for the Prime Minister's imaginary homeless friends.

Other situations like this were presented yesterday to the minister and his replies were totally inadequate. He has a responsibility as a minister of the crown to get to the bottom of this mess.

When will the minister become a friend of the taxpayer instead of a friend to the Liberal donors and when will he stop all of these contracts and start a full and independent inquiry?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, on my very first day in this portfolio I indicated very clearly that transparency, accountability, value for money and respect for the taxpayers' dollars are very, very critical priorities. I intend to honour that trust.

• (1435)

[Translation]

Ms. Caroline St-Hilaire (Longueuil, BQ): Mr. Speaker, yesterday, the minister of public works was unable to identify the firm that had produced the CD-ROM-Dessins animés, and his office refused to reveal it claiming that the company was being investigated.

We are not after state secrets, we simply want to know the name of a company that produced a CD-ROM with our money.

So, I ask the minister once again: What is the name of the company?

[English]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, the difficulty yesterday, if any, was in the obscurity of the questions being asked by the opposition members. If the House will recall, I asked them on at least two occasions to clarify what they were talking about.

In the absence of their information, I pointed out that there were matters in relation to CD-ROM-Dessins animés that had in fact been referred, in the proper course, for police investigation.

[Translation]

Ms. Caroline St-Hilaire (Longueuil, BQ): Mr. Speaker, the question is not a complex one, and we are drawing on documents of the minister of public works for our questions.

So, if the minister refuses to answer, saying that the matter is under investigation, at the rate things progress, we will be unable to get the name of any of the companies under investigation before parliament adjourns.

And if the minister is sincere in his desire to shed some light, would he agree to provide, before the end of the session, the complete list of all the files under investigation and the names of the companies in question?

[English]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, I have said both inside and outside the House that with respect to those cases that require police examination I want to be as forthcoming as I can possibly be, but I also do not want to discuss matters in such a casual manner that in fact the police investigation could be compromised.

I am being invited to talk about information in the public domain that might in fact stymie a police investigation and I will not do that.

Mr. James Moore (Port Moody—Coquitlam—Port Coquitlam, Canadian Alliance): Mr. Speaker, two Liberal connected firms, Groupaction and Media IDA Vision, earned \$630,000 in commissions for placing \$45 million worth of government ads with the CBC.

The CBC is a federal crown corporation. Why did taxpayers have to pay Groupaction \$630,000 to place government ads on a government TV station?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, I think the hon. gentleman is referring to certain advertising that took place in connection with the Nagano Olympic Games. To me, this would appear to be clearly an advertising campaign and not a true sponsorship project and therefore, in my opinion, it probably should not have been funded from the sponsorship envelope.

Before I arrived in this portfolio my predecessor already had taken the initiative to change and tighten the program criteria to eliminate that type of activity.

Mr. James Moore (Port Moody—Coquitlam—Port Coquitlam, Canadian Alliance): Mr. Speaker, while the Liberals applaud like trained seals cleaning chalkboard erasers, I think Canadians are less than impressed by that answer. Canadians deserve an apology for that.

Taxpayers pay for the CBC. Taxpayers paid for the ads. Now they pay Groupaction to run the ads that they paid for on a station that they already own. Then Groupaction gives \$112,000 of the \$630,000 contract to the Liberal Party as a donation.

Why do the Liberals not apologize to Canadians for this gross corruption?

Oral Questions

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, I gather that buried in that assertion is the allegation that government investments in advertising should be treated differently if it is CTV or Global compared to CBC.

Accordingly, I want to repeat the point. When this activity was undertaken it would appear to have fit within what were then the guidelines of the program. Since that time the guidelines have been changed, so this type of activity would not be permitted.

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TRADE

Mr. Mac Harb (Ottawa Centre, Lib.): Mr. Speaker, my question is for the Minister for International Trade.

Mexico, with over 100 million people, represents a huge market for Canadian businesses. Obviously we have a lot of businesses that are interested in areas such as technology, transportation, aerospace and education.

I want to ask the minister what he and the government are doing in order to ensure that Canadian entrepreneurs have access to the market in Mexico.

• (1440)

Hon. Pierre Pettigrew (Minister for International Trade, Lib.): Mr. Speaker, I can tell you that since NAFTA was signed by our government in 1994, Canadian exports to Mexico have more than doubled and Canadian investments in Mexico have more than tripled.

This very week we have worked very hard at further deepening our relationship with Mexico. This week I led a very successful trade mission, with a large Canadian delegation, to Mexico. I met with President Fox and his economy minister, Mr. Derbez, to discuss bilateral relations and ways to enhance our trade and investments, and the EDC is expanding—

The Deputy Speaker: The hon. member for Dartmouth.

* * *

THE MEDIA

Ms. Wendy Lill (Dartmouth, NDP): Mr. Speaker, today saw another urgent plea for the government to abandon its policy to allow unfettered media concentration. This plea came from 40 of Canada's greatest journalists, sponsored by the Southams, one of our greatest newspaper families. They want tax incentives for media companies that preserve journalistic independence, measures to promote journalistic freedom, and stronger tax policies to protect our culture from foreign ownership.

These measures have to come from the government. They are outside the terms of the standing committee study on broadcasting.

Will the government act on these measures now?

Hon. Don Boudria (Minister of State and Leader of the Government in the House of Commons, Lib.): Mr. Speaker, we will take note of the hon. member's question. I apologize to her that I cannot give a fulsome answer to the question she has asked.

This is an important issue, which has been raised in the House of Commons previously and which the Minister of Industry and, I believe, the Minister of Canadian Heritage have addressed before. I will endeavour to provide an answer for her at the earliest opportunity.

* * *

[Translation]

GOVERNMENT CONTRACTS

Mr. Yvon Godin (Acadie—Bathurst, NDP): Mr. Speaker, the Quebec firm CD-ROM-Dessins animés received \$752,000 for a sponsorship application of \$450,000.

This coming February, my riding will be hosting the Canada Winter Games. The organizing committee has applied for financial assistance of \$900,000 from the sponsorship program and has received only \$500,000.

Can the minister of public works tell us whether the sponsorship program is solely for Quebec or if one of the criteria for program eligibility is to have connections with the Prime Minister and his cabinet?

[English]

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, first let me say that I am delighted to have the endorsement of the hon. member and the New Democratic Party for the value and worth of the sponsorship program.

I am aware of the application to which he has referred. It is under active consideration at the present time. One thing that will be important, of course, in dealing with this particular set of the Canada Games is to make sure that the support of the Government of Canada is provided on a basis consistent with both previous and future sets of the games. It is under active—

The Deputy Speaker: The hon. member for Saint John.

* * *

NATIONAL DEFENCE

Mrs. Elsie Wayne (Saint John, PC): Mr. Speaker, Canada's defence spending amounts to 1.1% of the GDP, the second lowest in all of NATO. Maybe that is why we buy those used submarines that will not float.

Last fall the finance minister said:

You can't just sit at the G-8 table and then, when the bill comes, go to the washroom.

It is time for the minister to put the money where his mouth is.

Will the minister commit to increasing our defence spending to 1.6% of GDP as recommended by the defence committee report that was tabled in the House last week?

Mr. John O'Reilly (Parliamentary Secretary to the Minister of National Defence, Lib.): Mr. Speaker, we are trying to get the submarines to go down, not up, but I appreciate the member's interest. The fact is, the report—

Some hon. members: Oh, oh.

Oral Questions

The Deputy Speaker: Order. I know we all want to hear the reply from the hon. parliamentary secretary.

Mr. John O'Reilly: Mr. Speaker, we thank the Standing Committee on National Defence and Veterans Affairs for the report it submitted to the government. The government intends to take the report very seriously, to reply to it and to do what is best for Canada and what is best for our Canadian forces.

We will give them all consideration and we will try to keep those submarines going down.

* * *

CANADA POST

Mrs. Elsie Wayne (Saint John, PC): Mr. Speaker, they cannot go any lower than they are, I will tell you that.

Concerned stakeholders have advised us that Canada Post has been using American based printing companies to make our 48¢ Canadian stamp, this notwithstanding that the U.S. prohibits the production of its stamps outside of its national borders. Worse still, the stamps breach the NAFTA rules as there is no indication that the stamp is made in the U.S.A.

Can the minister of public works explain to all the people of Canada and the Canadian printers that Canadian jobs were sidestepped—

• (1445)

The Deputy Speaker: Order. The hon. Deputy Prime Minister.

Hon. John Manley (Deputy Prime Minister, Minister of Finance and Minister of Infrastructure, Lib.): Mr. Speaker, I can tell the hon. member that I share her concern that where we comply with all relevant trade rules, we would certainly prefer to see the work, where work is available, to be done in Canada.

I am advised that major contracts are all given in accordance with NAFTA regulations. They are available on MERX, the government's online system that makes contracts available. When granted, they are approved by the board of directors of Canada Post.

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GOVERNMENT CONTRACTS

Mr. Monte Solberg (Medicine Hat, Canadian Alliance): Mr. Speaker, the public works minister has been missing the point with respect to the CBC. Let me make this as simple as possible. We have the government broadcaster and the government wants to place ads on its own government broadcaster.

Why do we need to spend \$630,000 for two Liberal advertising firms for a transaction that could have taken place at the water cooler?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, there are two points. First, as I have indicated, this type of advertising activity which was previously thought to be permissible under the sponsorships program no longer is. Those changes were made by my predecessor.

Second, surely in the treatment of all of the media in Canada in terms of their relationships with the Government of Canada, the treatment should be on an equal basis whether the advertiser is in the public sector or the private sector.

Mr. Monte Solberg (Medicine Hat, Canadian Alliance): Mr. Speaker, the public knows a scam when it sees one. This is just an example of the federal government adding a step to a routine transaction just so the Liberals can send a fat contract to their buddies, a practice that is clearly unethical, if not illegal.

How many more examples of this kind of practice does the government have to see before it accepts the need for a full public inquiry?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, first, I have indicated five different ways in the House already in which this matter is being pursued.

Second, the particular activity that has been complained about by the hon. gentleman would no longer be permissible under the terms that were approved by my predecessor. He made the change already.

Third, as I have indicated, I am looking at all possible options by which I can eliminate the use of external agencies in respect to sponsorships.

* * *

[*Translation*]

REFUGEES

Ms. Madeleine Dalphond-Guiral (Laval Centre, BQ): Mr. Speaker, the United Nations High Commission for Refugees has sent a letter to the minister of immigration reminding him that an appeal procedure is vital to any refugee determination process.

Will the minister tell us when he intends to restore the appeal process and, in the meantime, will he make a commitment to keep two commissioners in place for refugee hearings, as unanimously recommended this morning by the Standing Committee on Citizenship and Immigration?

Hon. Denis Coderre (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, first, on behalf of the government, I wish the member for Laval Centre a happy birthday.

Some hon. members: Hear, hear.

Hon. Denis Coderre: Second, I think that the United Nations High Commission for Refugees said that Canada served as a model to others in its treatment of refugees.

I have already made a commitment to the Canadian Council for Refugees that we will have an appeal system in place in one year's time. For now, what we want is a system which is effective and which respects our international obligations.

Ms. Madeleine Dalphond-Guiral (Laval Centre, BQ): Mr. Speaker, I thank the minister for his kind wishes, but I must say that the best gift of all would be an answer to my question.

Oral Questions

The rumours are that an agreement between Canada and the United States regarding safe third countries is imminent and that it will be unveiled at the G-8 summit in Kananaskis.

Will the minister tell us why Canada will now have to be told by the United States who is a refugee and, more importantly, who is not?

• (1450)

Hon. Denis Coderre (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, the member has it all wrong. Canada has its own refugee policy. Obviously, we are working in co-operation with all our partners, but we have our own policy.

Furthermore, we have a new act and regulations coming into force on June 28.

We want our priorities to be security and openness.

[English]

We will do it like they say, in the Canadian way.

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GOVERNMENT CONTRACTS

Mr. Vic Toews (Provencher, Canadian Alliance): Mr. Speaker, despite the scathing report of the auditor general and an investigation by the RCMP, the minister of public works said yesterday that this is justified on the basis of natural justice. These principles of justice could only be natural for a Liberal minister up to his ears in sleaze.

How is it that natural justice provides no protection to Canadian taxpayers while the minister allows his Liberal cronies to continue to pick the public purse on an ongoing basis?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, if the hon. gentleman has the audacity to make an accusation against me personally with respect to sleaze, I invite him to step outside this room, make that allegation in the public arena and he will have an appointment with my lawyer.

Mr. Vic Toews (Provencher, Canadian Alliance): Mr. Speaker, the minister is awfully sensitive. I did not say he created the sleaze but he is up to his ears in the sleaze.

An RCMP investigation is under way, yet an ongoing river of money keeps on flowing to Groupaction.

Is the reason the minister refuses to stop the flow of money to Groupaction because it will also end the flow of money to the Liberal Party of Canada?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, those allegations are really beneath contempt. I have already indicated that it is my personal commitment to deal with the problems and the issues before me in a way that is open, transparent and accountable and fully respects the taxpayers' investment.

I have also indicated earlier today, perhaps if his ears were not plugged with something, that I have taken action against Groupaction.

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[Translation]

EMPLOYMENT EQUITY

Mr. Marcel Proulx (Hull—Aylmer, Lib.): Mr. Speaker, when the annual report on employment equity was tabled, the President of the Treasury Board indicated that fair representation of persons with a disability was a priority for this government.

As the government wants to promote a culture of “planned inclusion” of persons with a disability in the public service, can the President of the Treasury Board explain to us how the government will eliminate the obstacles facing employees with a disability in the public service?

Hon. Lucienne Robillard (President of the Treasury Board, Lib.): Mr. Speaker, the government has adopted the policy on the duty to accommodate persons with disabilities. The aim of this policy is truly to eliminate all obstacles and ensure the full participation of persons with disabilities in the federal public service.

We want a public service that is representative and inclusive. In this regard, we have worked with our various partners and especially with the recruitment committee of the Public Service Commission, as well as with our partners, the unions, and with them we will implement this policy to ensure this representation in the federal public service.

* * *

[English]

GOVERNMENT CONTRACTS

Mrs. Carol Skelton (Saskatoon—Rosetown—Biggar, Canadian Alliance): Mr. Speaker, Groupaction triple billed the government for the same report and is now under investigation by the RCMP. The government continues to send hundreds of thousands of dollars in ad contracts to Groupaction. Last week Groupaction's U.S. affiliate cut all ties with it in an effort to protect its own shareholders and its reputation.

Will the minister do the right thing and cut up all contracts with Groupaction?

• (1455)

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, as one respectful Saskatchewanian to another, let me just make the point that I made earlier.

With respect to any other marketing or communications business of any kind whatsoever, beyond and apart from sponsorships which already have been dealt with, I would fully expect my department to decline any new contract awards to Groupaction. For those projects that presently are caught in process in some way, I will of course investigate each one of them on a case by case basis.

Mrs. Carol Skelton (Saskatoon—Rosetown—Biggar, Canadian Alliance): Mr. Speaker, the prairies need moisture and we have grey fog. The minister tries to convince us he is looking after this mess. His calm tone and reassuring words are not fooling anyone. His lack of action tells the whole story.

Groupaction contracts are under RCMP investigation. Will the minister immediately stop all government business dealings with Groupaction, yes or no?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, I do not know how I could be any clearer. I said that I expected the people in my department to follow my wishes in this matter. I know that they will because they will fulfill my expectations. Wherever there is presently some kind of transaction in process, I will review it personally on a case by case basis to do the right thing.

* * *

[Translation]

EMPLOYMENT INSURANCE

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, on August 20 of last year, the Minister of Human Resources Development confirmed to me that the Employment Insurance Act needed amending to rectify the discrimination suffered by women who qualify for Quebec's precautionary cessation of work program, and are denied employment insurance benefits as a result.

Today, nearly one year after admitting there was a problem, is the minister ready to introduce a bill and pass it immediately to stop penalizing women in Quebec?

[English]

Hon. Jane Stewart (Minister of Human Resources Development, Lib.): Mr. Speaker, let me advise the hon. member that I remain committed to ensuring that every woman has full access to the parental benefits that are in place. Regardless of the fact that we are talking about a small number of women who do not have full access to those benefits, every single parent should have the benefits of our services and we will find a way to ensure that.

* * *

RESEARCH AND DEVELOPMENT

Mr. Brent St. Denis (Algoma—Manitoulin, Lib.): Mr. Speaker, yesterday the space shuttle *Endeavour* blasted off on a flight to the international space station to deliver a mobile base that will help build the station in orbit. Given Canada's excellent aerospace reputation, can the minister responsible for science, research and development tell the House how Canadian industry has contributed to this mission?

Hon. Rey Pagtakhan (Minister of Veterans Affairs and Secretary of State (Science, Research and Development), Lib.): Mr. Speaker, Canada is proud to support research and development.

This first railway in space is contributing to the development of the space station and to building partnerships. Wardrop Engineering

Oral Questions

of Winnipeg and MD Robotics of Brampton working in partnership have made this advance in science a reality.

* * *

GOVERNMENT CONTRACTS

Mr. John Duncan (Vancouver Island North, Canadian Alliance): Mr. Speaker, the auditor general referred the Groupaction contracts to the police. She found their work to be deficient. Here is what she said:

In summary, we saw very little evidence in the report that all significant contract requirements were met.

Groupaction did not meet contract requirements. Why are we still giving it contracts? We fully expect the minister to give us an unequivocal answer. Will he cut them off now entirely?

Hon. Ralph Goodale (Minister of Public Works and Government Services, Minister responsible for the Canadian Wheat Board and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, what I have said is that with respect to all other business activities beyond the sponsorship, future project applications, proposals or submissions by Groupaction will be declined. There is an issue having to do with outstanding matters that are partway through and I am going to look at every one of those on a case by case basis. I do not know how I can be clearer.

* * *

[Translation]

HIGHWAY INFRASTRUCTURE

Ms. Jocelyne Girard-Bujold (Jonquière, BQ): Mr. Speaker, on Monday the Deputy Prime Minister said in the House, and I quote, "much of the strategic infrastructure fund will flow to municipalities". However, commitments made by Liberals with respect to funding for Quebec highways are in the order of \$1.9 billion.

Given that the fund only contains \$2 billion, it is clear that the Deputy Prime Minister will not have enough money available to fund all of his colleagues' commitments.

Given this fact, will he tell us once and for all what the real intentions are for this fund? Which projects will be a priority?

● (1500)

Hon. John Manley (Deputy Prime Minister, Minister of Finance and Minister of Infrastructure, Lib.): Mr. Speaker, unfortunately it is still a bit too early for me to indicate priorities. I hope to have all of the parameters of the program ready for the House and the public shortly. As soon as the program has been approved by cabinet, we will be able to start determining which projects will receive funding.

* * *

[English]

CANADA POST

Mr. Joe Comartin (Windsor—St. Clair, NDP): Mr. Speaker, my question is for the new finance minister.

Business of the House

Does he know why our Canadian stamps are being made in the United States? Does he know why they do not contain a country of origin label, or is he just too busy with all his other responsibilities? Could the minister give us an answer?

Hon. John Manley (Deputy Prime Minister, Minister of Finance and Minister of Infrastructure, Lib.): Mr. Speaker, perhaps the member may not have heard my previous answer but he can refer to the blues.

However I am sure he does know that crown corporations, such as Canada Post, operate independently and at arm's length from the government.

I indicated to him the role the board of directors play in the approval of contracts. I am sure he would not be one to recommend political interference with the granting of contracts by a crown corporation. I hope not.

* * *

FISHERIES

Mr. Gerald Keddy (South Shore, PC): Mr. Speaker, my question is for the minister of fisheries.

It is critically important for the survival of Atlantic salmon that the west Greenland fishery be shut down entirely and immediately. Every fish caught off Greenland is one less fish returning to the seriously threatened salmon rivers of Nova Scotia and eastern Canada.

Will the minister of fisheries support the position of the Atlantic Salmon Federation in calling for a zero quota for the west Greenland fishery? Will he lobby NASCO this week to end the Greenland salmon fishery?

Hon. Robert Thibault (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, I can assure the member that our negotiators will be putting forward a position for as low a harvest as possible.

We recognize in trying to achieve a multi-year deal that there might be a requirement for a food fishery or a minimum fishery by some partners over there. However our preference would be that there be no fishery whatsoever. We cannot give away all the details prior to those negotiations because we do not want to prejudice the outcome.

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BUSINESS OF THE HOUSE

BILL C-5

Hon. Don Boudria (Minister of State and Leader of the Government in the House of Commons, Lib.): Mr. Speaker, there have been negotiations among political parties. I believe all opposition parties have a copy of a motion for which there has been tentative agreement. I would now like to offer it to the House. I invite them to consult a copy of the document that we have put together.

I ask for unanimous consent for the following motion. I move:

That, notwithstanding any standing order or usual practice, in consideration of the report stage of Bill C-5, an act respecting the protection of wildlife species at risk in Canada, the texts of report stage Motions Nos. 35, 84 and 96 shall be altered to read as provided in the document entitled "Proposed Revised Report Stage Motions at

Report Stage of Bill C-5", tabled in the House of Commons earlier this day on June 6, 2002, provided that these motions shall be deemed to remain in the same status for consideration by the House as the unaltered versions of the motions were at the time of the adoption of this order.

• (1505)

The Deputy Speaker: Does the House give its consent to the minister of state to table the motion?

Some hon. members: Agreed.

The Deputy Speaker: The House has heard the terms of the motion. Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

An hon. member: On division.

(Motion agreed to)

WEEKLY BUSINESS STATEMENT

Mr. John Reynolds (West Vancouver—Sunshine Coast, Canadian Alliance): Mr. Speaker, now that we have settled that issue, I wonder if the government House leader could explain what the business will be for the rest of this week and next week?

Maybe the minister could also let the nation know, from the exciting question periods we have been having, that we have about 11 more left. Could he assure us that we will get all 11 of those in before we go home to work for the summer.

Hon. Don Boudria (Minister of State and Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I do not usually comment on the content of question period. We all have our own views of how good or bad they were. I will instead refer to the government's legislative program.

This afternoon and this evening we will consider the business of supply with the opposed motions and so on. That takes place as it does normally, with the later completion of the appropriations bill.

Tomorrow we will do the following business. I would like to first call Bill C-53, the pest control bill, at report stage. Once that is completed we will then call Bill C-55, the public safety legislation. I believe those two bills should complete the day tomorrow.

Next Monday it is my intention to call the report stage of Bill C-5 and third reading of Bill C-5 on Tuesday.

On Wednesday of next week and/or after the completion of Bill C-5, I would then call Bill S-41 respecting legislative language. We will consider at that point an address to Her Majesty concerning the jubilee.

Once that is completed, and in the event the House wants to continue with other business, the bills I would call next Tuesday, subject of course to consultation between House leaders, would probably be the following: Bill C-19, the environmental protection legislation; Bill C-48, the copyright bill; and possibly Bill C-54, the sports bill which I understand should be out of committee sometime within the next short while.

Supply

That is the business I propose to call after we complete the address to Her Majesty that I described.

I also intend to consult with opposition House leaders to see if it is still their wish to hold the take note debate next Wednesday on the future of Canada's health care system.

GOVERNMENT ORDERS

[English]

SUPPLY

ALLOTTED DAY—INCOME TAX

The House resumed consideration of the motion, and of the amendment.

Mr. Paul Szabo (Parliamentary Secretary to the Minister of Public Works and Government Services, Lib.): Mr. Speaker, as I had just begun my speech prior to question period I think it would probably be worthwhile to do a quick summary of the issue.

First, the motion has to do with an overpayment by the federal government to four provinces with consequences to all provinces. The motion reads:

That, after overpaying at least \$3.3 billion to several provinces as a result of its own accounting errors, this House calls upon the government to forgive any past revenue overpayments to the provinces since retroactively clawing back these revenues would severely affect the provinces' ability to pay for healthcare, education and social services.

This would have some very interesting ramifications, as members have raised in their debate. I think it bears identifying exactly the nature, because I am not exactly sure that these are accounting errors.

In January 2002 the Canada Customs and Revenue Agency, commonly referred to as CCRA, identified a problem in tax accounting that resulted in overpayment to six provinces under tax collection agreements.

The federal government collects income taxes from individuals on behalf of provinces and remits the money to those provinces following the tax year. The Department of Finance pays the appropriate share of those taxes collected to the provinces based on the records of the CCRA.

The four provinces that are significantly affected are Ontario, Manitoba, British Columbia and Alberta. Those are provinces where mutual fund trusts are primarily based. New Brunswick and Nova Scotia received very minor overpayments.

Mutual fund trusts are a type of collective investment vehicle allowing Canadians a simple way to invest indirectly in a broad range of stocks and bonds in a number of different markets. That is not the issue. Preliminary estimates in January 2002 indicated that a total of \$3.3 billion had been overpaid for the 1993 to 1999 income tax years.

The auditor general studied the CCRA accounts to confirm the scope of the problem. I think it was important that the work had been done to ensure that there was an understanding that the problem identified was verifiable. Her report of June 3 gave complete assurance that there had been \$2.5 billion in overpayments in the

period from 1996 to 1999 and it gave partial assurance that over \$800 million was overpaid in the period 1993 to 1996.

CCRA's accounting practices applicable to mutual fund trust capital gains refunds have been revised to avoid a similar omission in the future. So corrective action has been taken with regard to the matter which actually led to this overpayment. The auditor general confirmed that the practices were corrected.

The problem for many years was virtually undetectable. Each year the public accounts of the Government of Canada and all its departments and agencies are audited and they are signed off by auditors that they fairly reflect the financial activity for the period under audit. The Government of Canada relies on those audits and relies on them not only with regard to the activity in a particular department, agency or its own public accounts, but that it has consequences to other matters, such as in the event that equalization payments, for example, could be affected in a ripple effect. If this problem had not occurred, the amount, for instance, that was paid to provinces with regard to equalization payments might also have been different. In fact, that is the case.

The overpayments to the provinces are as a result of a tax accounting omission in the Canada Customs and Revenue Agency reports.

● (1510)

The Department of Finance uses those reports to determine how much tax revenue it should be distributing to the provinces. Mutual fund trusts pay federal and provincial tax on capital gains and under circumstances set out in the income tax legislation they can receive a refund in both federal and provincial portions of this tax paid once investors realize the gains and pay the tax themselves.

Due to a problem in the CCRA the provincial portion of capital gains refunds for mutual fund trusts was being deducted from federal revenues instead of provincial revenues. These processes are audited by the auditor general and they have nothing to do with individual taxpayers. It is a consequence of all the tax collections that are collected on behalf of provinces by the federal government.

In the course of enhancing the computer systems the CCRA identified the problem and upon confirmation reported it to the Department of Finance and the auditor general. As soon as the auditor general confirmed that the problem was real the overpayment was immediately corrected on a going forward basis at least as of the 2000 taxation year. The auditor general was requested to study the CCRA accounting procedures and provide reports and analysis. The auditor general delivered her report on June 3, 2002.

Let us look at the amounts more specifically. There is no question that \$3.3 billion is an awful lot of money. This relates to the years 1993 to 1999. The provinces affected were Alberta, British Columbia, Manitoba and Ontario.

In Ontario's case the overpayment was \$2.8 billion. That is a vast majority of the amount we are talking about. As a member of parliament from the province of Ontario I obviously have a concern and an interest in seeing that Ontario is kept in good shape and that it gets its fair share. I would never argue that Ontario should get what it is not entitled to.

Supply

Manitoba's overpayment was \$400 million. It has a smaller population than most provinces however \$400 million is a material amount to that province. B.C. was overpaid by \$120 million, a little lesser impact, nevertheless governments can do a lot in a province with \$120 million. In Alberta's case the overpayment was only \$4 million. This gives us an idea of the dimensions. The problem is certainly with Ontario.

The government has identified a problem and taken appropriate action. The auditor general has introduced changes ensuring that this matter would not get exacerbated or there would be further overpayments. Discussions were immediately launched with the provinces to determine how to approach this.

The federal and provincial governments have agreements on a number of matters, not simply tax collection, tax law and other law, but virtually on every aspect of fiscal and social policy across Canada. That relationship is important and cannot be taken in isolation.

The motion before us suggests that correcting this problem would impair, impede or somehow compromise a province's ability to take care of its other responsibilities like health care, education, social services and everything else that provinces deliver to Canadians.

What is the impact? We have a situation where legitimate federal government moneys were inadvertently paid to these provinces. I indicated earlier that there also is a consequential impact on things like equalization payments. Every other province that receives equalization payments has now received an amount which would have been different had the situation been handled correctly in the first place. We have some consequential effects as a result of this overpayment. We must carefully examine the impact on all provinces, not simply the poor provinces to whom overpayments were made.

●(1515)

I am sure that hon. members will recognize this is a difficult and complex question that cannot be resolved by a simple motion to suggest we forgive it and go on. The federal government has its responsibilities. We have programs, services and obligations on a national basis which also must be funded and we must think about some of the principles.

I would like to talk about some of the principles that we ought to consider when we are dealing with matters such as this. I suggest materiality has a lot to do with it. In the event we were to have anything which was of an inconsequential amount it would be unlikely that the government would dedicate substantial resources to resolve a problem for which the cost of resolving would be more than the amount involved in the first place.

Materiality is a fairly important issue. I suspect that members would agree that if the amount in question were one dollar this would not be an issue. I am sure that it would be a matter that could be resolved quickly simply by an internal adjustment.

What if it was a million dollars? All of a sudden that becomes a lot of money to a lot of people depending on the circumstances. Would we be prepared to make concessions or eat it? Sometimes businesses refer to it that way. They say that they will eat the loss because it was

their mistake. Sometimes it is a good business practice or a good faith gesture to say that we made a mistake.

I would like to give an example of the principle of detrimental reliance. If individuals received a million dollars that they were not entitled to and they went out and invested in a \$10 million investment using that money and had no other way to get that last million dollars because if it was taken away they would be in default of their loan and lose their business, then we could rationalize that over the long term with all things considered and it might be appropriate to take the hit and not try to recover it.

We know a dollar will not make us do anything. I am not sure whether a million dollars will make us do anything but it might start us thinking. However what if it was a billion dollars? It becomes a billion dollars in the Government of Canada's public accounts that is not available which otherwise should be available to pay down debt, invest in health care, social programs, or affordable housing and the homelessness issue. I can think of some important priorities that a billion dollars can be applied to. This matter is \$3.3 billion. It is a lot of money and a lot of programs could be run with \$3.3 billion. It is regrettable.

It is further exacerbated that whenever these things occur there is interest associated with the moneys, the time value of money. The \$3.3 billion does not even include all of the interest that could have been earned on that money or saved had that been used to pay down debt for instance. It is not insignificant. The \$3.3 billion is not the total amount but the initial amount. I imagine that if we were to do the math it would be closer to \$4 billion than \$3.3 billion.

The question is: At what level does the government want to change the decision? There are certain circumstances and levels of dollars where we might say we made a mistake and it is not worth the effort to fix it. It gets to a point where we would look at negotiating a settlement because we do not want to spend too much money on it. Then it gets to the point where there are large enough dollars that there has to be some principles. What threshold will we set? I am not sure members have thought about what that threshold should be.

This particular motion has said, notwithstanding anything else with the \$3.3 billion, we will not be concerned about the amount the federal government will lose in revenue and it should be forgiven. Therefore, the threshold of at least \$3.3 billion is inconsequential to the opposition and it wants the government to let it go to the provinces. I am not there.

●(1520)

In the laws of Canada, where there has been an injustice, there is a principle that the dispute resolution is to put the parties back in the situation they would have been in had the matter been treated properly in the first instance, to the greatest extent possible.

Supply

There is no question in this regard that it is totally possible for the moneys to be totally recovered by the federal government, as is its due. But the federal government has broader relationships with the provinces. Some discussions which are going on now are necessary because I do not think there would be any intent on any level of government to try to put another jurisdiction in a situation which would be untenable or would damage its ability to do the work that is essential on behalf of all Canadians regardless of the level of government in which its delivered.

Canadians are somewhat insensitive to the level of government that manages their money. They pay taxes and want assurances they get good value for the dollar. Canadians at large will not lose anything. It is a matter of whether or not the federal government has a responsibility to set a standard or consensus point. There may be a certain level beyond which the government should not be taking the hit for inadvertent accounting errors, albeit made in good faith, but should instead seek a negotiating point.

I am a chartered accountant by profession and have appeared before the former National Revenue Department and the CCRA on tax disputes. The laws of Canada are clear. Once an assessment is received it must be paid first before it is challenged in court.

We recover things on welfare, EI payments, GIS overpayments, OAS overpayments, income tax shortfalls and income tax overpayments. There are all kinds of things but they follow the general principle of law that where there is a mistake we correct the mistake. We correct it with interest where applicable, and sometimes with penalties. No penalties apply here because the provinces who received the overpayment were not involved in the transaction. They relied on receiving those moneys in good faith and maybe to their detriment they have invested or used the money.

I do not think that is the case in Ontario. It involved \$2.8 billion. The analysis I saw indicates that the province of Ontario has not even spent all the money that it received from the federal government for new medical equipment et cetera. It put it in bank accounts. I think \$500 million went into bank accounts and it forgot all about it. It was just collecting interest.

I do not think there has been a clear demonstration that there will be an impairment in the province of Ontario if there is an orderly repayment, just as the federal tax department would do for individuals who owe them a lot of money. It does not say to them to pay it all right away or it will throw them in jail. An agreement would be reached to have an orderly repayment so that the person continues to earn an income and repays it in an orderly manner. There are principles involved. It is not cut and dry. I do not believe, even as an Ontarian, that forgiving it is the solution.

• (1525)

Mr. James Rajotte (Edmonton Southwest, Canadian Alliance): Mr. Speaker, the member said it may be more than \$3.3 billion, it may be upwards of \$4 billion going back to 1972. I do not know what it would be if it was more than \$4 billion. Could the member confirm that he did say that it would likely be more than \$3.3 billion?

I must admit that I was a little disturbed by the cavalier way in which he seemed to be treating the \$3.3 billion mistake by the

federal government. I did not hear him admit that it was a mistake by the federal government.

First, he should admit that. He said something to the effect that one jurisdiction would not want to put another jurisdiction in a tough position in terms of providing services. We agree with that but based upon the fact that the federal government made the mistake, is the federal government not the party that should be penalized to the greatest extent for this?

Using that logic, and I agree with it, how does he explain the federal government's position on health care, seeing that it is paying about 14% of the cost and it had agreed to pay 50% of the cost?

The hon. gentleman said justice seemed to be going back to what it would have been had the situation been fair. That is one version of justice but there is another version of justice. Is the party that commits the offence, or the party that fails in its duty or responsibility, not the party that should accept responsibility?

Accepting responsibility is at the heart of the motion. The federal government should stand up and accept responsibility for making the mistakes. I would like the hon. member to comment on that.

Mr. Paul Szabo: Mr. Speaker, the \$3.3 billion could become much higher. It could be closer to \$4 billion.

The information that was given to us from the auditor general is that there were overpayments. The cumulative overpayments for the years involved are \$3.3 billion. Clearly that does not include the interest that would be earned on those moneys all those years by the federal government either by investment or by reduction in its debt. There is a value. Even taxpayers who overpay taxes will get it back with interest when they get their refund. Similarly if they have a shortfall in their instalments or whatever, they will have to pay interest. The differential would simply be the time value of money.

I understand the member would like to suggest it was the government's mismanagement, the government's error and therefore the government should just eat it. It was not the Government of Canada. It was an agency of the CCRA that had a computer problem. It did not deliberately do anything.

Each of the years was audited by the auditor general. The Government of Canada relies on the auditor general to safeguard, to protect, to ensure and to check that these things are correct.

The Government of Canada relies on the auditor general to opine on the correctness of the account. The Government of Canada relied on the auditor general. The auditor general did not see it. When the computer systems were being updated, a computer error was found. It has been corrected. It will not happen again.

To suggest that there was some malfeasance on behalf of the government is a bit of a stretch. There is a detrimental reliance not only by the federal government with regard to the auditor general's reports and assurances that there were no problems, there is also a detrimental reliance by the provinces because they received the money in good faith as well. The principle of detrimental reliance and who relied on whom is very important in the discussions.

Supply

With regard to the funding of health care, the 14%, the member is correct, it is 14% of cash. We have had this debate many times. The tax points are worth so many dollars. In fact the federal government is the sole funder of aboriginal health issues. The federal government is the sole funder of research and the health protection branch and all those other things. If we were to add these things in, it is over 40% of the funding of Canada's health care system.

I received charts during the cabinet briefing which show the components, the tax points, the aboriginal health issues and all of the other direct expenditures, including something as simple as the anti-smoking campaigns that the federal government has been funding for so many years. That is an investment in the health of Canadians.

The member should not misstate the facts by suggesting this is all the cash. If that is his position, perhaps he would agree that we should terminate the tax point arrangement, i.e., the taxing authority the federal government gave to the provinces. Let that revert to the federal government and the federal government will give them the cash.

• (1530)

Mr. James Rajotte: Mr. Speaker, just as a way of keeping the debate lively, obviously it is not the Alliance's position to do as he suggested with health care. It is obviously the Alliance's position to respect the constitution as founded in 1867 and the fact that the delivery of health care services falls within provincial jurisdiction. That is certainly the way the federal government should be going.

On a small point in terms of health care, the federal government is not the sole funder of health research and I think the hon. member knows that. The Alberta Heritage Foundation for Medical Research has led the way in the country in terms of funding health research. It has certainly led the way far more than has the CIHR or the MRC before it. The hon. member should be aware of that.

I have one specific question for the member. He identified the fact that there was interest earned on the \$3.3 billion. The government has indicated that it is opposed to the motion and will not vote for the motion. I assume that the government is intent on at least recouping some of the \$3.3 billion. If it is more than \$3.3 billion, is the government intent on recouping more than that amount?

In terms of the auditor general, I just have a comment. I do not think the government is fair in saying that the auditor general audited the books and therefore the fact that he or she did not find this is a way of relying on that person. The auditor general, as he well knows, looks at certain areas very specifically and should not be held to account for every item in every budget year. It is simply too much to expect the auditor general to do that.

• (1535)

Mr. Paul Szabo: Mr. Speaker, in the opinion of the member then, \$3.3 billion is really not material enough for the auditor general or the Government of Canada to be concerned with. I do not agree with him.

I am pleased that the member finally agrees that 14% of Canada's health care costs is not the right number with regard to Canada's funding. He admitted that research funding is part of it. He ducked the question on the tax points. He ducked the aboriginal health issue and he is ducking everything else.

I do not speak on behalf of the Government of Canada. I am here as a member of parliament. In fact, I am a member of parliament from Ontario, a province that was the recipient of a \$2.8 billion overpayment. Should I come here and say that because it is my province I will fight to make sure it can keep the money and the hell with the rest of Canada? No.

I believe in the principle that if an inadvertent error was made, that there was no intent, it was just a computer mistake that happened, we should seek to correct the situation as much as possible and put the parties back in the positions they would have been in had the error not occurred.

I also understand that when we are talking about this amount of money we cannot be draconian about it and say that we want the cheque today plus interest because it does affect the government's operations and cash flow requirements. That is why I am glad the government, upon verifying the numbers, was immediately in discussions with the affected provinces to work out the appropriate resolution. Keep in mind that if we were to write this off and say that the government blew it, too bad, it has to eat it, it would set a terrible precedent that would be a long term detriment to the federal government.

For those reasons, this member of parliament will be opposing the motion.

Mr. Grant McNally (Dewdney—Alouette, Canadian Alliance): Mr. Speaker, I will be splitting my time with my colleague from Esquimalt—Juan de Fuca.

I want to begin my comments by refuting some of the things said by the previous speaker for the government side that my colleague was pointing out as well. We know that in this place our colleague from the government side who just spoke is able to bamboozle us with statistical analyses and rationalizations beyond the ability perhaps of any other person in this place. The bottom line is as is stated right in the motion. This is the entire issue and I will restate it for my colleague on the other side:

That, after overpaying at least \$3.3 billion to several provinces as a result of its own accounting errors, this House calls upon the government to forgive any past revenue overpayments to the provinces since retroactively clawing back these revenues would severely affect the provinces' ability to pay for healthcare, education and social services.

The overpayments we are talking about are overpayments that are a direct result of the government's irresponsibility. My colleague can laugh and say what he likes but the fact is that these overpayments began in 1993. Let us have a quick history lesson.

If my memory serves me right, that is when the Liberal government took over and that is when these overpayments happened. The government is ultimately responsible for that. We have heard lots of rationalizations as to why the government should not be responsible for this and should download this back onto the provinces but the ultimate fact is that it is the federal government's responsibility. It is its error.

As we have seen in this place day after day, the government is losing the confidence not only of the House but of the people of Canada because of its mismanagement of taxpayers' dollars. We just finished a question period where we had many questions asked of the government about taxpayers' dollars going to agencies that placed ads for the government and then gave dollars to the Liberal Party of Canada on an ongoing basis. We know there are several police investigations.

I think back to 1997 when I was a new member here. I have used this example before. It is one that sticks with me because I think it highlights some of the problems that are going on with this other scandal with the Liberals. There was a rather small news story about an individual in Quebec who was a fundraiser for the Liberal Party at that time. He no longer is but at that time he was. His name is Pierre Corbeil.

Somehow he got hold of a list of individuals in Quebec that were receiving grants from the government, federal taxpayers' dollars. He was going to those individuals and asking them to donate cash dollars to the Liberal Party of Canada. They were told if they did not do so then their grants would be at risk. That individual was not only charged but he was convicted of influence peddling.

Since that time we have heard details over and over again of individuals who have been involved in these kinds of things. There have been other individuals charged and a few others convicted. The web is getting wider. Things are starting to unravel for the government in terms of its ability to have the confidence of the people.

To govern effectively one must have the trust of the people. I would submit that the government is quickly losing the trust of the people because of this mismanagement. It is not only because of mismanagement. The motion before us today simply highlights the mismanagement or incompetence of the government dealing with this particular issue sooner.

● (1540)

The bigger scandal of ad agencies getting government contracts and kicking back dollars to the Liberal Party went beyond mismanagement and incompetence. It went a level further. These are the kinds of things that disturb taxpayers. They disturb people who work hard and send their tax dollars to Ottawa only to seem them spent in these kinds of ways.

The government is intent on going after the provinces to get the \$3.3 billion back. As others in this place have mentioned, that would have a dramatic effect on the provinces, on communities and on individuals in their everyday lives because the dollars have already been budgeted by the provinces for health care and education.

The federal government is already decreasing funding for health care and other priority areas. Why is that? Part of the reason is that it takes the hard earned tax dollars of Canadians and wastes or mismanages them on things like the Groupe Everest and Group-action contracts. The dollars do not go to health care. They go to Liberal friends. That is unconscionable, and the government will be held to account for it.

How can the people of Canada trust the group on the other side of the House whose members tell them not to worry because they will

Supply

take care of the overpayment and manage the issue? How can Canadians trust them when they say they will fix the contracting problems by looking at contracts to see if they need to be altered, changed or not given in the future? In many ways it is like the fox minding the chicken coop. These are the individuals who have been responsible for the administration of government since 1993, so how can they be trusted to handle taxpayer dollars responsibly? The case is gaining weight day by day as each new scandal rolls out on the government side.

In my province of British Columbia the softwood lumber issue is huge. My hon. colleague from Vancouver Island has been on the case for years. It has had a devastating impact on the economy of British Columbia. It is an issue the federal government has not paid enough attention to. With the provinces hurting already, the federal government's move to claw back the overpayments would magnify the impact on our communities.

In my own riding of Dewdney—Alouette there are many remanufacturers of lumber products who should not be included in the softwood lumber dispute. Even the international trade minister has said that. However they are, and they are losing their jobs because the government has not addressed the issue.

My hon. colleague from Edmonton mentioned that the government's contribution to health care has been declining. It is down to 14%. These kinds of actions have a direct effect on the people at home. There is one taxpayer, and the taxpayer is bearing the burden of the government's mismanagement and scandalous behaviour. It is hurting the taxpayer in a big way.

The Liberal caucus is divided on the issue. We know about the leadership issue which has been going on under wraps although it is now fully exposed. Some Liberal members will support the motion tonight and some will vote against it. We encourage the government to consider it thoughtfully and support it because it makes sense.

● (1545)

Mrs. Marlene Jennings (Parliamentary Secretary to the Minister for International Cooperation, Lib.): Mr. Speaker, I would inform the hon. member on the other side that I will not be supporting the motion.

The premise of the motion is questionable, to say the least. According to its logic the government made an accounting error through what the opposition deems to have been mismanagement, and therefore the provinces should not be required to return the money.

Let us apply the same logic to other issues that have provoked acrimonious debate in the House such as the issue of contracts. The opposition has accused the government of mismanagement in awarding contracts. It has said there were unjustified payments. Are opposition members saying if that was the case and it was the government's fault then companies like Groupaction should not be required to return the money?

Mr. Grant McNally: Mr. Speaker, it is a bit of an apples and oranges analogy. However there is another aspect to the contracts the government doles out that the hon. member did not mention: The dollars from some of them go back to the Liberal Party of Canada.

Supply

We saw in the last election that government grants are funnelled through a separate body, the Quebec Liberal Party, which decides which ones should be approved or not. It is unbelievable. Is the hon. member saying the provinces are involved in some kind of kickback to the Liberal Party? I certainly hope not. It is not true and she knows it. It is unbelievable.

The government is responsible for this error. It happened on its watch. It must take responsibility for it. The hon. member's colleague across the way said it was the previous auditor general's fault for not catching the error so the government should be absolved of responsibility. That is not right. It is absolutely false.

I appreciate that the hon. member said which way she will be voting on the motion tonight. Perhaps she will ask for repayment of the contracts that were given to Liberal friends in her home province of Quebec such as Groupaction and Groupe Everest. That would be great. We would appreciate it.

To my knowledge there has not been a police investigation into the overpayment motion we are talking about tonight. There have been police investigations into contracts given to friends of the government. When it is one or two we get alarmed and concerned, but when we cannot keep up with the list it is a sure sign the government can no longer be trusted to manage the hard earned tax dollars of the Canadian people.

• (1550)

Mrs. Marlene Jennings: Mr. Speaker, I agree with the hon. member when he says there are police investigations. However the investigations were launched at the request of the auditor general who had conducted an external audit at the request of the then minister of public works.

This demonstrates the good faith of the government. As soon as there appeared to be problems with the contracts and the administration of the programs the government took action to get to the bottom line of what happened and why. The government has made a clear commitment that if there are administrative mistakes or weaknesses it will correct them. If there is evidence of criminal wrongdoing and the culprits are identified I have faith in the ability of our justice system and the RCMP to pursue the matter and call them to account.

However the hon. member's response does not answer the question I posed about the logic of the motion. If there is an overpayment as a result of a good faith error, and no one is suggesting there was not good faith—

The Deputy Speaker: The time has lapsed and the hon. member still has not begun his reply. I will give him no more than a minute to reply.

Mr. Grant McNally: Mr. Speaker, I will be brief. In many ways I feel for the hon. member and her colleagues. They are perhaps not directly involved in the scandal but they are affected by it. They have been tarnished because of the actions of some.

I will refer to the point I made earlier about a convicted Liberal fundraiser named Pierre Corbeil. He somehow got a list of government grant agencies and went to them to persuade them to donate to the Liberal Party. Where did he get the list? How can that

be defended? I believe it is the tip of the iceberg. It is a matter of trust. The Liberal government has lost the trust of the people.

Mr. Keith Martin (Esquimalt—Juan de Fuca, Canadian Alliance): Mr. Speaker, it is a pleasure to speak to the motion my party has put forth.

Let us look at the facts. An overpayment of some \$3.3 billion was given to the provinces. What is absolutely shocking about this is that it took years for the government to miss \$3.3 billion of the taxpayer's money. What kind of accounting system allows such a massive amount of money to go missing or, as an hon. member from the other side has said, what kind of computer error? What kind of computers is the government using? What kind of programs is it using? What kind of auditing is it using to miss \$3.3 billion of the Canadian taxpayer's money? This is not a few thousand dollars. In view of the need for money in critical programs like health care and education it is unbelievable that it took the government so long to miss it.

The federal government has the audacity to ask the provinces to repay the money when it cut transfer payments by 33%. How does it do that in good conscience, particularly in view of some of the things I will unveil in the next while? An overpayment of \$3.3 billion, 33% of it in the form of transfer payments, is being yanked away from the provinces by the federal government. The government said it had to cut costs so it will cut 6% of its own funding and remove 33% from the provinces. What does that mean? It means the government is trying to balance its books on the backs of the provinces.

What the federal government has neglected to say is that, as my hon. colleague has mentioned, there is only one taxpayer. Only one person bears the brunt and the burden of the government's actions, good or bad, in terms of money: the hard-working Canadian who slogs, is overtaxed and often underpaid for the work he or she does. That is what is happening. It is a complete violation of the public trust.

Is it intentional? That is up for debate. Some of us would argue it is. However at the very least it demonstrates gross and utter incompetence on the part of the government in managing the public finances, one of the key roles of government. One of the questions the Canadian public will ask in any election is if a political party has the competence and professionalism to manage its finances and tax money adequately. The judgment is a resounding no, and the proof will bear it out.

At issue is not only the \$3.3 billion that went "missing" and was suddenly discovered. Let us look at the government's creation of foundations. The public will be interested to know that since the late 1990s the Liberal government has shuttled away \$7.3 billion of the taxpayer's money into arm's length foundations which I call slush funds. Some \$7.3 billion of the taxpayer's money has been hidden away from public audits leaving parliament, MPs and the minister unable to oversee where it is spent.

Supply

Given that we are labouring under a \$540 billion debt and have significant expenditures in health care, education, defence and other areas, why was this done? Why was \$7.3 billion shuttled away to the side, put under a carpet and hidden from public audits and the jurisdiction and oversight of parliament? Why did that happen to the public purse? There is a case against the government in terms of its misspending, misrepresentation and its neglect, misuse, and abuse of the public trust.

Let us look at the distribution of contracts. The public would be shocked to know the Prime Minister's own riding of Shawinigan received more government handouts and contracts than entire provinces in western Canada. My province of British Columbia did not receive as much as one riding which happens to belong to the Prime Minister. Is it a coincidence? I think not.

• (1555)

Let us also look at the government's expenditures such as ads. We shockingly found out that the government had been charged 26 times the cost that was charged to the provincial government in Quebec for ads in a Quebec publication. Why did that happen? Why does the government feel that it can spend money in such a fashion? Where is the accountability and the oversight that allows individuals in the government to spend 26 times what they should for ads? That is an important question. Why did the government pay \$1.6 million for three contracts with Groupaction, two of which were identical and neither of which the government received? How did that happen?

CIDA has aid money to be spent internationally, supposedly to help the poorest of the poor. Why is the vast majority of those moneys spent in Canada, never getting to the sharp edge of aid and care for those most impoverished? The Prime Minister has asked for more money for CIDA. Why do we not ask the question first: Is the money spent appropriately? Is it spent effectively? Why is it being spent in Canada instead of being spent in the most needy countries in the world?

Part of the reason this has been allowed to happen is that the Prime Minister's office and the Prime Minister have neutered parliament. The normal oversight mechanisms that we should have to access information are onerous, complex and difficult. Why does the government hide and white out critical pieces of information that allow members from all sides of the House to analyze the way in which the public's money is spent?

One of our key roles is to use the public's money wisely. Why are we not doing that? Why are we not allowed to do our job? Why has the Prime Minister's office chosen to emasculate and neuter parliament, preventing us from doing our job? That is why the government has these problems. The hot water the Prime Minister finds himself in today is directly of his own doing. He has neutered parliament. He has amassed such a large amount of power in his office that the normal checks and balances in any healthy democracy are absent. They are absent because we live in a dictatorship and the creation of this dictatorship has removed the checks and balances that we need to do the work of the Canadian public.

It goes on. We saw the billion dollar boondoggle in HRDC. We have seen gross misrepresentation of finances by the government time and time again. One thing that may help is regular public audits. The government should be obligated to utilize the good work of the

auditor general. Why the government does not use the auditor general to get the public's finances in better order, I do not know. However the auditor general is an effective resource that should be used to develop ways and methods of accountability in how we spend the public's money.

Second, we could create a system of accountability within the system. If people in the public service save money, they would receive a benefit. That would be a healthy thing to do. If they come up with good suggestions to save money without diminishing effectiveness, they should be rewarded financially. If a public servant can come up with a plan that will save the taxpayer \$1 million, his or her department should receive, say, 5% of that. Giving \$50,000 to a department that saves \$950,000 is a good investment. Developing an incentive program would go a long way to improve the morale and the health of our public service. It would also enable us to use public money more wisely.

Many members in the public service are paid less than their counterparts in the private sector. This would be a way to improve effectiveness and encourage the public service to offer a financial reward for good work.

In closing, I hope the government sees this as a constructive motion. I hope the motion will say to the government that it has an obligation to spend the public's money wisely and effectively, that it is not doing a good job, that it should buck up, listen to the constructive solutions coming from this side of the House and implement them. If that happens, we will all be able to do our jobs better.

• (1600)

Mr. Grant McNally (Dewdney—Alouette, Canadian Alliance):

Mr. Speaker, my colleague has been in the House since 1993, a bit longer than I, and he has seen a lot of waste in this place. He has highlighted a few of those examples. The government is in the midst of a full scale scandal and the leadership issue is going on as well.

Would he highlight for us his top two or three examples of incompetence, mismanagement or outrageous spending? Would he agree with me that the government is quickly losing the trust of Canadians to administer their hard earned tax dollars?

Mr. Keith Martin: Mr. Speaker, I will give my colleague one example. I think the public will be very interested to hear about this, and the government should listen because it can fix it.

The technology partnerships Canada fund, a partnership between the private sector and the government, was set up in 1996. Up until December 2001, \$947.7 million in approved loans had been doled out. Guess how much of that money has been repaid to the government? Only 2.58%. Of the money given out, 97.5% has never come back. This is taxpayer money. It is not a few thousand dollars. Nearly a billion dollars of taxpayer money has been given out but has never come back. That is horrendous. There are also other government loan programs that need to have a publicly disclosed audit.

We have spoken about the contracts given to Groupaction.

Supply

The other area that desperately needs a public audit is CIDA. Millions of dollars have been sent out in contracts in Canada and no one knows where those dollars have gone. We have a great deal of difficulty ascertaining for what they have been used. A public audit of CIDA is desperately needed to determine where those moneys have gone. The Prime Minister wants to make Africa a cornerstone of the G-8 summit and has asked for more money for CIDA. I would submit that no more money should go into CIDA until a public audit takes place so we can ensure public moneys are being used wisely.

There are many other examples. We on this side of the House have given a very clear case to the Canadian people and to the House that one of the government's primary roles is to manage public finances wisely and responsibly. Time and time again it has shown wilful neglect and abuse in this matter. It is incompetent to deal with public finances. The reason for that is because the government uses taxpayer money to buy votes. It uses taxpayer money to curry favour with the public, to encourage division and dissension within Canada and to essentially buy the votes of people for the next election.

Canadians demand more and want more. The government should listen to the members of the Canadian Alliance. We have the ideas on how to put public moneys on a firm fiscal footing and how to spend it wisely and effectively for the betterment of all Canadians.

• (1605)

Mr. Reg Alcock (Winnipeg South, Lib.): Mr. Speaker, I would like to ask the member a question on the substance of the motion rather than the tedious litany that his research bureau has put together for him.

The motion says that these overpayments should be forgiven completely. Given that this was a mutual error, does he not think that the provinces bear some responsibility?

Mr. Keith Martin: Mr. Speaker, the provinces are not responsible for the management of public funds of the federal government. That is the responsibility of the federal government.

In committee a few years ago, the member gave an excellent suggestion on managing public finances better. The member from the Liberal Party suggested that a road map was needed to determine the finances that go into a department, what is spent and whether objectives are identified and met at the other end. The government should listen to its own member and implement that excellent suggestion. If that took place, every ministry would work better and more effectively on behalf of the public.

Hon. Maurizio Bevilacqua (Secretary of State (International Financial Institutions), Lib.): Mr. Speaker, I appreciate the opportunity to speak today to the motion tabled by the Canadian Alliance regarding overpayments to certain provinces.

The Alliance Party claims that the error in tax collection would impede the ability of the provinces to pay for health care, education and social programs should the funds be clawed back. The provinces have been overpaid because of a problem that may have been in existence since 1972 in the accounting of the capital gains refund for mutual fund trusts.

As soon as the auditor general confirmed that the problem existed, actions were taken to prevent further overpayments, yet the issue of past overpayments remains. I am sure the hon. member can

appreciate that this is in fact a complex matter. As the Minister of Finance said in the House recently, no decision has in fact been made on how to resolve the issue of overpayments to the provinces.

I must take issue with the implication of the hon. member's motion that the wealthy federal government is endangering the finance of the poor, needy provinces. Once again, we are hearing that the needs are in the provinces while the money is in Ottawa.

The reality is that federal and provincial governments have access to a wide range of revenue sources and are free to set their own fiscal and budgetary priorities. Provincial governments, like the federal government, are free to set tax rates consistent with their responsibilities. The fact is that the provinces have access to the same major tax bases as we do, including personal income taxes, corporate income taxes, sales taxes and payroll taxes.

As well, provinces have access to certain tax bases which we do not, such as gaming and liquor profits, property taxes and resource royalties, some of which are growing rapidly. In fact, provincial revenues last year from the combination of liquor and gaming levies, property taxes and resource royalties were \$27.4 billion compared to just \$10 billion in 1990. That is an annual average growth rate of 10%.

On the other hand, the few federal only revenue bases are small and volatile. For example, due to trade liberalization, import duties have actually shrunk from \$4 billion at the start of the 1990s to under \$3 billion today. The simple fact is that the total revenues of the provinces have substantially exceeded federal revenues for more than two decades and will continue to do so for the foreseeable future.

On top of this, federal cash transfers to the provinces are expected to increase more than three times faster than the growth in federal revenues over the next five years. These funds are available to provinces to use as they see fit on health care, post-secondary education, social programs and early childhood development. The federal government faces a much higher debt burden than the provinces, almost double that of the provinces on average.

In fact, in the last fiscal year the federal government paid \$42.1 billion in interest costs compared to \$22.4 billion in total provincial debt charges. This is a huge cost and also makes us more vulnerable to volatility in global interest rates than the provinces. Moreover, it reduces the federal government's fiscal room to manoeuvre when managing its own responsibilities and pressures, pressures which are not inconsiderable.

There is no doubt that health care, education and social services represent major spending challenges for the provinces. Access to health care, education and opportunity is central to the quality of life that families enjoy and that they want for their children. The federal government has recognized those priorities in its own spending. In fact, almost 70% of all new federal spending initiatives we have undertaken since balancing the books have been in the areas of health care, education and innovation.

Indeed, in the 1999 budget the federal government announced an increase in CHST transfers totalling \$35 billion. Most recently, in support of the historic agreements reached by the first ministers in September 2000 on health care renewal and early childhood development, \$23.4 billion in increased funding is being provided to provinces and territories over five years. Of this, \$21.1 billion is for the Canada health and social transfer and \$2.3 billion is for targeted investments in medical equipment, primary care reform and new health information technologies.

● (1610)

This investment will lead to innovation in health care, increase the number of doctors and nurses, provide new MRI machines and other medical equipment and enhance the use of technology to improve the care Canadians receive.

This is one of the largest single expenditures by any Canadian government in the country's history and will bring federal transfers to a record high, starting this year. Provinces are receiving \$3.6 billion more in CHST cash this year than in 2001, bringing CHST cash to \$19.1 billion.

These amounts keep growing. By 2005-06 CHST cash will reach \$21 billion, a \$5.5 billion or 35% increase over 2000-01 levels. Furthermore, the value of CHST tax points is growing. It will grow to an estimated \$16.6 billion this year. This historic agreement added up to \$14 billion that the provinces and territories have received in additional CHST transfers since 1999: \$11.5 billion announced in the budget in 1999 and a further \$2.5 billion in budget 2000.

This funding marks the largest investment the government has ever made and it will be distributed on an equal per capita basis, the same amount for each Canadian in every province. Clearly the quality of social programs is not being jeopardized by the government's actions, as the hon. members opposite would have us believe.

On top of this tremendous investment, the government has provided funding to the Canadian Institute for Health Information, which is playing an increasingly central role in providing Canadians, health care providers and policy makers with the information on the health of Canadians and the health care system. Furthermore, the government provides funding for the 13 Canadian Institutes of Health Research, which are doing groundbreaking work in areas such as aging, cancer, diabetes, arthritis and women's health. Their research today will mean a healthier Canada tomorrow.

The government has always believed that our children are the future of the country. Since our first mandate, education has been a priority. We have demonstrated our commitment by supporting early childhood development, programs for aboriginal children and a number of other initiatives.

Supply

For example, in budget 1998 the government announced the Canadian opportunities strategy in order to make knowledge and skills more affordable and accessible for all Canadians. Measures including the Canadian millennium scholarships, the Canada study grants and the Canada education savings grant program were introduced and have since proven to be extremely effective.

In fact just a few months ago, my colleague, the Minister of Human Resources Development, announced that the Canada education savings grant program had passed an important milestone. It has now paid a cumulative amount of \$1 billion in grants for the education of more than 1.5 million Canadian children. These grants are the direct result of Canadian families contributing over \$5 billion toward their children's post-secondary education.

The federal government is continuing to invest in Canadians' futures. The CESG program is just one proof of our success in encouraging greater investment from all Canadians to invest in the future of their children.

Budget 2001 went even further to give Canadians greater access to skills and knowledge in a variety of practical ways. It increased support for industry led sector councils that help identify skills required in the workforce, develop training programs and point workers to new job opportunities. It enhanced Canada student grants for students with disabilities. It expanded youth entrepreneurship programs. Through partnerships with the private sector, the government will build on existing initiatives that enable talented young people to gain valuable insights into the world of science, technology and business. As well, it provided new tax incentives to encourage Canadians to pursue educational opportunities. These included a new deduction for the extraordinary cost of tools for apprentice vehicle mechanics and extending the education tax credit to include people receiving EI benefits.

Recognizing that research and innovation are keys to success in today's global economy, we also provided universities with \$200 million to cover the indirect costs of research. The budget provided additional resources in support of research in natural sciences and engineering, as well as the social sciences and humanities, through their respective granting councils. It increased funding for the National Research Council network of regional technology centres. All of these measures build on significant investments the government has made over the last several years, including the creation of the Canada Foundation for Innovation and the Canada research chairs.

Supply

•(1615)

The Canada Foundation for Innovation was established in 1997 to award funds to help post-secondary educational institutions, research hospitals and not for profit institutions modernize their research infrastructure and equip themselves for state of the art research. To date, the foundation has funded projects in every part of the country, reinforcing strengths in both small and large institutions and creating new opportunities for established researchers and promising new researchers.

About half the money awarded to date has been for health research. This year the CFI announced investments of \$779 million for projects at 69 Canadian universities, colleges, hospitals and not for profit institutions. This includes research into therapies for recovery from spinal cord injury, for sustainable higher quality water supply, for the prevention and cure of cardiovascular disease, and for improved fire safety in residential and commercial buildings. The work of the CFI is complemented by the Canada research chairs, an initiative of the government to attract and retain the best researchers by establishing and sustaining 2,000 research positions by 2004-05.

We acknowledge that the tax collection agreement overpayment issue is a complex one and we have assured the House and the provinces that we will find a solution that is fair, equitable and fiscally responsible. However, when I read the motion of the opposition it is clear to me that it does lack credibility. I have mentioned just some of the investments that we have made in the areas which the hon. members feel the provinces will not be able to act on. I think that any fair observer of reality, as we see it, would say that in fact the federal government has made some very wise investments, very consistent, may I say, with our economic growth strategy, a strategy that has created literally millions of jobs and prosperity for our nation.

When the economy does well, so do the provinces. That is something that the opposition needs to appreciate. It needs to understand that worldwide, in fact, Canadians are looked at as excellent economic managers. That is the reality.

When the Liberals took office back in 1994-95 what did the *Wall Street Journal* say about Canada? It said that we were a third world economy. What does the *Financial Times* of London say about Canada? It says that we are the top dog of the G-7. Why? Because we made smart investments, because we understood that we had to reduce the deficit, that we had to be fiscally disciplined, and that we have to be focused like a laser beam on the future of our nation.

I can tell the House that everywhere I go throughout this country, in every little town and in every big city, what I hear from Canadians, from Canadian businesses and from people in coffee shops, high schools and universities, is that they feel more confident about the economy. They feel confident about the society that we have been able to build, a society that has been able to move forward without leaving anyone behind, a society that has been able to reward the risk takers, celebrate success and bring about positive change in people's lives. This has happened because of our approach, an approach that basically tells people that if they work hard they will be rewarded and that if they take risks we will celebrate their successes with them. What has happened is that over the years we

have been able to develop a culture of opportunity that is attracting many people from all over the world to our country.

•(1620)

Since the opposition, I am sure, travels and listens to Canadians, I want to share with members how proud I was, during my brief stint of four months as Secretary of State for Science, Research and Development, to go into research institutes and hospitals and find out that many Americans are coming to Canada because they have opportunities for research. We are becoming a magnet for individuals who want to excel, who want opportunity and who want the best state of the art equipment to bring about the types of inventions that will improve the quality of life and standard of living for everyone.

I was here in opposition back in 1988. I cannot believe the fact that we are now talking not only about balanced budgets, not only about eliminating the deficit, but we are even talking about reducing the national debt. It is no wonder that throughout the world people are referring to Canada's economic miracle, the remarkable comeback of this nation.

While the opposition may use a lot of its time to criticize the agenda of the government, everywhere I go people are saying that it is one thing to sacrifice for nothing but it is another thing to sacrifice for something. What they are finding is that there is a belief in this nation. When they see that a government says it will reward their efforts and cut personal income tax and corporate taxes by \$100 billion, the largest tax cut in Canadian history, and may I say even larger than what the opposition proposed, much to its surprise, the reality is that today we essentially celebrate the efforts of Canadians who brought about this economic miracle.

We celebrate their efforts and we celebrate their belief in our country, the ability to generate wealth and the ability to share the benefits with everyone across the country, whether one is from western Canada, whether one belongs to eastern Canada, Quebec or Ontario. The Canadian family is strong. We are definitely back on our feet and looking to the future with a great deal of excitement.

No, I will not allow the naysayers in the House to put down the country. I am not going to allow the naysayers to say that everything is wrong with Canada, because far too many people in this country have worked far too hard to bring about the excellent economic conditions we are witnessing.

It is very difficult for the opposition to accept the fact that over the years, through the wise management of the economy and through a belief in Canadians, because this economic plan would not have been possible without the great support of Canadians, we are now living in a time where people in Canada are happier, consumer confidence is up and business confidence is up. Our stature internationally in economic circles is really amazing to see. The lesson for everyone in the House is that when one has a plan and executes it right, when one gets people to buy into it, then success is achieved.

•(1625)

Today, while we debate a motion that obviously has very little to do with reality, the fact is that the land is strong and Canadians have contributed a great deal. We on this side of the House extend to them our sincerest gratitude for making Canada the greatest nation on earth.

Mr. John Duncan (Vancouver Island North, Canadian Alliance): Mr. Speaker, I would like to remind the last speaker that this was not a one time mistake. It was a multi-year mistake. At the same time as this mistake was being made the federal government was off-loading health care onto the provinces. The government got rid of 99% of its deficit by off-loading it onto the provinces and through tax increases.

The government took those actions unilaterally. Now it does not want unilateral accountability for this overpayment. What it wants is for the provinces to be accountable for the federal overpayment. Why?

•(1630)

Hon. Maurizio Bevilacqua: Mr. Speaker, the government has already said that this is a very complex issue and that it will find a solution that is a fair.

However I do not think you can get away from what your motion says. What you are saying here is that because of this issue the provinces—

The Deputy Speaker: One moment, please. Before we continue this, I do not want the Chair to be left out of this debate so please make your interventions through the Chair because that short circuit can sometimes lead to something else we would want to avoid.

Hon. Maurizio Bevilacqua: Mr. Speaker, I want to go back to the original point I was making. It was in relationship to the fact that the hon. member I think was skating and trying to redirect the debate.

In all good conscience I cannot allow individual members of parliament to get up in the House and tell Canadians that because of the federal government's action, and I quote, "would severely affect the provinces' ability to pay for health care, education and social services".

The debate has been going on all day. I think the point we have made is that not only is that not the case but that in these particular areas the federal government has made unbelievable investments given the fiscal situation.

We must also look at the issue of the debt as it relates to both the provincial and the federal government. We must look at the ability of provinces to tax. I went through an example that actually said that the provincial revenues last year from a combination of liquor, gaming levies, property taxes and resource royalties were \$27.4 billion compared to just \$10 billion in 1990.

I also remind Canadians that the provinces have access to the same major tax bases as we do, including personal income tax, corporate income tax, sales tax and payroll taxes.

The reality is that the federal government and the provincial governments have access to a wide range of revenue sources and are free to set their own fiscal and budgetary priorities.

Supply

In my comments earlier on I made it very clear that we do not accept the premise of the motion because it does not really reflect the type of investments that we as a federal government have and the type of co-operative spirit that exists within the federal-provincial relations.

I am somewhat concerned about the tone of the debate simply because it fails to illustrate to Canadians the type of headway that we have been able to make working together with other governments and the people of Canada. To allow this debate to state that somehow the federal government is putting a great deal of pressure to the point that the provinces cannot deliver those services is just not credible.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, I have listened carefully to my Liberal colleague.

It takes a lot of gall to make statements like that, saying for instance that the provincial tax revenues were not in danger because they had the fiscal capacity to seek out tax revenue, on alcohol and gaming, for instance.

Is he trying to tell us that, to make up for the loss of the \$875 million in equalization overpayments Quebec, for example, would have to pay back because of the federal government's error, it would have to encourage Quebecers to drink and gamble more? This is patently ridiculous.

What he neglected to say was that there is a fiscal imbalance at the present time, and the former finance minister kept making ridiculous statements in the House, year after year, about the amount of surplus. As for federal tax revenues, they have been inflated by the fact that the tax base is heavily dominated by federal personal income tax, which has gone up 7.3% annually since 1993.

Then there is all the money that has been cleverly pocketed by the folks over there from the unemployed, putting another \$6 billion or \$7 billion into the EI fund. As well, there are the cuts inflicted on the provinces, which represent \$24 billion net shortfall for health and education.

Now, with the billions of dollars in government surplus funds, \$17 billion last year, \$10 billion this year and \$14 billion the next, they are incapable of treating the provinces properly. They cannot do without demanding reimbursement from provinces who received those funds because of a miscalculation by the federal government. The mistake was the federal government's. They must be allowed to keep this money, but the others who did not have the benefit of this mistake, must be compensated.

It seems to me that this would be the right thing to do, for once, to deal properly with the provinces, which are being forced to cope with delivering necessary services to their populations, essential services such as health and education.

Let them finally get that through their heads instead of making such ridiculous statements.

Supply

•(1635)

[English]

Hon. Maurizio Bevilacqua: Mr. Speaker, I first want to thank my hon. colleague who spent a great deal of time in the finance committee when I chaired it. I am glad to see that he is very consistent in his opposition. I do not want the House to think that somehow we do not have an issue here. Of course we have an issue and the government has said that it would fix the issue in a fair manner.

The hon. member referred to some of the decisions we had to make back in the year 1993 through program review. The hon. member has to understand that in that era Canada was faced with a difficult situation, one that required discipline and one that required us to make some very tough choices.

It is interesting to note that most of the investments we made, after we left the dark age of deficit, brought about a surplus for a number of years and paid down our debt. We also have an excellent macroeconomic environment now where prosperity has taken place.

We also invested in those key areas that I know the hon. member from the Bloc cares about. I spent a great deal of time with him and I know he understands. I remember clearly saying to him that we need to invest in the key social and economic areas.

As the chair of the finance committee back then in my previous role, I listened very attentively. That is the reason we were able to present the package to the Canadian people that included great investments in key areas, such as health, education and research and development, which spur on economic growth.

In fairness, those were not just my ideas. I travelled the country extensively. I listened to people from coast to coast and they told me that if we were able to implement the plan that we in fact implemented that they could rally behind it. There is no question in my mind that Canadians have rallied behind our plan because the economic success of this country is self-evident.

Mr. Gary Lunn (Saanich—Gulf Islands, Canadian Alliance): Mr. Speaker, I will be splitting my time with my colleague.

I am pleased to rise to speak to this important issue today. The official opposition is asking for something simple. We are asking the government to forgo any collection of the \$3.3 billion overpayment to the provinces, an overpayment that is a direct result of a federal accounting error.

That this should even be an opposition supply day motion is an indictment of the government. This issue should have been resolved months ago. The provinces were told about this at the end of last January. It would seem that the federal government knew about it some time before that, although how much before we will probably never know.

Where was the Prime Minister? Why was the former minister of finance not making this \$3.3 billion disaster his top priority? It would seem that both he and the Prime Minister were too busy with their own internal squabbles.

The former minister of finance is said to have favoured forgiving this error. However the current Minister of Finance is said to support

trying to recoup the money. He has also stated that he will follow the course mapped out by his predecessor.

It seems that the minister has a choice in front of him. He could wade into this moral and legal swamp as the enforcer of the Prime Minister's bully boy tactics or he could take the high ground and recognize that this was an error of the federal government that the provinces should not be forced to pay.

However a warning is in order that bad things tend to happen to free thinkers on the Liberal side of the House. If he dares to stand up for the provinces he may find more than just his leadership campaign getting choked off.

The Minister of National Revenue has been quoted as saying that this is between governments. "It does not affect individual taxpayers". I submit that the minister was seriously mistaken. There is only one taxpayer. The loss of \$3.3 billion will affect individual taxpayers. They will face even bleaker choices in the future of their health care and education budgets.

The Canadian Taxpayers Federation reports that health care costs have taken up 62% of all provincial budget increases in the last three years. The total cost will exceed \$100 billion annually within a decade.

In my home province of British Columbia we are just now beginning to dig out from under 10 years of NDP mismanagement. Overall health care costs are expected to consume 50% of all provincial spending in B.C. by 2007. Hard decisions have to be made right now. The B.C. government is trying to put our province back on its feet. It is already stretched to the limit and the loss of \$121 million more would be catastrophic.

When the Minister of National Revenue suggests that decisions of the government in Ottawa will not affect individual taxpayers, she is sorely mistaken. There is only one taxpayer. Somehow the government has missed out on this very simple concept. It is unable to grasp that. If the funds are taken away from the provinces, the services the taxpayers have already paid for through taxation will be reduced. If it is suggested that they will get the same services from the federal government, I would suggest that the government should look at the record.

In 1957, when the federal government became involved in Canada health care, funding was supposed to be on a 50:50 basis between the provinces and the federal government. Since that time the feds have become increasingly interventionist while also eroding transfers. Today the federal government pays for less than 14% of health care costs. The federal government has habitually cut transfers to feed its own spending habits and, my goodness, have we seen a lot of these spending habits.

We see all kinds of government mismanagement and waste, and money going to its own personal cronies. I will get to those in more detail in a few minutes.

Supply

•(1640)

While transfers to the provinces have been cut by 33% discretionary spending by the federal government, again money that it diverts to its friends, has only been reduced by 6%. At the same time we saw the \$1.1 billion boondoggle that was in the Department of Human Resources Development. It put hundred of millions of dollars of questionable grants in the Prime Minister's riding. We have seen that over and over again. There is more money going into the Prime Minister's own riding than the four western provinces combined.

The government paid \$1.5 million to get the same useless report done three times. It paid someone to slap a new cover on it, change a few words, pull it off the Internet and resubmit it to get another half million dollars while ensuring that there was a cheque for the Liberal Party of Canada. It is appalling but the Minister of National Revenue said that it does not matter.

With a record like that we would all be better off leaving this so-called overpayment in the hands of our provincial governments. There is compelling evidence to put as little of our money in the hands of the federal government.

I know the hon. member for Ottawa South has considerable demands on his time. Not only is he the new Minister of Finance but he remains the infrastructure minister and the Deputy Prime Minister. Given his busy schedule I want to offer him some advice.

For years the Liberal government has interfered with the areas of provincial jurisdiction. We have seen it over and over again. It has waved its spending authority around like a hammer, careless about what it might smash in the process. Planning by the provinces has been difficult in this climate. Funding is reduced and innovation is discouraged with threats of further funding reduction. This all needs to be changed.

In the short term we need: first, stronger limitations on federal spending power, something that would prevent the federal government from encroaching on provincial authority through clever manipulation of purse strings; second, a binding dispute resolution mechanism, not just an informal non-binding agreement to cooperate; and third, an audit system to ensure that the federal-provincial transfers are not subject to these kinds of mistakes in the future.

In the short term we need something simple. We need to re-establish trust. Imagine what a novel concept that is, to actual regain some trust. We have seen in the polls trust plummeting among the Canadian public. Why? It is because the government blatantly doles out millions of dollars to its cronies, to its friends, to people who donate back to the party. We have seen it in the advertising and promotional contracts and in the Groupe Everest contracts. We have seen it in other departments as well where there is no accountability and there is nobody watching how this money is spent. The government says to trust it, it will do a good job. It has to establish that trust.

I urge the government to vote in favour of the motion and send a clear signal that it is able to admit that it made a mistake, which is another novel idea. It would be a signal that the government is willing to formally cease collection on the \$3.3 billion and it will not

make Canadians suffer for its errors. The minister would find such a decision to be a great first step. The government has a long way to go, but it would show that the government can trust the provinces to fund health care and education without playing the part of the schoolyard bully, always threatening to steal the lunch money of the Canadian people.

It comes down to few words. It is about competence, accountability and most importantly, trust. The government has breached all three of these and it continues to do so. It has to earn that back. Simply firing the former finance minister will not do it. It is time that the Prime Minister looked in the mirror and made some serious changes.

•(1645)

Mr. Joe Jordan (Parliamentary Secretary to the Prime Minister, Lib.): Mr. Speaker, I want to thank the member who just spoke for the sincere advice he has given the government.

He talks about trust. He stood in essentially what is the highest court in the land and said the federal government contribution to health care is 14¢ on the dollar. I have heard that figure thrown around and I was concerned by it. If that is true, if it is 14¢ on the buck, then the federal government's authority in this area has certainly diminished. Then I looked at the facts.

He says that health care is supposed to be 50:50. I would suggest to him that it was never 50:50. There were things in the health care envelope like psychiatric health care, and we have a big psychiatric centre in my riding, that was never covered.

When he arrived at 14¢, and he is quoting Ralph Klein, that is taking only the cash portion. He is ignoring the tax points. I do not want to get into that and confuse the member, but I will tell the House that they are worth every bit as much as money. That is why the provinces are encouraging us to give them more tax points. He took the cash portion and applied it to the entire Canada health and social transfer envelope. The provinces spend 62% of that on health care, so we must apply that same percentage to that portion. When we do the math, it is probably around 36¢.

The member may argue that, but would he not admit that the 14¢ on the dollar figure is absolutely wrong and apologize to Canadians for standing up here and repeating that nonsense that is coming from Ralph Klein?

•(1650)

Mr. Gary Lunn: Mr. Speaker, the member should come out to British Columbia where I live and look at the people who have been waiting on lists for up to a year for cancer treatments. He should come out and talk to the people who have been waiting for heart surgery for months, or talk to children who have serious illnesses, sometimes fatal, who cannot get into a hospital. He should come out and speak to the people who are having to close schools in British Columbia and ask them if they have seen the cuts.

He should come out and talk to the people and get out of these white ivory towers. If he would talk to people and quit trying to baffle them with a bunch of numbers he would see real people hurting. He would see suffering out there. I hear all the members yelling and screaming that they can do their own math, but their math is not credible.

Supply

[*Translation*]

Mr. Yvan Loubier: Mr. Speaker, I rise on a point of order. Could you ask the Liberal members to be quiet while my colleague gives his explanations? I think that it would be a good idea.

The Deputy Speaker: Everyone has a different level of tolerance. Perhaps mine is not the same as someone else's.

However, I certainly want to be fair to everyone. I will see to it. The hon. member for Saanich—Gulf Islands.

[*English*]

Mr. Gary Lunn: Mr. Speaker, the point that I was trying to make is that I do believe these numbers are credible and I suppose they could be argued many different ways. However, this is what it comes down to. Canadian taxpayers do not care which way the accounting is done. They want to see honesty and credibility. They want health care when they need it. They do not want to see people dying on waiting lists, or tuition in post-secondary institutions increasing dramatically to the point where they will not be able to get an education.

What Canadians are having to go through is deplorable and despicable. It all comes back to the Prime Minister for cutting the funds to the provinces and making them absolutely cash strapped as they try to provide these services to Canadians.

[*Translation*]

Ms. Jocelyne Girard-Bujold (Jonquière, BQ): Mr. Speaker, I wish to take this opportunity to congratulate the Canadian Alliance member and to tell him that his remarks are responsible and make sense.

I cannot say the same for the Parliamentary Secretary to the Prime Minister of Canada or the secretary of state for financial institutions.

It is unbelievable what this government expects people to swallow. Are we being led by illusionists, clowns who have no idea how ordinary people live, as my Canadian Alliance colleague has pointed out?

It is true that the government is only putting in 14 cents on the dollar in health. They can deny it all they like, but it is true. There is a fiscal imbalance in Canada, and they deny that too. They deny that they have paid down the debt and that they have a budgetary surplus because they have helped themselves to \$44 billion out of the EI fund.

I would like to ask the Canadian Alliance member to give us other examples in the health sector.

• (1655)

[*English*]

Mr. Gary Lunn: Mr. Speaker, the facts speak for themselves. The member's province of Quebec along with British Columbia and other provinces have seen a dramatic decrease in their ability to provide education and health care which Canadians deserve. We hear horror stories everywhere we go. The waiting time for hip replacement surgery can be up to two years in British Columbia. The government refuses to see the real problem, and has an utter disrespect for the provinces by not honouring provincial jurisdictions. It is time for the government to look in the mirror and acknowledge where the

problem is. It should start taking some first steps by supporting the motion.

Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, Canadian Alliance): Mr. Speaker, the motion before us today states:

That, after overpaying at least \$3.3 billion to several provinces as a result of its own accounting errors, this House calls upon the government to forgive any past revenue overpayments to the provinces since retroactively clawing back these revenues would severely affect the provinces' ability to pay for healthcare, education and social services.

Our new finance minister promised to mull over the idea of payback and said he will pay closer attention to the thorny issue of more than \$3 billion in overpayments by the federal government to the provinces. Our man of finance of the people's money said he has received a series of reports from the federal auditor general on what has been called the overpayment of taxes collected in the 1990s but has not yet decided what to do. Let us hope he does not forget that it is not his money. It is ultimately the taxpayers' money which the government has erred in how it gives the money back to those from whom it took the money in the first place.

Between 1993 and 1999 Alberta, British Columbia, Manitoba and Ontario received more money than was apparently due them under existing formulas in redistribution of income tax revenues. Most of the \$3.3 billion poorly calculated payments, about \$2.8 billion, went to Ontario which has vowed it will not return the money. According to the documents the error stems from the way capital gains taxes on mutual funds were accounted for. Finally, one of the silent bean counters found something was amiss.

These acts certainly support the conclusions that I came to in past years through sitting on the House Standing Committee on Finance. The Liberals cannot manage the nation's business. The public has every cause to have low trust levels for what the government says about the state of the nation's finances and why it redistributes tax dollars the way it does.

What we are saying today is that the federal government should not punish Canadians and their provincial governments by clawing back the \$3.3 billion of which it lost track. Canadians deserve better management of the public trust and they also deserve a wiser rationale for redistribution. The government must more appropriately consider how in the long term nations prosper, how more people in a society can share in that prosperity and how wealth itself is actually created and how it is so often destroyed by governments.

The federal Liberals play favourites. They use tax dollars for government business but favour contracts to their friends who happen to also donate heavily for partisan political purposes to the political party. There is supposed to be a division between partisan brand name political activity and the operations of government, which is supposed to be done on a non-partisan basis on behalf of all the people regardless of any political affiliation.

Supply

Patronage, cronyism, payola, contract bidding manipulation and insider deals of all kinds were supposed to have gone into the dustbin of history like the old bribery schemes of the Conservatives and the Liberals done in Canadian elections when we did not yet have a secret ballot on election day. The Liberals in 2002 are a disgusting throwback to a primitive political time in Canada.

The government plays favourites but in the process usually does not get good value on behalf of the taxpayer. Often the work done is substandard for the main game was the payoff for political gain rather than the work done for Canadians. Then the government plays the game of favourites among the provinces.

The finance minister stood in the House and said that he is considering working out a plan to take back what has slipped away from the government. Surprisingly however, this does not apply to Manitoba. Ottawa has agreed to cover most of the \$710 million overpayment.

The Liberals want British Columbia to repay it all but they assured Manitoba that it was off the hook for most of it. The Manitoba Doer government was assured by Ottawa that the federal government will cover between 70% and 80% of the \$710 million overpayment it made to that province. In an interview Manitoba finance minister Selinger said the federal government would take responsibility for the bulk of the transfer funds overpayment based on precedents and assurances.

The implication of having to return the entire overpayment would have been significant for that provincial treasury and I say every other provincial treasury as well. Certainly it would destabilize other provinces. If Manitoba had to repay the entire \$710 million, it would have meant less money for health care or perhaps a delay in phasing out the education support levy, which is tacked on to property taxes. If Ottawa covers 80% of the overpayment, that would leave \$142 million still in dispute.

Nevertheless, despite the promises to one province the federal government is contemplating clawing back money from many other provinces. We say the federal finance minister cannot correct it just for Manitoba. He has to correct it for everyone.

● (1700)

The Liberals still talk about clawbacks yet make a deal for one province. Then they take a swipe at the independent auditor general when they do not like her message. The Liberals launched a calculated campaign to discredit the auditor general to prevent her from unearthing further evidence of the corrupt way the government doles out its millions of dollars in federal contracts.

The Liberals have the gall to say that auditor general Fraser appears to lack impartiality and may be on a witch hunt against the government. The political fallout from the auditor general's reports is explosive. When political leaders go rotten, voters must take notice, wake up from their complacency and stop believing all the pabulum they are fed that everything on Parliament Hill is just okay. Some of my good friends on the Liberal backbench must be very embarrassed, yet with their votes they keep the sick system going.

The situation is clear. The government's mishandling of \$1.6 million in sponsorship contracts to Montreal based Groupaction is an

indictment of how badly the government manages public finances. Then we observe how far it will go to cover up the evidence.

The government's ideology is clear: abuse public trust; pay off friends; cover up the dirty deeds; and then impugn the messenger. This is an attack on more than the auditor general. It is an attack on the principle of government accountability and duty to the public.

We have to be thankful for the existence of the auditor general. In her scathing report she blasted the government for its appalling disregard for financial probity and revealed that it did not get all the service for which it paid Groupaction \$1.6 million. To determine just how more widespread the poison is, she announced she will conduct a government wide audit of advertising and sponsorship programs and contracts.

It seems clear the government uses sponsorship and advertising programs to award companies that were supportive of Liberals and which funnelled political contributions to the party's coffers. That behaviour is highly unethical and is not an acceptable Canadian standard. Now the government is horrified that the auditor general has begun an investigation that could lead to evidence of corruption at the most senior levels of cabinet.

It seems clear to me that we need an independent judicial inquiry that can get at the technical evidence but also look at the political manoeuvrings and broad issues of political honesty and transparency. Financial audits cannot do that by the nature of their scales and mandates. Such an inquiry would complement the auditor general's wide scale review because it would have broader powers to subpoena witnesses, examine documents of private companies and ensure greater protection for public servants who wished to testify.

When the Liberals are shown also to be bad managers of redistribution schemes, they blame the auditor general for taking so long to catch them and then say that the receivers of their mistakes will pay the price of the government's failure. It is all so typically Liberal. It smells and it stinks. The bobbing and weaving is just so low class and repulsively gross.

The opposition is more than just the watchdog of what the government does. We offer hope. We offer an alternative and a way out of the mess. It goes beyond saying that our potential cabinet ministers have character and have real guiding principles to govern them. We also offer basic system change. We offer a new way, that while replacing the ethically challenged Liberals with ethically empowered people, the old system that offers the potential for abuse will also be changed.

Supply

The basic nature to be naughty should not be in the realm of possibility. The levers of power must also be professionalized and modernized into ethical management practice and they must be harder to reach. The answer is to change both the people and the system that tends to corruption. Good people can make good things happen. Modernization of systems can allow good people to become great.

We observe a disorderly old Liberal Party of 19th century political ethics where ministers behave as if Canada were their private sandbox in which to play. They leave a legacy of missed opportunity and a malaise of national hopelessness where it seems nothing can improve. Voters believe that probably all politicians are just the same.

What inspires me is that some day the Canadian Alliance will bring governance into the 21st century, of possibility and of bright hope. We can change the system as well as the people, and we can begin for the first time as a country to fulfill our true national potential.

• (1705)

[*Translation*]

Ms. Jocelyne Girard-Bujold (Jonquière, BQ): Mr. Speaker, I congratulate my colleague in the Canadian Alliance and add my voice to his in questioning the new Minister of Finance.

This overpayment of billions of dollars is not the fault of the provinces. The error is the government's. I question the new Minister of Finance. He says he is giving serious thought to the situation. I call on him to do so quickly and to come to a decision, because this is a very serious matter.

The provinces are facing enormous problems in health care and education. The Minister of Finance is also responsible for infrastructures, and I think he should distance himself from the former Minister of Finance. He should say that they will not recover the overpayments from the provinces and that the government will establish a compensation mechanism to ensure fair treatment of all provinces.

This would be one way to say that he understands the situation, to admit that an overpayment was made and that it is not the fault of the provinces. He should give the provinces a shot of oxygen.

If the Minister of Finance did this, would my Alliance colleague agree to join with me in telling him it is a good thing to do and that this minister is reaching out to the provinces?

[*English*]

Mr. Paul Forseth: Mr. Speaker, what we are talking about here is a matter of proportion. Certainly we encourage free enterprise. Free enterprise is also the freedom to go broke. Without that discipline free enterprise does not work. At some point a very large firm may go bankrupt but because of its strategic relation and size in the economy, the government has to intervene and cannot let that firm go broke even though it is in the private sector and is operating that way.

It is somewhat the same nature of the proportion and size of what we are talking about here between two levels of government. Within the family it is not the federal government's money, it is the

taxpayers' money. We must not let this kind of dispute become a personal matter between two camps within a political party. We are talking about the national business here and one finance minister replacing another and one person's ego over another. The nation's business is far too important to allow those things to have a play.

I draw the parallel to, at some point, the size of a company. Even though it should have the discipline to go broke if it does not operate properly or is not successful, the issue is proportion and sometimes the government has to intervene against the principle. I am also saying it is the proportion and size of what we are considering here, that it is inappropriate for the federal government to even suggest at this point that the money will be clawed back through a system of withholding payments to a province.

It is far too strategic for the national family for this to be contemplated. I am calling upon the federal government to end this dispute right now.

Mr. Gary Pillitteri (Niagara Falls, Lib.): Madam Speaker, I will be splitting my time with the member from Bras d'Or.

I am pleased to debate the votable motion tabled by the member from Peace River. The motion deals with the identification of a problem in tax accounting by Canada Customs and Revenue Agency, a problem that as soon as it was identified last January, was dealt with by the government in a speedy and responsible way.

The problem was detected by the Canada Customs and Revenue Agency in the course of modernization of its computer system. As soon as the problem was detected, it was brought to the attention of the auditor general. The government took immediate steps to ensure that overpayments would stop immediately.

I assure everyone that the problem did not in any way affect taxes paid by individuals or businesses. The problem resulted mainly in a significant overpayment to four provinces; Alberta, British Columbia, Manitoba and Ontario.

Under the tax collection agreement the Canada Customs and Revenue Agency collects personal income taxes on behalf of all Canadians and provinces, except the province of Quebec. Then the finance department pays the appropriate share of the taxes collected to the provinces. All this is based on accounts provided by the Canada Customs and Revenue Agency.

The problem arose with respect to the capital gains realized by the mutual fund trusts. We all know that mutual funds are a type of collective investment vehicle allowing Canadians a simple way to invest indirectly in a broad range of stocks and bonds in a number of different markets. The funds are essentially a pooled investment.

Mutual fund trusts pay federal and provincial income taxes on capital gains. Then, according to income tax law, mutual trust funds receive a refund on both portions of the tax paid once the funds are cashed in.

Supply

In normal circumstances the provincial portion of the capital gains from the mutual fund trusts should be deducted from the provincial revenue and the federal portion should be deducted from the federal revenue. Due to a problem in the CCRA accounting process, and we all know that *errare humanum est* or to err is human, the provincial portion was deducted from the federal revenues instead of the provincial revenues. In short, the provinces ended up getting more tax revenues on the capital gains of the mutual fund trusts than they should have and the Government of Canada ended up getting less than its share.

As soon as the mistake was detected, the matter was promptly handed to the auditor general to do a rigorous analysis of the accounting error and report to the government. We know that on June 3, 2002, the auditor general released her report on the years in which the overpayment occurred.

At the moment the Department of Finance is studying the report before making any further decision. Prudence demands consideration before making decisions and that is exactly what the government is doing. Our record is clear. It shows five consecutive balanced budgets.

• (1710)

That is the Liberal government's record up to and including last year's federal budget. This is a first in 50 years and a \$36 billion payment toward our national debt. It is something to be proud of. Today our nation's finances are among the healthiest in the G-7. Our economy is among the fastest growing and our triple A rating has been restored.

Canadians expect the Liberal government to make the right decision on these overpayments because we have a record of making good decisions that make this federation work. We do not roll the dice. We never did. The Liberal government has managed the federation with success. We have shown it over and over again.

For example, our co-operative approach is reflected in the reform of Canada's social union. The government reached an agreement on environmental harmonization with nine provinces and the two territories of the day. Our government has initiated changes to the federation in co-operation with the provinces and territories in areas as diverse as infrastructure and the Canada pension plan.

No one forgets that the reasons the provinces were crunched by lower transfer payments in the mid-nineties was because of a whopping \$42 billion deficit left by the previous government and how that put the whole country in a financial straightjacket.

Yes, an error occurred. Yes, overpayments were made to the provinces but through openness and transparency every step possible was taken to resolve the issue. The Liberal government will consult with the provinces and make a decision on how to best deal with these overpayments. I am sure that when the decision is made it will serve the best interests of all Canadians.

• (1715)

Mr. Rodger Cuzner (Bras d'Or—Cape Breton, Lib.): Madam Speaker, it is certainly a great opportunity to speak on the motion tabled by the hon. member for Peace River. To fully understand the situation that we find ourselves in now, it is imperative that we look

at a little background on these overpayments and an explanation of the tax collection agreement would prove valuable.

Under these agreements, the collection of personal income taxes from all provinces and territories is the responsibility of Canada Customs and Revenue Agency, with the exception of the province of Quebec. In turn the federal government issues payments to the provinces of the appropriate share of taxes collected based on the accounts provided by the Canada Customs and Revenue Agency.

Because of a tax accounting problem at Canada Customs and Revenue Agency, the provinces of Manitoba, Ontario, British Columbia and Alberta received overpayments. Specifically, the problem relates to the accounting of capital gain refunds by mutual fund trusts. Both federal and provincial income taxes on capital gains are paid by the mutual fund trusts. In some specific cases the trusts may receive refunds from both the federal and provincial portions of this tax paid.

As in life, mistakes can be made and a significant one was made. The result was the non-deduction of the provincial portion of the capital gains refund claimed by the mutual fund. Because of this problem with Canada Customs and Revenue Agency and its accounting processes, the deduction did not factor into the computation of the provincial tax revenues. Instead this was deducted from the federal revenues.

To put it in other terms, when mutual fund trusts paid income tax to the provinces on capital gains, that money was added to the payment to the provinces. However when the mutual fund trust received a refund of provincial taxes paid, the refund was not deducted from the payments to the provinces. In no way were the taxes paid by businesses or individual citizens affected as the issue was strictly between governments.

The amounts of money we are talking about are not small. In fact they are fairly significant. Over \$3 billion were paid out over a six year period. As previously stated, the provinces most significantly affected include Ontario, Manitoba, B.C. and Alberta. The province of Alberta was paid \$4 million; \$120 million was paid to the province of B.C.; \$400 million was paid to the province of Manitoba; and \$2.8 billion was paid to the province of Ontario.

It was during a major retrofit of the computer systems used for tax accounting at CCRA that the problem was first identified and an indepth review was then undertaken. Once the extent of the problem was identified, CCRA officials informed finance and the auditor general.

The government acted quickly and deliberately. Actions taken were open and transparent. It was imperative to move and to prevent further overpayments and that was done. Discussions with those provinces impacted began immediately. To determine the entire scope of the problem, the CCRA and the auditor general were asked for confirmation of the amounts involved.

Supply

Reports from the office of the auditor general on the overpayments were presented to the new Minister of Finance this past week. As stated earlier in the debate by the Parliamentary Secretary to the Minister of Finance, the auditor general presented four reports all together. There was an auditor's report for the years 1997 to 1999. There was an accountant's report for 1993 to 1996 and another for years prior to 1993.

• (1720)

For the 1993 to 1996 period, the procedures carried out were the same as those used to conduct an audit. However, because some documentation was not available the auditor general cannot express an audit level verification on the amount of the overpayments for these periods. For the period prior to 1993, the auditor general found that the necessary financial information to determine the amount of overpayments relating to this period just does not exist.

Finally, the fourth report deals with Canada Customs and Revenue Agency's accounting practices. This report verifies that the CCRA has taken the necessary steps to address these problems. Essentially I would think we could agree that these problems are being addressed.

The reports have been made available to the provinces and indeed to all Canadians by the Minister of Finance. We are now in the process of identifying, in concert with the provinces and territories, the impact of these findings. To further complicate this issue, these overpayments have impacted on the calculation of equalization, so in essence they have impacted on all provinces.

I am certainly not an accountant and, as a matter of fact, on matters of finance I considered myself somewhat challenged, but I think most Canadians recognize it is normal that if an overpayment is made, retribution is sought.

I recognize the complexity of this issue, and the solution is not obvious at this point. I assure the House that the government is committed to the resolution of this problem, to a solution that reflects fiscal responsibility and fairness. We will continue to co-operate with the auditor general, the provinces and the territories on this issue and do what is right for Canadians.

Ms. Wendy Lill (Dartmouth, NDP): Madam Speaker, I would like to thank the member for Bras d'Or—Cape Breton for his comments on this issue. I have to agree with him that I am not an accountant either.

I want to ask him, as a member of parliament for Nova Scotia such as I am myself, how he thinks that we can find ways of making equalization payments more fair for provinces such as our own and to deal with some crises we are facing in terms of health care and education.

I would say that in terms of health care we know that we have higher rates of cancer. The member knows that himself from his own experience in Cape Breton. Our province in fact does have a special need in terms of its health care issues.

We also have a special need in terms of our special education issues. We are presently \$23 million short of what is required to provide special education services in the province. I see on a daily basis the impact of lack of resources on our school system, on our ability to make the whole idea of inclusion work in the schools.

As a member of parliament for Nova Scotia what I see is that we do have a two tier system of health care and education by virtue of the fact that we do not have the resources to provide the same high quality level of service for all Nova Scotians.

Again, in light of this debate we are having today around the issue of overpayment, I will ask him, as a member of the government, about this. He mentioned that the calculation of equalization is and will be affected by this issue. How can we rethink the whole issue of equalization for have not provinces such as Nova Scotia and some other Atlantic provinces?

• (1725)

Mr. Rodger Cuzner: Madam Speaker, I would like to thank my colleague from the NDP, my fellow Nova Scotian, for her question. Certainly I do share the concerns of my colleague.

Let us look at the first issue, that being health care. Back in September 2000 a reinvestment was made after years of cutbacks. We know that tough decisions were made through the mid-1990s and all Canadians paid the price. There were cutbacks in various sectors but specifically in health care. The reinvestment has been made through transfer payments to the provinces as well as additional direct spending by the federal government.

Part of the reinvestment in September 2000 was a fund specifically identified for hospital equipment. Two hospitals in my constituency, one in Sydney and one in Inverness, have purchased major pieces of equipment, which they feel will help reduce lineups and waiting lists for particular services. I am looking forward to being at the ceremonies to recognize the purchases made with those dollars.

With regard to equalization, I as well recognize that our province carries a higher debt load than any other province in Canada. Per capita it is probably close to 50% greater than that of any other province. This does pose additional problems and concerns. I am not quite sure that equalization is the answer. If we had access to dollars there are many national programs that we could get into. Sometimes we are challenged just to get into the national programs because we do not have the entry level dollars to get in.

I know that right now the province of Nova Scotia is receiving its highest share of CHST on record. It is at record numbers right now. Again I think that a major portion of the problem rests with the province of Nova Scotia. We know it has the same taxing powers as the federal government, plus more. It is incumbent that those processes are pursued whether it is through equalization or through another portion of money.

Mr. Loyola Hearn (St. John's West, PC): Madam Speaker, I listened with interest to my colleague's conversation. Being from Cape Breton is the closest one can get to being a Newfoundlander, so we think alike in many ways.

Supply

He mentioned that he is not an accountant, but I would like him to check some figures in relation to the equalization payments and CHST transfers he talks about and how much the increase has been. He will find out that in Newfoundland we are getting fewer dollars today, if we combine all of them, compared to what we got in 1999. The real value of the dollar creates an even greater discrepancy. Newfoundland is the only province getting fewer dollars, simply because of its declining population. However, that creates two problems, fewer dollars and an aging population, with a lot of the out-migration being younger people. This means it costs more to service what we have, but we are getting less to do it. Federal health transfers should be based on need, not on population.

On top of that, we have the clawback arrangement on our resources, the same as Nova Scotia. I am sure the member is a strong supporter of the drive by his premier, Premier Hamm, to get a fair deal in relation to clawbacks on resource funding.

I would just ask the member to comment on that and tell us how he is going to support the drive by Newfoundland and Nova Scotia to get a fair deal on our resource funding.

• (1730)

Mr. Rodger Cuzner: Madam Speaker, my colleague from Newfoundland has intimated to me on several occasions that he would like to have been from Cape Breton.

That being said, I would have to remind the member that equalization is a function of the federal-provincial agreement. In this past year, 2001-02, the transfer to Newfoundland will exceed \$1.5 billion, which constitutes almost 39% of the total revenues for the province of Newfoundland. I would think that—

The Acting Speaker (Ms. Bakopanos): Resuming debate, the hon. member for Okanagan—Coquihalla.

Mr. Stockwell Day (Okanagan—Coquihalla, Canadian Alliance): Madam Speaker, I rise today to support this motion. The motion reflects a concern that we in the opposition have addressed for some time now which is that the finance minister has presided over a very serious error in terms of payments to provinces. Now the former finance minister and the federal government want the provinces to pony up and cover the government's mismanagement of this very serious error.

This fiscal mismanagement is only the tip of the proverbial iceberg. A veritable *Titanic* of incompetence is what we are witnessing here. The recent shuffling of the cabinet deck chairs will do nothing to ease that sinking feeling in the pits of the stomachs of the federal Liberal MPs who sit across the way because they know the incompetence runs deep and wide in this sea of liberalism.

In the province of British Columbia my constituents in Okanagan—Coquihalla are still reeling from the effects of the federal Liberal ongoing mismanagement of the softwood lumber file. With the federal Liberals refusing to fully restore health care funds which they slashed in 1994, health care practitioners and patients from Hope to Westbank are waiting in increasingly long lineups for essential services. The federal government has totally mismanaged the health care file.

By the way, the last time I checked, health care was still a provincial jurisdiction. It is time the federal government took care of its own areas of constitutional responsibility and got out of the way of the provinces that are trying to fix some of their own.

As the motion indicates, the issue is incompetence and gross mismanagement of taxpayer dollars. I submit to the House today that the handling of financial matters in Canada is absolutely rife with those examples. We could continue for a long time. With this motion in mind I would like to reflect on a most curious sentiment that is being echoed in many circles today regarding the recent firing of the former minister of finance.

Let me make it clear that on a personal note I find the former minister of finance to be an engaging and amicable fellow. The observations I am about to make are not personal in any way. As a matter of fact I wish him well in any future endeavours which he may be brave enough to take on. However, I am compelled to make some observations based more on generally accepted accounting practices and his near total failure to respect many of those professional practices.

The curious sentiment I hear reflected is that with the former finance minister's unceremonious dismissal, we have somehow lost a pillar of managerial competence from the Liberal side. Excuse me, but please allow me to touch on only a few of many examples of extreme incompetence and mismanagement which the former finance minister unashamedly practised or willingly presided over without a peep or without a note of protest.

When he finally tabled a budget in December last year, it ended two years where the government actually went without a formal budget being tabled. There is not a provincial finance minister, there is not a mayor in the country who could have survived the blast from their ratepayers or from the local and regional media had they tried to go two years without reporting and accounting on the expenditure of taxpayer dollars. That was an extreme example of lack of respect for the public purse.

When that budget was finally tabled, we saw a total lack of respect for one of the main areas of concern for taxpayers and that is the crushing weight of debt that sits on our shoulders and on the shoulders of our children and our grandchildren. What was in that budget? Not one cent went to the reduction of the federal debt. Along with that, there was not even a calculation to say how many more years this was adding to the debt load of our children and grandchildren. For a finance minister that is mismanagement, a lack of respect for taxpayers, and a lack of respect for basic accounting principles.

• (1735)

Regarding the Canada pension plan, as we know the finance minister had to gather together the provinces a few years ago and move to a significant tax increase just to cover the projected insolvency of that fund. The Canada pension plan was headed toward bankruptcy. What was the innovative approach chosen to fix that? It was to hike the taxes up for all hard working people in the country.

Supply

Just after that particular agreement I had the honour of being the finance minister in Alberta. Calling upon what were acknowledged as some of the best accounting minds in Canada, ways and means were brought forward to see that fund more properly and vigorously invested, giving a greater return to all of us as we head toward our retirement age and bringing in accounting practices which have made for a more efficient handling of that fund.

It has never been acknowledged by the former Minister of Finance. He has never taken any steps to do that other than to hike taxes.

The budget that was tabled as a shining light of fiscal capacity and care for taxpayers was again riddled with incompetency. Instead of dollars going to the debt and to other areas, we saw the former finance minister preside over the shoveling out of millions of dollars to the minister of heritage's culture programs and other areas which have been proven conclusively to do nothing to restore vibrancy in the economy.

Worse than that, to avoid the pressure of having to put dollars to the surplus, what did the finance minister do? He found a way to move billions of dollars into agencies, boards and commissions that are arm's length from government, therefore limiting the ability to which the auditor general can shine her light of fiscal accountability onto the terrible management practices of the government.

I am reminded as I go on and on with this list that I do not have all the time in the world. I will be sharing my time with my colleague from Surrey Central so that he can continue this.

Think of it. There are billions of dollars for which we cannot account because of what the former finance minister did.

On another account, the auditor general has more than once asked a serious question regarding the handling of taxpayers' dollars. Here was the question that was put following all the good work done by the auditor general and all of the accountants that work for her: who is minding the store? It is an indictment on any fiscal manager when the auditor general in exasperation puts her hands in the air and asks who is minding the store.

There was the heating rebate last year where millions of dollars went to dead people and prisoners to try to keep them warm. That did not warm our hearts and it certainly did not warm the accounting pencils of the auditor general and her auditors.

Why was there no acceptance of responsibility on the part of the former minister of finance? It is that same lack of acceptance of responsibility toward this overpayment to the provinces to now demand that the provinces step up to the plate when they have had to use that money to meet the growing pressures of their constituents.

When it comes to fiscal competence, the buck stops at the desk of the chief financial officer of the government. That is the Minister of Finance. Just because that buck is a Canadian one and is only worth 60-some cents U.S., it should not be an excuse to treat it without respect.

In an era when we hear about market bubbles popping, there is another bubble I would like to see pop. It is the bubble of supposed competence that encases the head of the former Minister of Finance.

That bubble needs to be popped with the pinpoint of the litany of mismanagement and incompetence which has been at his hands.

It is very curious to hear cries from across the land that the Prime Minister step down—and I might have a certain fondness for those cries—so that the minister of mismanagement can step up. These cries for replacement are based on emotion and are not based on fact. I have observed this interesting phenomenon that it really does not make much difference to the elitist opinion benders of the land when it comes to issues like this.

● (1740)

We are basing it on fact that we have seen terrible mismanagement and incompetence from the former minister of finance. The federal government should step up to the plate, take responsibility on that and not heap it onto the backs of the provinces.

Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.): Madam Speaker, I cannot believe what I have just heard. The member suggested that the former minister of finance has mismanaged, in the eyes of the hon. member, the state of the nation's affairs.

This is a finance minister who came in with a \$42 billion debt. We have had five better surpluses in a row in terms of the books. In terms of the GDP, we have had 6% growth in the first quarter. We have the highest sales in housing starts and cars. Clearly Canada is the only G-7 country that is paying off its national debt.

The member talked about the heating rebate. People do die I would tell my hon. colleague and people do go to prison. It happens when sending out rebates without creating a whole new regime, which of course the hon. member would have been jumping up and down over, that in that time some people went to jail. We got the money back. People die. It happens. It is a fact of life.

We did copy I guess to some degree what the hon. gentleman did when he was the treasurer for Alberta. Alberta had a similar program and look what happened.

The hon. member talked about overpayments. We are now looking at the reports from the auditor general. We will be reviewing them and will make a prudent response in the public interest.

I do not know this and I am merely asking the hon. member as he was the treasurer for Alberta, is it not the policy of the provinces that if they overpay municipal governments they want it back and they get it back? It certainly is the policy in Ontario. In fact Ontario has done that repeatedly. I presume this may be the policy in Alberta.

I do not want to impugn the member in terms of when he was the treasurer but he might at least have some experience and I look forward to his comments in that regard.

Does he think it would be appropriate for us after having the report for only three days to make a rash decision when we have not been able to really look at all of the evidence that we have received?

● (1745)

Mr. Stockwell Day: Madam Speaker, I hope my response will be proportionate to the length of the question. I will just continue until Madam Speaker decides somewhere around midnight that I have said enough.

Supply

My hon. friend talked about debt. The fact is the debt is higher now than when the federal Liberals took over from the Tories who ran the debt up back in 1993. That is the bare fact of the matter. The other fact is we have asked and Canadians have asked very clearly that the debt be reduced continually.

During the last election—and we do not want to rehash that for obvious reasons as it is a little painful—we asked that the debt reduction be legislated, that the government be required every year to put a certain amount toward the debt. It is called a mortgage. The federal government and the former finance minister said “Trust us. We will always pay down debt”. The first chance the Liberals had, they did not. They abandoned paying down the debt.

If the member wants to talk about my record as minister of finance, we legislated the paying down of debt. We know that one thing about government. It should be limited. We cannot trust even honourable legislators like ourselves with masses of money because we dream about how to spend it on behalf of the hard working people who gave it to us. It has to be legislated.

The former finance minister promised that the debt would continue to be paid down. The promise was not fulfilled.

In terms of the surplus, almost every financial observer has said that there has been a surplus at the hands of the federal government. The main reasons were the fiscal policies, like them or not, of Ontario and Alberta which resulted in pretty significant business rebounds, diversification of the economy and therefore more revenues to the federal government. There was also the low Canadian dollar. Those were the main factors in terms of a surplus.

An hon. member just mentioned the GST. I am going to give him that one. That raked in a pile of money for the federal government.

The government raised taxes, it slashed services and it raided the provinces that had the courage to do the right thing. That is why it had a surplus. The Liberals blew it out the window, did not put anything down on the debt and moved and hid billions of dollars into arm's length agencies.

Mr. Gurmant Grewal (Surrey Central, Canadian Alliance): Madam Speaker, on behalf of the constituents of Surrey Central, I am pleased to participate in this Canadian Alliance supply day motion debate. Earlier my colleague, the hon. member for Okanagan—Coquihalla, debated the motion very eloquently and I will keep the ball rolling.

Let me give some background. Earlier this year the federal government revealed it overpaid Manitoba, Ontario, Alberta and British Columbia \$3.3 billion in transfers due to an accounting error. According to new documents, the error stems from the way capital gains taxes on mutual funds were accounted for. The problem was discovered during a computer system upgrade last year in December. The amounts include more than \$2.8 billion to Ontario, \$420 million to Manitoba, \$121 million to British Columbia, \$4.5 million to Alberta, and several thousand dollars to New Brunswick and Nova Scotia.

The former finance minister's office had given assurances to the province of Manitoba, for example, that it would cover at least 70% to 80% of the overpayments and may even bite the bullet for the full amount. The two sides were close to finalizing the deal last week

before the finance minister was turfed out of cabinet by the Prime Minister.

On his first day on the job, the new finance minister hinted that the federal government would try to collect the overpayments in tax refunds from the provinces. That is a flip-flop.

The motion we are debating has basically two components. First, overpaying at least \$3.3 billion to several provinces as a result of its own accounting error; and, second, the House calls upon the government to forgive any past revenue overpayments to the provinces. Dealing with the second part first, the clawing back of these revenues would severely affect the ability of the provinces to fund health care, education and social services.

This arrogant Liberal government has already cut federal transfers to the provinces by \$25 billion up to the year 2000. These cuts were made with totally inadequate consultation with the provinces. Is this the legacy that the Prime Minister and this weak Liberal government are leaving behind?

These cuts have drastically reduced available funds in the provinces for health care, education and social services. We all know about the devastating state of the health care crisis in all provinces. The health care crisis has been the number one issue in Canada in all polls since the government made its drastic cuts. Doctors and nurses are leaving the country, beds are closing, waiting lines are growing and now even surgeries are being cancelled.

We do not know the crisis in education because of its latent nature. In health care we know there is a crisis because we know people who are feeling the pain and suffering but in education we do not have an appropriate yardstick to measure the effect of the cuts by this weak Liberal government. People do not go back to the same classroom year after year but the educators tell us the adverse effects in education as well. Probably in a few years the effects will be more evident.

Who is the root cause? This weak Liberal government that lacks vision and that made the cuts in the first place.

While the federal government cut transfers to the provinces by 33%, it only decreased its own discretionary spending by 6%. Money continued to be wasted in programs of generally low priority to Canadians but of high priority to big Liberal businessmen or the Liberal Party. This includes, in particular, grants and contributions to big business, funding for questionable crown corporations and agencies, such as CBC, ACOA, HRDC and so on.

Supply

The federal government continues to use cost shared agreements to distort provincial programming and impose federal priorities on the provinces. If the provinces do not agree to federal conditions then they do not get the money. This means that many programs that the provinces reluctantly buy into may not fully meet provincial needs.

•(1750)

The federal government has continued to intrude in areas of provincial jurisdiction using its spending power. By doing so it has distorted provincial programming.

The creation of the millennium scholarship fund in the area of education is one example. While the millennium scholarship fund, which provides grants to students, appears good on the surface, the money might have been better spent by transferring it directly to the provinces. It could then have gone to address shortfalls in core educational service funding. There is little point providing federal money to send students to university on the millennium scholarship fund when the provinces are still forced to pay the bulk of that student's education but with inadequate resources.

I will now move on to the first part of the motion about the government's errors in accounting, or I may even say some deliberate errors, and the government has been cooking the books.

As a former member of the public accounts committee, I remember that Auditor General Desautels was very critical of the government for not following generally accepted accounting principles and blasted this weak federal government for unilaterally changing its accounting rules to balance the books in 1998.

When the government was running a deficit before the election it deferred payments to the next year so that the amount of the deficit would be minimized; frontend loading or the backend loading.

When the government has more surpluses and it will be quite some time until the next election, then it hides away the money so it can dole some out just prior to the election to buy votes from Canadians with their own money.

So far the government has hidden money in entities that did not even exist at the time the payments were made. The auditor general was very critical and questioned the credibility of the federal government's books. Due to the reason I mentioned and to avoid political pressure to reduce taxes and pay debt, the Liberals avoided reporting a surplus during that time.

The auditor general qualified his audit of federal government books in 1996-97 because the Liberals overstated the deficit by \$800 million. The auditor general was not prepared to stamp the books of the government. This arrogant Liberal government inappropriately recorded the \$800 million transfer payments to the Canada Foundation for Innovation before March 31, 1997, a foundation that was not legally created until April 1997. The government books closed on March 31, 1997. The money for the foundation was not supposed to be spent until the year 2000. This was a violation of the basic accounting principles as found in Canada's public and private sector. If a businessman or a manager had done that he or she would be in jail.

Let us look at the further arrogance of the deputy minister of finance and the secretary of the treasury board who wrote a letter

bullying the auditor general. They wrote a letter to the auditor general registering profound astonishment that the auditor general would publicly state his objections. They did not want him to state what I have stated publicly. What a shame.

This practice has not stopped yet. According to a newspaper report, the auditor general has identified at least another \$30 billion that has been secreted away in separate slush fund accounts that she cannot access or question. Only the Prime Minister and the cabinet have access to these funds and, by legislation, they are accountable to nobody.

We know there was a gap of \$20 billion between the Liberal's estimates and the actual liability of the federal government employees' pensions. This shell game must end.

In conclusion, equalization is based on a five province standard and it looks at the average revenue raising capacity of five provinces. The average capacity is then compared to the capacity of individual provinces and those provinces whose capacity falls short of the average receive an equalizing transfer from the federal government.

•(1755)

There is only one taxpayer. The overpayments have been spent on the provincial provision of services or goods, and the money is not sitting in Swiss bank accounts, as Gary Doer, the premier of Manitoba says.

According to Gary Collins, British Columbia's finance minister, "if we are going to keep re-opening these things 10 years back, there is absolutely no way the provinces can continue to work with the federal government on a tax arrangement".

The Canadian Alliance is calling for an audit of all the computer systems and the calculations being done today for the various types of taxes that the CCRA oversees in order to ensure that Canadians are treated fairly and to expose all kinds of boondoggles.

The provinces and Canadian taxpayers should not be punished for a mistake made by the federal government reaching back several decades.

Mr. John Duncan (Vancouver Island North, Canadian Alliance): Madam Speaker, I would like my colleague to give his opinion on the fact that in January we had the former Ontario finance minister talk about this very situation, the so-called overpayment to the provinces by the federal government. He was quoted as saying "There's no way that this series of mistakes by the federal government is going to be visited on the backs of the taxpayers of Ontario." He also said "We can also terminate the tax collection agreement with Ottawa and collect our own income taxes in Ontario".

In the following month we have a quote from the British Columbia finance minister who said, "If we are going to keep re-opening these things 10 years back, there is absolutely no way the provinces can continue to work with the federal government on a tax arrangement".

This all relates of course to the common federal and provincial tax collection system administered by the federal government.

Supply

Does my colleague from Surrey Central believe that the efficiency of one tax collection system is at risk if the federal government takes unilateral action to make the provinces pay for the federal government's mistake?

• (1800)

Mr. Gurmant Grewal: Madam Speaker, over a period of years we noticed that the Liberal government was using a confrontational approach with the provinces rather than a co-operative approach.

The government is also weak in its consultations with the provinces and with Canadians. It seems that it is not listening to Canadians. When it does not listen to the provinces and to Canadians it shows the arrogance of the government.

The money is the taxpayers' money. The federal government made the computer errors in calculations. The provinces over a period of time received their money, or transfers overpayments, whatever we call it. The provinces are already strapped for transfer payments for health care, education and social services. They have invested the money in providing services to Canadians.

Moreover, the provinces and Canadian taxpayers should not be punished for a mistake made by the federal government reaching back several decades.

As the hon. member quoted finance ministers from various provinces, it is urgent and necessary for us to look into the issue seriously. I point out that the Canadian Alliance believes that the federal government and provinces with tax collection agreements should hold a three year technical system audit to ensure compliance and to protect Canadians from being overtaxed or denied programs and services by either jurisdiction as a result of processing flaws.

I urge all members to vote in favour of the motion because this supply day motion is votable.

Mr. Steve Mahoney (Parliamentary Secretary to the Deputy Prime Minister and Minister of Infrastructure and Crown Corporations, Lib.): Madam Speaker, it is always interesting to respond to an opposition day. This is an opportunity for the opposition parties to put forward their policies, ideas and alternatives so that the Canadian voters, whenever they have an opportunity to decide who they might like to support in a given election, would know what these folks stand for.

What do we have today? We have an opposition motion that fundamentally says that it cannot take yes for an answer. It is an interesting proposition.

There has been a discovery of an error. It is astounding. The revenue department has discovered that starting in 1972, believe it or not, there were overpayments in some of the transfers to four provincial governments. I will acknowledge that while it started 30 years ago, the lion's share of the amount occurred between 1993 and 1999.

The minute the error was discovered it was reported to both the Department of Finance and the auditor general. No one tried to hide it, sweep it under the rug, or put it in a brown envelope and seal it in a safe. No one pretended that it did not happen.

Mr. Dennis Mills: They did not send it to an ad agency.

Mr. Steve Mahoney: No one sent it to an ad agency as my helpful colleague from Toronto—Danforth says in his great support for me. Perhaps we could get him to move somewhere else.

What is interesting is that if the members of the opposition had discovered this prior to the admission by the department and the referral to the auditor general, I would be hearing the howls of indignation in this place. They would be asking what is wrong with me and demand that I recover the money because it belongs to federal taxpayers. I can almost hear them now. It would be eloquent, I am sure, but loud and vociferous. They would say it is awful and another scandal in their minds.

However, when the government determines that there is a problem and goes about fixing it, what does the opposition do? It does not come up with a policy item that Canadians might wish to think about in terms of what it might offer as an alternative. Rather, it says we should just forget about it.

Mr. James Moore: Flat tax.

Mr. Steve Mahoney: Flat tax. We have single tax and we have flat tax. I do not know.

The point of the matter is that the government has reduced taxes dramatically by over \$100 billion. Canadians will see that reduction when they file their income tax. It is unprecedented by any government in the history of this country. The government has shown real leadership on this file.

Let us take a look at how much we are dealing with. I do not want to be unkind, unfair or inflict too much damage on the member for Okanagan—Coquihalla. We all recognize that anything I do would pale in comparison to what his colleagues have put him through over the past year. However, I must respond to the remarks he made when he was touting the great and wonderful successes during his tenure as finance minister or treasurer of the province of Alberta.

That is an interesting scenario. The province of Alberta is a wonderful part of this country. It is a great place for Canadians to visit. It is a great place for business and very successful. It is the wealthiest province beyond a doubt in terms of per capita numbers in the country. Why is that?

The member that spoke was the treasurer of a province with a population approximately the size of the greater Toronto area, including Mississauga, Markham and all of the areas in the GTA. We are talking three million people. This is also the province that controls the vast majority of the wealth that is derived from the natural resources that exist in that wonderful province.

• (1805)

Ms. Val Meredith: And that really bothers you does it not?

Mr. Steve Mahoney: That is fine. We have been down that road. I am not even suggesting that we debate that. It is under provincial jurisdiction.

Supply

However, let us be fair and honest. Is it not remarkable when he says he was able to balance the budget of the province of Alberta? It has three million people and more gas and oil revenues than Saudi Arabia. Perhaps that is an exaggeration but I want to make a point. It is an extremely well endowed part of the country when it comes to revenues from natural resources. That is not a criticism, that is a celebration of Alberta.

I only suggest to the former leader of the Canadian Alliance and the current critic for foreign affairs for that party that when he wants to stand and celebrate his success as a treasurer in that province that he put all the cards on the table. I am not saying he did a bad job. I am not criticizing the finances of the province of Alberta nor the government of Alberta. I am just saying let us put all the cards on the table.

I remember Premier Ralph Klein saying to keep those welfare bums from the east out of Alberta. Did he not want to give them one way tickets back to Ontario because he did not want any of them?

Mr. James Moore: He was talking about you.

Mr. Chuck Cadman: They all came to B.C.

The Acting Speaker (Ms. Bakopanos): I will repeat what I said yesterday. There is such passion in the room but it is very hard for the Chair to hear. I would appreciate it if hon. members would show some respect for our audience and for Canadians who are watching.

Mr. Steve Mahoney: Madam Speaker, I am trying to be respectful. I am not being overly harsh or critical of the former leader of the Alliance. As I said, nothing I do or say could possibly hurt that member more than the pain and suffering that he and his family have had to endure over the past year. I will leave that alone.

I was interested in one of the heckles yelled out by one of the members over there when someone was talking about the success of the government. One of the hon. members yelled out "thanks to the Canadian dollar". That is interesting because just a few moments before I heard criticism of our 62¢, 63¢ or 64¢ dollar. When the comment was made I suggested that the individual stay in Canada because our dollar is worth \$1 in British Columbia, Alberta, Newfoundland and Labrador, and right here in Ottawa, Ontario.

I suggest to all Canadians that they should go out and see this land of ours. They should visit the Cabot Trail in Nova Scotia. It is an experience of a lifetime. They should visit Banff, Alberta if they have an opportunity to drive out there or take the train. They will only need Canadian dollars. Canada is a marvellous country. However I admit that if people do decide they want to holiday in Florida or somewhere like that then certainly the exchange rate will be somewhat difficult and expensive. I suggest Canadians try northern Ontario. They could go to Parry Sound or Sudbury. People should check out some of our provincial parks in this wonderful province or go to the Muskokas. It is an absolutely brilliant part of the country.

I am simply trying to make a point. Our Canadian dollar is well worth a dollar, 100¢ on the dollar. There are many things to do here and I encourage everyone to do so. With any luck at all that summer break might begin sooner rather than later around this particular institution. However time will tell.

I would like to share an experience I had in the past few months. I received my gas bill in the mail from Enbridge. I just about fell off my chair because it was over \$700. I live in a townhouse in Mississauga. I had to wonder how I could spend \$700 in gas consumption. I was astounded. So lo and behold I made a phone call and found out that the meter had been broken.

Ms. Val Meredith: You did not pay your last gas bill.

Mr. Steve Mahoney: I am not worried, Madam Speaker, so do not let the heckling bother you. I actually find it helpful when members do that. It keeps me focused and gives me the odd new idea by which I can then launch another missile. They can go ahead and chirp.

When I received this \$700 gas bill I phoned the gas company and asked if it was a typing error or if the computer had spit out a bill in error. I was told that my meter had not been functioning for the past six months and the company did not realize it until it went out on a routine inspection. The company calculated my bill based on my normal use in the home.

By the way, my sons do not live there anymore, thank the Lord. I should give the House a wonderful announcement and that is that approximately 30 days from yesterday my son's wife will be delivering my first grandchild which will be a terrific experience.

It is just my wife and I and our good old dog Duke who live at home and Duke does not use the gas. It is just me and Katie sitting there. I was shocked when I received my bill and was told by the company that through no fault of my own my meter was not working and I was hit with a \$700 bill.

● (1810)

They said that I was a member of parliament and I could afford it. I said that they did not know that and that was not the point. What if this happened to a single mom who was struggling to survive, who was working two jobs? What if that happened to a family that was just getting by month to month? I am sorry, but that is a reality for a young couple starting out, for my own kids starting out and worrying about bills and everything else. What if they get a \$700 gas bill that has nothing to do with anything they did? They did not run an appliance. They did not misuse the gas.

Guess what: the bottom line of all of this is that I had to pay it. I thought it was just outrageous. I said that I would tell them something: my complaint was not that it was happening to me, but that this could happen to any one of my constituents living in a home of similar square footage with similar usage in terms of gas. Then they said not to worry, that they would split it in three. Is that not comforting? We will split it in three. It is like whatever that is, tell me quick, those guys who are the mathematicians. It is still a lot of money, right? We are talking \$200 or \$300, close enough, that has to be paid over three months. The hon. members are not being helpful to me here.

An hon. member: That's what the auditor general says: close enough.

Supply

Mr. Steve Mahoney: However, the reality is that at the end of the day we had consumed the product. I knew that if I asked the members over there to divide by three they would be stumped for an answer so I was not under any apprehension that I might get assistance of any kind of a financial nature or mathematical nature or any kind of equation from across the way. I was quite comfortable with my own, unlike my hon. colleague who pronounced here, I think unnecessarily, when he said, I think, that he was challenged in the area of finance. He should never admit that because they of course will admit that to the world on an ongoing basis.

The reality is that we are all responsible for taking a look at these budget documents when they come out and analyzing them. Members do not need to be rocket scientists or accountants. As a matter of fact, I sometimes think that maybe we should not have lawyers on the justice committee and accountants on the finance committee or the public accounts committee, because we want to look at this from the point of view of an average Canadian. What is it that they are concerned about? How do they see the kinds of difficulties that flow around budgeting and around expenditures?

Is there something wrong with the member over there? It is like one of those bobble dolls we get in the store. I would stop that. It is probably not good for her. I am not sure what that is all about.

We have to look at it from that point of view, so what happened with this overpayment? The fact of the matter is, the province of Alberta was overpaid by \$4.4 million, British Columbia by \$121 million, Manitoba by \$408 million, and Ontario, my province, by \$2.8 billion. By far the largest impact is here in the province of Ontario. Let us be realistic. I think the province of Alberta will work out an arrangement with the federal government. No one is riding into town repossessing the legislature. We are going to be very flexible. We are going to work out ways through the transfer payments, through the adjustments, where these things can be fixed.

Frankly, I found the response from the provinces to be quite reasonable in suggesting that there has been a mistake, it has been caught and they have been overpaid, but I cannot help but point out the fact that while the province of Ontario, under the politically late Mike Harris, was celebrating the fact that it might have balanced the budget it was doing so with \$2.8 million of our money that it should not have had in the first place. That might throw a different light on their attempts at and claims of great fiscal management.

The reality is that we found the problem. Just like I, my wife and my family had to come up with the money to pay the gas bill because we had consumed the product—

An hon. member: And Duke.

Mr. Steve Mahoney: And Duke, and so we did. So in this case must the provinces recognize that obligation.

What we have here is an official opposition putting forward a motion to say that somehow the federal government should just close its eyes and go away. This is the same party whose current leader, whose new leader, by the way, was professing to be concerned about transfer payments to health care, never acknowledging and recognizing the transfer of tax points that has occurred for the last many years and the relationship between the federal government and the provinces.

● (1815)

Tax points, as we well know, are simply the authority passed on from the federal government, which will vacate a certain position of taxation authority and transfer that authority to the provincial governments. They can then turn around, using the tax points and the taxing authority vacated by the federal government, and collect that taxation. People will know when they file their income tax and calculate how much they owe federally, that they also have a formula right in the same document that allows them to calculate how much they owe provincially.

Therefore, provincial governments indeed collect taxation and collect income tax in much of the taxation that they collect. By the way, they are happy to do this. They are not exactly offering it back to us. There are members in our caucus who would say that if the provinces do not recognize that we give them this taxing authority, which in effect should be part of the entire transfer payment calculation, and if they will not acknowledge the fact that the federal government vacated that area to give it over to them, then maybe we should just eliminate tax points, collect all the taxes and transfer the cash.

An hon. member: They don't want that.

Mr. Steve Mahoney: Of course they do not want that, because they want the flexibility of being able to collect their own.

Some time ago, in 1991, when I ran for the leadership of the provincial Liberal party, one of the points I made in my campaign was that we only really need one taxpayer. We have attempted—

An hon. member: You ran?

Mr. Steve Mahoney: I did, not successfully, I am sure you are devastated to find out.

I believed that with one taxpayer we could reduce the costs that were associated with the job of collecting taxes. That has not been successful in Ontario. We have done harmonization in other parts of the country working with the provinces.

Because I only have 30 seconds left, and I am sure all are devastated, there is one bottom line, and I want to ask the opposition, what does it say to the other provinces? There are four provinces, three of which have provinces under the terms of Confederation, one of which is aware of the problem and willing to deal with it. What does the opposition say to the other provinces and the territories? Because we gave one province an overpayment we will send the other three an overpayment as well and just even things up? It is not even a reasonable position for the opposition to take.

We have an obligation to manage fiscally and be responsible in this parliament, in this government, and it is my view that by working out a reasonable relationship with the provinces we are doing exactly that.

Supply

• (1820)

[*Translation*]

Ms. Jocelyne Girard-Bujold (Jonquière, BQ): Madam Speaker, I have just witnessed an unimaginably inconsequential speech. This is an issue that is extremely important for the provinces. As for the members opposite, be it the Parliamentary Secretary to the Prime Minister, or the Secretary of State for Financial Institutions, I do not know what they are doing over there.

I will have to ask the new Minister of Finance. He says “I am examining the situation. I will not be taking a position immediately. I am examining the situation to think about what I will do”. I appeal to him, to his heart and to his reason at the same time and I say to him “If you want to distinguish yourself, if you want to take into account a problem that is extremely important for the provinces, which are currently experiencing such great needs in health and education, then be serious and examine this quickly, but make the right decision”.

It is not to them that I address these remarks, it is to the Minister of Finance. My message to him is to act in the interests of the provinces to ensure that they are all treated equally. Is the Minister of Finance ready to take this into consideration and say that they will not require reimbursements from those who received overpayments and they will ensure that all of the provinces are on a level playing field? It is the minister I am addressing.

[*English*]

Mr. Steve Mahoney: Madam Speaker, I am sorry that the member found my speech inconsequential. I was having fun delivering it.

I also want to say that I am a little surprised to see a member of the Bloc, whose sole raison d'être is to lead Quebec off into oblivion and into some kind of nationhood that somehow the people of the province of Quebec have decided they do not want, and I find it interesting to have a member of the Bloc stand in this place and somehow offer a defence of the other provinces, that somehow these other provinces should be able to keep this overpayment. I would have rather expected that member to stand and demand, on behalf of the province of Quebec—

• (1825)

[*Translation*]

Mr. Paul Crête: Madam Speaker, I rise on a point of order. I would like to know if a member may claim that we have no business here when we were elected by the people. By what right does he—

The Acting Speaker (Ms. Bakopanos): Order, please. This is a point of debate. It is not a point of order. The hon. parliamentary secretary.

[*English*]

Mr. Steve Mahoney: Madam Speaker, I will be fair. Honestly, save and except for that one policy of separation, I have found most members of the Bloc to be hardworking parliamentarians.

Let me just say that I would have expected that member to stand up and say that Quebec should get its share of this, so send them part of the overpayment, because how can we send an overpayment to Ontario and not give the same amount on a per capita basis to the province of Quebec? It is puzzling to hear this member suggest that

we somehow just walk away from this and forget about the overpayment, even when the provinces are willing to work with us to resolve this issue.

Mr. James Moore (Port Moody—Coquitlam—Port Coquitlam, Canadian Alliance): Madam Speaker, I just want to let the hon. member for Mississauga West know that nobody in this place, including his colleagues, are surprised to know that he has a \$700 a month bill for hot air. This comes as no surprise to anybody.

I have what is a simple question, I suppose, for the member. He bragged about the legacy of the Liberal Party since 1993 in balancing the budget, cutting taxes and doing all kinds of wonderful things. If the Liberal Party has done such a good job, why did it just fire its finance minister?

Mr. Steve Mahoney: Madam Speaker, this is not question period is it? I did not think so. I wish it were, because I would be delighted to receive the questions opposite.

Let me say that we are very proud of both the former finance minister and the current finance minister. We are very proud to be a team putting forward to the Canadian people policies that are based on fiscal responsibility. The Canadian people would have every right to call us up and say “Just a minute, let me understand this: the government sent more of my money than it should have to the provincial treasuries. They taxed, and as a result of the overpayment—

Mr. James Moore: Madam Speaker, I rise on a point of order: Why was he fired?

The Acting Speaker (Ms. Bakopanos): That is not a point of order.

Mr. Steve Mahoney: Madam Speaker, I am happy to go on for much longer. If you want to ask for unanimous consent I would be prepared to talk the clock out with no problem.

Our party did not go through three leaders of the opposition in the past two years. We did not have a party that went across the country eating its young and destroying itself. What we have is a party that is unified, that is providing financial leadership to Canadians, and members opposite know it. Members opposite only need to look at the numbers about how Canadians feel. They have confidence that this government will do the right thing, and we will recover the overpayments from the provinces in a fair way so as not to put undue strain on the provincial treasuries.

[*Translation*]

The Acting Speaker (Ms. Bakopanos): It being 6.30 p.m., it is my duty to interrupt the proceedings and put forthwith every question necessary to dispose of the opposition motion.

• (1830)

The question is on the amendment. Is it the pleasure of the House to adopt the amendment?

Some hon. members: Agreed.

Some hon. members: No.

The Acting Speaker (Ms. Bakopanos): All those in favour of the amendment will please say yea.

Some hon. members: Yea.

Supply

The Acting Speaker (Ms. Bakopanos): All those opposed will please say nay.

Some hon. members: Nay.

The Acting Speaker (Ms. Bakopanos): In my opinion, the nays have it.

And more than five members having risen:

The Acting Speaker (Ms. Bakopanos): Pursuant to Standing Order 81(18), the recorded division stands deferred until 10 p.m. this evening.

* * *

MAIN ESTIMATES, 2002-03

CONCURRENCE IN VOTE 1—PRIVY COUNCIL

Hon. Stéphane Dion (for the President of the Treasury Board) moved:

That Vote 1, in the amount of \$101,736,000, under PRIVY COUNCIL—Department—Program expenditures, in the Main Estimates for the fiscal year ending March 31, 2003, be concurred in.

[*English*]

Mr. Joe Jordan (Parliamentary Secretary to the Prime Minister, Lib.): Madam Speaker, I am very pleased to speak this evening on the estimates for the Privy Council Office, the policy department that serves the Prime Minister and serves the cabinet.

Canada is well prepared to meet the opportunities and challenges in the years ahead. Our common values and sound economic fundamentals, strong communities and global outlook have served Canada well and provided a solid foundation for achieving success and a higher quality of life for all Canadians in the future.

Success will require that Canadians work together. Together we can build a world leading economy, driven by innovation, skills and international trade. We can create a stronger and more inclusive society where all Canadians have access to high quality health services and live in strong and safe communities, built upon shared values such as respect for diversity and individual rights and where the needs of aboriginal Canadians can be met. We can ensure a clean healthy environment for Canadians and promote Canada's interests and sense of citizenship throughout the world.

The Government of Canada will do its part to advance these objectives based on the values of Canadians by promoting partnerships and acting as prudent stewards of the nation's finances. The government remains committed to the modernization of the public service so that it continues its proud tradition of serving Canadians by providing quality service and quality advice.

To advance this ambitious agenda for Canada, the Prime Minister will continue to rely on the advice and support of the Privy Council Office.

The PCOs estimates for 2002-03 show a net increase of \$11.3 million. This represents and 11.1% increase in the financial requirements from \$101.3 million in 2001-02 to \$112.6 million in 2002-03. The increase pertains to the following items. There is an increase of \$7.6 million for the commission on the future of health care in Canada. I think any hon. member who has had any contact

with this commission which is travelling across Canada to get opinions and advice on the health care system knows that \$7.6 million is extremely well spent.

There is an increase of \$3.1 million related to the salary issues, such as compensation for collective bargaining and employee benefit costs. There is an increase of \$2.6 million for the task force on modernizing human resource management in the public service. There is an increase of \$700,000 related to the operational costs for the policy research initiative annual conference.

These increases have been offset by a decrease of \$2.7 million for the sunsetting of contributions to special initiatives for Metis and non-status Indians and the Forum of Federations.

The mission of the PCO is to serve Canada and Canadians by providing the best non-partisan advice and support to the Prime Minister and cabinet. To accomplish this mission, the PCO focuses on four key objectives or outcomes. They are first, ensuring the efficient operation and appropriate support of the central decision making mechanisms of the government; second, increasing capacity to identify, understand and address the longer term policy issues facing Canada and Canadians; third, addressing long term policy issues regarding health care in Canada; and finally, providing impartial assistance to first nations and Canada in the settlement of specific land claims.

Let me expand on these strategic outcomes. First, the efficient operation and appropriate support of central decision making mechanisms of the government is the core of the mandate of the Privy Council Office. The cost of this is estimated at \$97 million annually.

The Privy Council Office is a unique organization in the government, in that serves as both the cabinet secretariat and the Prime Minister's source of advice on a broad range of policy and operational issues and matters relating to the management of the federation. In carrying out these duties, the PCO must take into account a wide variety of external factors and public policy considerations.

For example, the PCO must consider demographic changes including increased diversity, aging and urbanization. It must take into consideration the state of the economy which includes economic performance across the country, Canada's ability to adapt to a knowledge based economy and development of international trade opportunities in North America and the world.

It must also consider the values and priorities of Canadians, including those regarding health care and Canada's security requirements; the state of the federation and relations with other governments in Canada; Canada's evolving role and place in an ever changing geo-political context; and finally, social and economic issues of key groups in Canadian society, such as aboriginal people and official language communities.

Supply

•(1835)

The PCO must continually adjust to respond to a changing environment, while consistently providing accurate, sensitive and timely advice on key regional, national and international issues affecting the country. In doing so, the PCO works collaboratively with other departments and agencies, provincial and territorial governments, the private and voluntary sectors as well as international stakeholders.

Let me describe some of the key services provided by the PCO to deliver on this core element of PCO's mandate. It provides professional and non-partisan policy advice and appropriate support to the Prime Minister and to other ministers within the Prime Minister's portfolio. Specifically they include: the Deputy Prime Minister, Minister of Finance and Minister of Infrastructure; the President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs; the Leader of the Government in the House of Commons and the Leader of the Government in the Senate. It assures the efficient operation of the cabinet decision making process in accordance with the principles of responsible government, as well as the Prime Minister's prerogative.

In concrete terms, this means the PCO supports cabinet discussions of the government's agenda at regular meetings and through periodic cabinet planning sessions. It defines key objectives and priorities and oversees the development of policies consistent with the government's agenda. It facilitates discussions of proposed new initiatives or proposed program or policy changes discussed in the social and economic cabinet committees, as well as in the cabinet committee on government communications and at ad hoc and informal meetings of ministers.

In addition, the PCO oversees the preparation of departmental initiatives destined for policy approval at cabinet. This is done by ensuring that thorough analysis of proposals has been completed, that intergovernmental consultation has been carried out and that proposals advance the government's overall priorities.

The PCO also provides leadership, ensures policy coherence and facilitates interdepartmental and central agency co-ordination on: major policy, legal, legislative, machinery and regulatory issues; public service reform initiatives, including transition to a new human resource management system; public security and anti-terrorism initiatives, including improvements to the legislative framework and implementation of security measures contained in the 2001 budget; and improved border management with the United States through the implementation of the action plan for the smart border declaration.

In terms of corporate services, the PCO also provides a wide variety of supports to meet the diverse needs of the department and central agencies. These services include: access to accurate, relevant, integrated information for decision making; recruitment and retention of competent and representative employees; workplace support; technical infrastructure and information processing tools to enhance the decision making process and to facilitate the implementation of technological development and government-wide online services; modern management practices within the PCO in line with the government's modernization of comptrollership and human resources initiatives; a cost efficient system to manage the flow of correspondence Canadians send to their Prime Minister; and,

security for the Prime Minister and the employees of the organization.

The second key objective of the PCO is to increase capacity to identify, understand and address the longer term policy issues facing Canada and Canadians. The cost of achieving this outcome is estimated at \$5 million.

In the coming years the policy research initiative will continue to focus on two key priorities. It will accelerate research and conduct more indepth analysis in three specific areas: North American linkages, social cohesion and sustainable development. It will also integrate research findings into the policy process and strengthen the capacity of the policy community through programs such as the policy research development program and the policy research data group.

The third key objective of the PCO is to address long term policy issues regarding health care in Canada. This is estimated to cost \$8 million and is the responsibility of the Commission on the Future of Health Care in Canada.

The commission's priorities are: first, to involve Canadian from all walks of life in public dialogue regarding the future of health care in Canada; second, to develop effective results oriented policies and measures to ensure the sustainability of a universally accessible, publicly funded health system in the country; and third, to submit a final report with recommendations on or about November 2002.

•(1840)

The fourth objective of PCO is the provision of impartial assistance to Canada's first nations in the settlement of specific land claims. The estimated cost is \$6 million. Delivering this strategic outcome is the responsibility of the Indian Specific Claims Commission.

The commission's priorities are: first, to effectively respond to requests from the Government of Canada and first nations for high quality service and recommendations regarding specific land claims; second, to continue to provide impartiality both in the inquiry process and the ever growing number of mediation service requests; and third, to take a proactive approach to improving understanding among Canadians about specific claims issues.

The achievement of the outcomes I have described and the many services that support these key objectives are organized into the Privy Council Office Program's five business lines. These include: the Office of the Prime Minister's business line which is managed by the Prime Minister's chief of staff; the Minister's Office business line which consists of the four ministries I outlined earlier and in which each office is managed by the executive assistant to the minister; the Privy Council Office business line which constitutes the core component of the Privy Council Office Program and is managed by the Clerk of the Privy Council and Secretary to the Cabinet who reports directly to the Prime Minister; the Commissions of Inquiry, Task Forces and Others business line which consists of the Policy Research Initiative, the Commission on the Future of Health Care in Canada and the Indian Specific Claims Commission; and the Corporate Services business line which consists of administration, financial services, informatics and technical services, corporate information services, human resources, and access to information and privacy and is managed by the assistant deputy minister of corporate services.

The Privy Council Office is the public service department that provides policy advice and support to the Prime Minister. This in turn supports the functioning of the cabinet committee system and a range of other essential services for the government and Canadians.

[*Translation*]

Ms. Jocelyne Girard-Bujold (Jonquière, BQ): Madam Speaker, I am very pleased to have an opportunity to take part in the debate on the main estimates. Six motions related to them will be debated and voted on in the course of this evening.

Since all of his Quebec colleagues made a commitment in the last federal election to invest close to \$1.9 billion in strategic highways in Quebec, could the Parliamentary Secretary to the Prime Minister tell me where in the estimates the \$2 billion figure for the strategic infrastructure program appears? The minister responsible for infrastructure tells us that some guidelines will soon be forthcoming to indicate when we will have the opportunity of getting some projects included in this program.

• (1845)

[*English*]

Mr. Joe Jordan: Madam Speaker, if the hon. member would take a look at the specific details of the estimates and recall the answer she got to that question in question period today, she would have her answer.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Madam Speaker, I have listened to the remarks of the hon. Parliamentary Secretary to the Prime Minister. It is troubling that his remarks make it clear that the PCO is looking for more money.

On the basic principle of not rewarding good behaviour I have not heard anything in his remarks and rhetoric about the goals, ambitions, direction and vision, or lack thereof, of that office. I have not heard anything that could possibly justify to the Parliament of Canada and the people and taxpayers of Canada the giving of more money to the department.

Let us look at the behavioural standard that has been set by the department and the Liberal government that is wracked in scandal. The department is headed by the Prime Minister of Canada where

Supply

the buck is supposed to stop. Can the hon. member point to anything that would suggest Canadians should embrace the idea that parliament should give more money to him, his department or his government based on the way it has been frivolously spending public money and abusing the public trust in the last nine years?

Mr. Joe Jordan: Madam Speaker, I thank my hon. colleague for the question. It gives me an opportunity to reiterate a critical point with respect to the first group of motions we are debating.

Government departments put forth their budgetary estimates on a three year planning horizon. These things are very public. They contain a tremendous amount of detail. The documents are very thick. Parliament gets them around February. They are looked at in committee where we essentially try to compare how much the departments spend each year. The hon. member is absolutely right. The key point is whether they asking for more money or less money.

I will reiterate what the increase would represent. It would be an \$11.3 million increase. The hon. member is absolutely correct. Some \$7.6 million of it would be for the Commission on the Future of Health Care in Canada, the Romanow Commission.

I will reiterate the point I made in my speech. I have held round tables in my riding as well as a large public meeting, as have other members of all parties. It is an extremely important exercise to be undertaking right now so I do not think one can argue the value of the \$7.6 million increase.

An additional \$3.1 million of the increase would be related to salary issues. This is something over which the administrative function within PCO has little control. Part of this is triggered by the salary increases we voted ourselves in here. Some of it has to do with the fact that the non-political people in PCO, the exempt staff, are given the same increases as unionized public service workers. It is not as if one can point to management and say it is frivolously driving up costs. It has absolutely no control over the costs. They are tied to other actions over which it has no direct control.

Some \$2.6 million would be for the Task Force on Modernizing Human Resources Management in the Public Service. In government there tends to be a little lag with respect to information systems and the incorporation of new technologies. Government seems to move slower than the private sector in this regard. That is a good thing. Haste makes waste when one is making policy.

Virtually any successful company in the last 10 years has gone through a detailed period of self reflection where it has looked at how it is structured, how it manages its workforce and how it rewards its employees. Sometimes these things can get pretty strange but companies go through them.

The government is a huge employer. It has tremendous challenges in terms of finding, retaining, training, and motivating employees to do the good work they do. I do not think one can argue against giving it additional money to devote to that purpose provided the process of doing so is transparent and accountable and goes through the appropriate parliamentary committee and estimate process to determine whether it has worked or not.

Supply

Finally, \$700,000 would be related to operational costs for the Policy Research Initiative annual conference. It is debatable, but I would argue that public policy is a field in itself. These kinds of conferences are a means of sharing best practices and dealing with how the challenges facing societies are addressed in public policy framework. I would be concerned, quite frankly, if our government was not investing in this type of information and these types of conferences.

The good news is that there is also a decrease. The \$11.7 million is a net figure. There was \$2.7 million less because of the sunseting of one of the special initiatives undertaken by the Privy Council Office.

If we factor these figures in we have an organization that has essentially kept its costs in line. We have not seen extravagant increases in discretionary spending. A clear analysis of the data would demonstrate that in the last 10 years the Privy Council Office has kept its expenditures reasonable and under control.

• (1850)

When the Privy Council Office needs increases its members do not come and ask for a blank cheque. They do not walk through here with a wheelbarrow expecting us to throw money in it. The PCO has specifically outlined what the new expenditures are for. I challenge hon. members to identify which of them they would be willing to sacrifice on the altar of whatever fiscal policy they are advocating.

Mr. Peter MacKay: Madam Speaker, we are here today to talk about government spending, ethical standards and whether in light of its behaviour the government is within its rights to stand before Canadians and make a request to spend more money, responsibly one would hope, on their behalf.

We have registered our opposition to the estimates for the privy council and the Prime Minister's operations to draw the attention of Canadians to the Prime Minister's failure to provide a basic level of good government. I point in particular to the government's non-ethical standard of behaviour. I point to the words spoken in the House by the Prime Minister, members of his government and his party which have been printed in *Hansard*, the public record. What they have said and what they have done are polar opposites.

We expect that Liberal members will disagree. In so doing they will be telling their electors they continue to support a Prime Minister who puts his own interests ahead of those of the country. Similarly, the former minister of finance who was fired has no moral high ground to stand on. He was the most senior member of cabinet with the most power over the public purse. Yet he chose to let these things go by the board because he ultimately had the power to say no, his department would not spend money in that fashion.

Yet the person with the public strings, the person with the ability to stop that sort of irresponsible behaviour in government turned a blind eye. Now it is coming out. Now it is leaking under the door. We are seeing dribs and drabs of information come forward. It is not as if it has been voluntarily served up to Canadians. The information has come about begrudgingly, through access to information. We have had to drag some semblance of accountability, kicking and screaming, out of members of the cabinet through question period which has become a spectacle day after day.

The internal fights in the Liberal Party have taken priority over the responsible governing of the country. That is why we have filed these objections, particularly with respect to the Privy Council Office. It all starts at the top or is supposed to. The bar has been set very low.

Let us talk momentarily about the sordid, squalid chronology of the Auberge Grand-Mère file. It was the first and most blatant incident where we saw the style of governance that was to come from the current Prime Minister. As Canadians will recall, the information was dragged from the Prime Minister after he initially denied making inappropriate interventions. It was then revealed in a roundabout way that he had contacted the president of the Business Development Bank in an effort to influence a decision that would be made for his own riding and, worse than that, would personally benefit the Prime Minister.

This is the type of conflict of interest that appalls Canadians. It leaves them in awe of the spectacle of a government which came to power railing about the need for greater transparency and public accountability. The Liberals made campaign promises to raise the ethical bar, get rid of the GST and renegotiate free trade. All that has been completely contradicted by the government's actions in the last nine years.

What do the Liberals do when confronted with the facts? They immediately try to deny them. They then try to distract attention away from them and blame someone else such as bureaucrats, the opposition, journalists, the governor of the Bank of Canada and, last but not least, their own backbenchers. The government has tried to blame unknown, nameless, faceless persons within their party who are betraying it through leaks or, in other words, telling the truth. This again highlights the need for whistleblowing legislation.

Without going through chapter and verse of the sad, sordid tale of what took place in the Prime Minister's riding of Shawinigan, because the accusation will be that it is just more partisan talk, I will refer to a Canadian public servant.

• (1855)

We know that the Canadian public service is supposed to be permanent and non-partisan. I am speaking now of a very esteemed individual by the name of Gordon Robertson who is perhaps one of the most revered and independent individuals to comment on this entire affair that has unfolded in the last number of weeks and months.

Gordon Robertson, now 83, spent his entire professional life as a public servant beginning in 1941. He worked for Mackenzie King. He was Pierre Trudeau's superior in the Privy Council Office between 1950 and 1952. He served as the Clerk of the Privy Council to John Diefenbaker, Lester Pearson and Mr. Trudeau. He was the first secretary to cabinet for federal-provincial relations. He is a very distinguished individual, a very pristine career.

What did Mr. Gordon Robertson have to say about this government's performance and in particular the Shawinigan scandal? He said:

What happened in Shawinigan never would have met the standard set in Pearson's ethics code.

He went on to say:

Supply

I should know—I drafted it. This Prime Minister has lowered the bar.

Quite clearly he has lowered the bar.

That is completely contrary to the words spoken in elections, in campaign literature, in words in *Hansard*. The Prime Minister repeatedly through a litany of promises said he was going to clean up the government. He was going to be the Eliot Ness of Canadian politics. It turns out he is Al Capone. It is completely the opposite when one looks at it.

We on this side of the House hoped that an opportunity to examine this in detail would be forthcoming, but no, even under the current public works minister we see more attempts at distraction, more attempts to suggest somehow that the auditor general will do her job. She is doing an admirable job, let me be the first to admit, but she has a limited mandate. She has no ability to go further afield to examine some of these contracts in greater detail, no ability to assist in the effort that is needed to pinpoint who was giving the direction to senior bureaucrats within the department.

It is hardly a career enhancing move for senior bureaucrats to make an arbitrary decision to not document it, to do so orally and agree to pump money into Liberal ridings in the hope that this is somehow going to help the country or help their careers. There had to be direction. Follow the money. Follow the chain of command.

Now we see it mired in scandal. Some of this is beginning to touch on the Prime Minister's own actions. He tells people he is a fighter, but what is he fighting for? Is he fighting for Canadians? Is he fighting for the poor? Is he fighting for regions of the country like Gander—Grand Falls, like Pictou—Antigonish—Guysborough, like Saint John, New Brunswick which are sadly in need? No.

He is fighting for himself. He is fighting for a legacy, a legacy that will elude him unless that legacy be one of scandal, be one of that word of which we cannot speak, hypocrisy. This type of behaviour leaves Canadians completely and utterly desperate in searching for someone, some person or some group of individuals who will come forward and tell the truth.

We are seeing today the government's attempt to get \$101 million for an untendered new aircraft. What delicious, disgusting irony that we see that the same amount the Privy Council is asking for matches almost to a dollar the amount that was spent on those jumped up fancy new jets that were purchased to fly the Prime Minister and the cabinet around the country. Compare that with the 40 year old Sea King helicopters that navy pilots in our armed forces are forced to fly, knowing that the lives of those men and women are at risk each time those helicopters go up. It was pure political vanity and stubborn ignorance that prevented the Prime Minister from purchasing the type of helicopters that were originally ordered. We will not see new helicopters until the Prime Minister leaves office.

The Prime Minister continues to fight to defend his broken promises on ethical standards of his cabinet and to justify broken promises to establish an independent parliamentary officer who would report directly and police cabinet ethics. That has not happened. That joins the litany of promises that were made and broken and betrayed.

● (1900)

Where is the openness and transparency? Where is the commitment that was made throughout previous elections, those red faced, red book promises that remain unfulfilled?

The Prime Minister fights to suppress any dissent, including the suppression of parliamentary dissent by the unparalleled silencing of parliament, the shutting down of parliament, as he intends to do in a matter of days, notwithstanding the rules of the House. He attempts to shut down his own cabinet and expel anyone who raises ire.

The Prime Minister fights to remove over \$7 billion from the consolidated revenue fund to patronage bodies that are open to abuse and are exempt from the oversight of the auditor general. I am talking about these arm's length bodies that currently the Liberals can funnel money through and they are outside the scope of what the auditor general can examine. Is that the type of openness and transparency that was promised? I think not.

The Prime Minister is consumed with putting in time to get to that 40th anniversary of unbroken service in the House of Commons, but we know that it was broken. He is no longer putting the country first. He is no longer putting the government first. He is putting himself first.

I fully expect that at the end of the evening the Liberal caucus will vote to support this. It will vote to support giving \$101 million to the Prime Minister's PCO fund. I am happy to provide this opportunity so that Canadians will know the priority of all members of the government. This is an opportunity for them to go on the record and say they endorse the ethical standards of the Prime Minister, that they wrap their arms around the standard that he has set and that he has permitted to be pervasive in his government. Personal interest over national interest; that is the legacy.

When the Prime Minister looks back for a legacy, looks back for some form of pointing to the record to say this is what was achieved, what is there? It is one of caretaking. I would strongly suggest it is one of dishonesty. This is not the type of up front and transparent behaviour that should be expected from the highest office in the land.

We are currently mired in an issue with respect to government contracts and the way in which communications agencies act as the middlemen for funnelling cash, funnelling money from the government into loyal Liberal supporters. That is what it comes down to. We should follow the chain. Public money is being sent out often through untendered contracts into the hands of traditionally, time and time again, those who seem prepared to financially support the government. It is not the merit of these projects that we question. It is the fashion in which they have been set up.

Surely there are other agencies, there are other businesses, there are other projects in the country that do not have these blatant ties, these close, cozy relations to the government. Where is the impartiality? Where is the merit when one starts to examine in detail who is the recipient of these many, many millions of dollars that are Canadian taxpayer dollars?

Supply

We see Communication Coffin, Gosselin, Groupe Everest, Groupaction, Lafleur and time and time again there is this inevitable linkage, a close connection to the Liberal Party. Why? That is the obvious question. It is the perpetration of power. It is about not only gaining power but then holding it at all costs. That is not in the best interests of Canadians. That does not lead to the focus on the issues of the day, on the priorities of Canadians.

This conduct in contracting out has rocked Canadians' confidence further. The degree of support and confidence in any government is absolutely plummeting. That again reflects very, very poorly on the Prime Minister's record.

These transgressions, these decisions that were made are deliberate. This is not action that was taken by lack of information. It is quite the opposite. It was deliberate action that was taken on behalf of the government, decisions that were taken by cabinet, decisions that were obviously made, as I said before, to hold on to power at all costs. If it is about reward, if it is about ensuring that one's support will be there, will be constant, this is what erodes the entire system. It is what completely undermines public confidence when the sole purpose is the perpetration and preservation of power of public office.

● (1905)

The vision that was set out, the specific references to what this increased funding would result in is something that again has to be questioned. The words and the actions do not match. The vision that has been enunciated is blurry, unclear and unfocused. One can only look at what is happening now to predict what will happen in the future.

If more money is granted through this process, is there confidence, is there public trust, is there reason for Canadians to believe that this is a responsible use of their money, that we should reward and increase the budget of the Prime Minister's Office, the PCO? I scarcely think that is the sentiment Canadians are feeling inside, a warm and fuzzy confident feeling that the government has spent their money responsibly.

The real fear, because I truly believe we are only getting a glimpse of what has been happening, is that this is pervasive. This is of epidemic proportions throughout other government departments.

We specifically singled out the PCO because again it starts at the top. It is supposed to be the office that would lead by example. It is supposed to be the highest office in the land, yet we have seen this very partisan and personal approach that has been the driving force behind the decisions of the Prime Minister and the government.

It is with regret that we are before parliament and Canadians today talking about why the government's ethical standards should be rewarded and should result in an increase in its budget. Is it warranted? That is again the question. Does its ethical standards measure up?

Why on earth would we want to increase the budget of that office when we know there are such grave needs in other areas? Even though there were promises to increase the ethical standards, even having an independent office on which parliament could rely, we know that is not forthcoming. Even this latest so-called action plan is

really a distraction plan because it completely evades the issue of an independent office like the auditor general.

Why would it not be modeled upon the auditor general's office? At least in terms of independent officers we have seen that there is courage and integrity in offices such as that. There is also courage and integrity in the office of the information commissioner who quite ironically, yet again consistent with what we have seen, is embroiled in a lawsuit, with whom? The Prime Minister.

When questions are raised, when an issue comes forward that draws attention, the immediate reaction is to oppose, to take to court, to delay, to distract, to bully the person who is asking the questions and then to hurl abuse and accuse the accuser. It is the oldest trick in the book. Parliamentarians in essence are told not to do their jobs, not to ask those types of questions because there will be retribution and the government will root out and find something inconsistent that has been said.

Let us not forget the role of government versus the role of the opposition. The difference in influencing where that money goes is tenfold on the government side, particularly in the cabinet. To suggest that a member of the opposition who in lobbying for support for his riding somehow has the ability to turn around and make it happen, that is where the line should be drawn.

It is the behaviour of the cabinet that is under examination here. It is its decision to intervene in inappropriate ways. It is its decision to act in partisan rather than patriotic fashion. That is why members of the Progressive Conservative caucus do not support increasing the budget of the PCO, do not in fact support in any way putting more money into a department that has been rife with abuse, that has made poor priority decisions.

That \$101 million that coincides almost to a dollar with the money that was spent on Challengers is not an appropriate, ethical or fundamentally honest way to spend taxpayers' money.

● (1910)

That is why this party will continue to press the government not only on issues related to ethics but on issues related to spending, which is what we should be doing in parliament each and every day and why we should continue to be here until we get some answers.

Mr. Dennis Mills (Toronto—Danforth, Lib.): Mr. Speaker, I would like to ask the hon. member a question for clarification. If I heard the member correctly he is saying that once a member of parliament becomes a minister his or her ability to inquire on behalf of his or her constituents should be terminated. This is a critical point for me.

My views on patronage are well known in this place. My views are that the machinery of government should always be sensitive and respectful to the men and women who are elected here to represent their constituents. It is important we understand the Progressive Conservatives position on this. If they are suggesting that members of parliament who are graduated to parliamentary secretaries or ministers can no longer intervene on behalf of their constituents, or for that matter other constituents, then I do not share that view. Would the hon. member clarify his party's position?

Supply

Mr. Peter MacKay: Mr. Speaker, I have great respect for the hon. member and it is a salient point. What I am suggesting is that a minister, a parliamentary secretary, or a person in government, with a greater ability to influence the decision to fund a certain project or to send money in a certain direction, has a higher degree of responsibility.

Clearly when it comes to the decision within his or her own department to make a decision that affects a friend, a relative, a close party person, that ethical standard is hot because there is not the ability of an opposition member or even a backbench member outside of cabinet to affect that delivery. That is why it is important, particularly in the private dealings that ministers have with persons in business, in their employ, and in their own family, that they meet a higher degree of standard. The problem is we do not have those clearly defined standards for members or cabinet ministers, as the hon. member knows.

The point is, yes, there is a difference between the ability to actually deliver as opposed to the ability to influence through lobbying when it comes to a minister of the crown crossing over that line, particularly within his or her own department after a decision has been made. There has been evidence of occasions where a decision has already been taken, and senior bureaucrats and heads of elements of a department have been lobbied directly by ministers. That is when it crosses the line; that is when one is out of the grey and into the black.

• (1915)

Mr. Loyola Hearn (St. John's West, PC): Mr. Speaker, I do want to take too much time because I know there are a lot of members over there who apparently not only agree with us but feel much more strongly about what is happening in the Prime Minister's Office than we do and I am sure they want to have their say.

I would like to ask my colleague a question with regard to the \$101 million that we are talking about here above and beyond what was budgeted. Is he sure that it will not go to health care that we need so badly, to recreation that the former speaker was so much in favour of, as I am and which is certainly not well funded, and to drugs for seniors?

Perhaps the Prime Minister, in his maturing days, realizes the real needs in this country and is asking for some money that he personally can channel through his office to the departments that need it. Is that what we are talking about here? How does the member feel about that?

Mr. Peter MacKay: Mr. Speaker, what my colleague from St. John's is referring to are priority needs. Let us be frank about this money and where and how it will be spent. I do not feel it is consistent with those priority needs that the member enunciated.

I do not think that money will be spent in the area of pharmacare, increasing educational standards in the country or on basic things like increasing the CHST transfers that so clearly have to be addressed because they impact on so many things in the everyday lives of Canadians.

It is with sadness that I cannot in any fashion equate what this department is asking for in terms of its increase with the priorities of Canadians. I do not see how it jibes. I do not see how we can

possibly support this increase in spending nor do I think that the Prime Minister is even remotely connected or understands where those priorities are, given his behaviour in office during the past nine years.

Mr. Dennis Mills: Mr. Speaker, I will be very precise. There are rules in the House of Commons for parliamentarians in terms of our limitation on lobbying. The rules state, because I have done research on this, that we cannot lobby on behalf of an organization, whether we are an MP or a minister, where there is a direct personal economic pecuniary interest.

I intend to challenge the PCO when I speak, so I am not here tonight to do a big shill for the PCO. However, I believe it is dangerous for us to create a situation for the men and women who are elected to Ottawa and who have friends or associates through business that those individuals might or could suffer from a reverse discrimination. I do not believe in that.

• (1920)

Mr. Peter MacKay: Mr. Speaker, that is very much apropos to what has happened. We know the rules were broken, and that ethical and moral standards were crossed. We know that ministers of the government, as recently as six months, took benefits. We do not know whether in fact pecuniary interests were then passed on, but we know that the appearance was there.

The problem is that this information is not volunteered. There is no transparency and no ability to shine the light in. There is the complete opposite. There is the effort to hide that information. There is the immediate clampdown on any disclosure. There is the reluctance to discuss it let alone reveal what has happened. It is untouchable to get to the root of the conflict.

That is the complete opposite of what the Prime Minister promised. He promised many things and among them was to clean up government and to raise ethical standards. His own people, those closest to him who observe him, have said that he has done the opposite. He has lowered it to a new all time low.

Mrs. Elsie Wayne (Saint John, PC): Mr. Speaker, a statement was made by one of your ministers just two weeks ago, right in my—

The Deputy Speaker: Order, please. I remind hon. members to forget the you and yours and ensure that we go through the Chair.

Mrs. Elsie Wayne: I apologize, Mr. Speaker. A minister of this House made a statement in my riding of Saint John, New Brunswick that unless the people elected a Liberal in every riding in Canada then that riding will not receive any assistance of any kind because it did not elect a Liberal.

That is not how you, Mr. Speaker, see things. That is not how we see things. People elect the person they want to represent them. I was in absolute shock to hear a minister of this House make a statement like that publicly. What does my colleague from Pictou—Antigonish—Guysborough think about that kind of a statement being made?

Supply

Mr. Peter MacKay: Mr. Speaker, that is very telling. As the member says it is disturbing that a minister would make that kind of statement. However it is indicative of a sentiment that is growing. Individuals who have been the recipients of some of these contracts recently stated quite openly that one does not have to have a Liberal membership or make a donation to the Liberal Party but it sure does help.

There is this growing connection of money donated to the Liberal Party resulting in contracts being awarded. That is the problem. Nine years of that type of behaviour has led to a fat, arrogant and sassy government. What we have seen indicates that Canadians are crying out for a change. They will have to find an option. We are saying we are that option.

Mr. Scott Reid (Lanark—Carleton, Canadian Alliance): Mr. Speaker, you have my firm promise that I will be referring only to you in the course of my comments, tempted though I am.

I would like to refer back to the debate that occurred between the member for Toronto—Danforth and the Conservative House leader and to address one of the issues they had raised in their comments. The member for Toronto—Danforth suggested to the Conservative House leader that there is no distinction between a minister's position and that of an ordinary member and that ministers ought not to be restricted in how they represent their constituents and to what degree they work as ombudsmen on behalf of their constituents.

There is a fundamental distinction here. It used to be traditional for members of parliament to step down and seek re-election when they were becoming cabinet ministers on the understanding that they would be incapable of representing their constituents to the same degree as an ombudsman because they would have the power to represent the interests of their constituents over the interests of the people of Canada.

That was a practice which was abandoned in the early 20th century because we believed we had other protections that would ensure that ministers could no longer represent the interests of their constituents over the interests of the people of Canada who they were representing as ministers of the crown. I am afraid that we are seeing some of those protections being eroded.

More particularly and further to the point the hon. member was making, when the Prime Minister defended the solicitor general he was referring to the fact that the minister was representing the people of Prince Edward Island in his capacity as a regional minister. The solicitor general is a regional minister charged with the task of bringing home the goodies that are dispensed on a discretionary basis by the government to his part of the country in competition with various other regional ministers who have these non official but apparently extremely important portfolios. They are so important in the mind of the Prime Minister that they override their official functions. They override their duty to the crown and their duty to the people of Canada.

They bring home the pork and in consequence exercise discretion in such a way that they pay people in the area where regional ministers are official pork dispensers to hire members of their family to be in parts of their institution to ensure the pork will come to their institution when it is being delivered to the region. That is the fundamental problem and that is the distinction between ministers

and ordinary members of parliament, be they on the government side or the opposition side, who are not in the position of power to disburse public funds.

Tonight we will be voting on well over \$1 billion in government spending in the form of several votes on several different issues. Due to the vagaries in the way members of parliament submit their motions of objection, it turns out we will almost certainly spend the entire period of time debating the first motion. As it turned out the member for Pictou—Antigonish—Guysborough submitted first and therefore we will focus not only on his motion but also on the item which he selected to put in a motion. The result is we will talk about the privy council.

I would like to go through the various votes that will come up tonight and point out the number of dollars involved in each. Under Vote No. 1, which we are debating, \$101 million; Vote No. 2 is \$3,423,000; Vote No. 3 is \$426 million; Vote No. 4 is \$110 million; Vote No. 5 is \$325 million; and Vote No. 6, grants and contributions from the justice department in the amount of \$399 million.

● (1925)

The item we are debating is not the largest item on tonight's agenda and for that reason my remarks will stray a little into some of the other areas other than the privy council. We cannot therefore just focus, as the hon. Parliamentary Secretary to the Prime Minister did, on a civics course essay on what the Privy Council Office does, informative as it is for those who are enrolled in civics courses.

To me what is happening tonight with these votes is symptomatic of a problem which affects so many votes in this place. We find ourselves debating whatever is first on the agenda and then we are simply unable to deal in detail with votes that come up later on the agenda, notwithstanding their importance.

I can give a couple of examples. When Bill C-36, the Anti-terrorism Act, was up for debate, the House got hung up on a motion that I had put forward when time allocation and closure was put in place. The motion was not outstandingly important and the result was that it got debated far more than it deserved and we never got on to the other items, many of which were important. Something like that is happening tonight. With Bill C-5 something similar has occurred.

If I were to pick out the item that seems to me to deserve the greatest consideration among the various votes that are occurring tonight, I would probably say that it would be the grants and contributions, vote 6, in the order of just under \$400 million in the justice department. I say that because there is a crisis in the country of confidence in the government, and as polls show, a crisis in the faith that Canadians have in their government not to be corrupt. It is based on the assumption, which is backed up by an outstandingly large amount of evidence, that when governments have the capacity to spend funds in a discretionary manner and when individual ministers have the capacity to allocate in a discretionary manner, and grants and contributions of course fall under this category, then we see the tendency for them not merely to bring the pork home to their region but the bring the pork home to those who might just happen to make contributions to their party or to their own campaigns or indeed in certain cases to their own leadership campaigns.

Supply

That is a serious problem. It is more than a serious problem. It is verging on a national crisis.

There are vast amounts of government grants and contributions in other departments, not just the ones we are voting on tonight. I want to give some examples tonight, taking the estimates for this year in three other departments: in the ministry of finance, \$675 million in grants and contributions; in the human resources department, just shy of \$1 billion in grants and contributions, \$925 million to be precise; and in industry, \$933 million in grants and contributions.

What this involves of course is money that is given out on a discretionary basis. I do not mean to suggest, and no doubt someone on the other side will insinuate that this is what I mean to suggest, that this is all in the form of grants and contributions to Liberal contributors. However, when we have this amount of money, we have a very large haystack in which more than one or two needles can be buried and of course huge opportunities for abuse.

We all know that these grants and contributions are recorded in the public accounts of Canada. How much does that actually mean? The Public Accounts of Canada list the various grants and contributions given out by the Government of Canada. To give an idea of what it means and how it is supposed to protect the public interest, let me quote from a recent article in the *National Post*, written by Andrew Coyne. He says:

An informed electorate, so the theory goes, should then be able to decide for itself [by reading the public accounts] whether politicians are too cozy with business or other interests, and punish them at the next election. It's perfectly simple, really. Voters have only to check the list of recipients of grants and subsidies in the public accounts, keep tabs on all untendered contracts issued by Public Works, sift through the files of the various federal lending agencies to see which companies have received government loans, scan the text of each piece of legislation or order-in-council, then cross-reference these with the list of donors maintained at Elections Canada, not only for the current year, but previous years as well.

Presumably we could do this through access to some kind of teleporting device into future political contributions as well. That is what we are up against.

● (1930)

To make things worse than that, we do not get access to all grants and contributions, only those over the amount of \$100,000. Any grant or contribution up to \$99,000 is completely off the public accounts.

That is a change, incidentally, which occurred during the lifetime of this government. It used to be any grant or contribution over \$10,000 but then the rules changed. Why did they change? We were told that there was a problem with the size of the public accounts books being produced. They were getting too large so rules changed to save paper.

This change came through just about the time the Internet came into use and these things were being posted on the Internet. The argument was that too much paper was being used and it was expedient to make this change. It is expedient all right but not perhaps for the reasons suggested by the government at that time.

Is there an opportunity for needles to be hidden in these vast haystacks? There certainly is. The way these accounts are put together, there is not merely one big haystack out there. We have to go through elaborate cross-referencing and we have to have access to

information requests to get this information which is not readily or quickly available. Having launched over a 100 access to information requests last year, I am well aware of the fact that they can be delayed, deferred or any number of tactics to deny information to the person seeking it, particularly when it is something worth seeking.

All these things are designed to ensure that there is a separate haystack for every needle out there. As a result, we only ever see what I would like to say is the tip of the iceberg, but actually 10% of the iceberg is actually shows. It is the tip of something much larger with much less showing. That is what is going on.

Here is the tip of the iceberg as it stands now. This is a partial list because I do have limited time. There is something fishy going on with the various Groupaction contracts. There is the new Groupe Everest contract. Media IDA Vision controlled 75% of government advertising contracts last year, when only 25% can be permitted to one company under the rules. There was the overspending on the promotion of the La FrancophonieGames, which has been raised so eloquently by our colleagues in the Bloc Quebecois.

There was a \$101 million untendered contract for new jets for our ministers. The Cascade Data Services incipient scandal is emerging in which Cascade Data Services is receiving money when it has no website, no public telephone number and no address known to people who live in the immediate vicinity of its supposed location.

Faced with this situation and all this administrative convenience we have a serious problem. Even if it were the intention of MPs, and more particularly of ministers in the House, to try to be as clean as they possibly could be, the temptations and competitive pressure under such a system for a person to veer from the straight and narrow would be overwhelming, particularly anyone running for the leadership of the governing party when all their competitors are out there raising money with the potential to give favours.

I suggest the only solution is to raise the political costs to the actors who seek to become the leader of the Liberal Party to the point where it no longer pays to get involved in any kind of trading of favours. When this is done, there will be an elimination of any hint or threat of the misuse of public funds.

In my remaining time let me suggest one way in which this sort of thing could be done so that we could improve the public access to the information that would raise the political costs for getting involved in the kinds of conflict of interests that we see emerging. I would suggest we eliminate the \$100,000 floor for reporting. I do not suggest taking it down to \$10,000 but taking it down to zero.

If a grant or contribution is given out, I suggest it would be recorded in the public accounts, period. Moreover, I suggest it should be placed on the government's website. I would suggest one step further. Being on the website, it should be placed in the form of a manipulable database so individuals can do a few experiments and see, for example, if there are any commonalities in the names of the individuals who are recipients. It can be manipulated by name of recipient.

Supply

● (1935)

I would suggest that would make a huge difference. It would greatly reduce the potential for hiding money from the public view. Moreover it would make access instant. It would substantially reduce the costs to those who are looking for this kind of information.

If this were done, I think we would see a tremendous increase in transparency. I think we would see a great reduction in the temptations for people, who perhaps might otherwise be the most honest people in the world, to get ahead in politics and in their search for the leadership of their party without finding any need to put themselves in either a conflict of interest or the appearance of a conflict of interest.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, I listened to the hon. member with interest. I know he has a very deep and genuine understanding of the need for greater democracy, which is also very much a part of this debate and very much a part of the effort that has to be undertaken by governments of all levels to reinforce and reinstate some ethical standard and some public confidence.

I want to go directly to the question that I believe has raised the ire of Canadians when it comes to obligations that exist, perceived or real, and the response by government to in essence enter into a power buying arrangement wherein it receives something of benefit and in turn the obligation to support, either through electoral or through financial means.

What does the hon. member suggest we should do to ensure that there is greater transparency, greater openness, leading to greater public confidence in that regard? Part of it is the issues that I believe he feels very passionately about. That is increasing the sense that the general public has in a control, a mechanism in which it can participate directly between elections.

I would like to give the hon. member an opportunity to speak to that.

● (1940)

Mr. Scott Reid: Mr. Speaker, I would like to speak directly to the point the hon. Conservative House leader has raised. However I just want to go back to a theme that came up in his discussions with the member for Toronto—Danforth.

This is an underlying theme I find in the government's defence of its practices and an attack that comes up frequently, in particular when issues of ethical government are raised by members of the Conservative Party and sometimes used when members of my party bring up issues of concern. Although not worded this way, the argument goes something like this: "Maybe we are crooks but you know what, look back at history, Brian Mulroney was a crook—"

Mr. Dennis Mills: Mr. Speaker, I rise on a point of order. The member from Nova Scotia and I earlier had a constructive exchange. In no way, shape or form did we refer to any flaws that may be in the system as something that was justified. The member who just spoke suggested that we would shrug off something that was wrong and that is inappropriate.

The Deputy Speaker: Clearly this is not a point of order but in fact the member is engaging in debate. While I am on my feet, let me just ask members for their co-operation to be a little more judicious

in the terms we use in the debate. If we can keep it at the level it has been thus far, it will serve us all well.

Mr. Scott Reid: Mr. Speaker, perhaps the way I should phrase this is by not referring specifically to the exchange that took place here but more to the media strategy that goes on outside the House and which consists of saying that if there were any ethical dilemmas government members were caught up in, Brian Mulroney was caught up in them too. It does not seem to matter whether there are any facts to actually link Brian Mulroney to this kind of thing, the assertion is made anyway and therefore somehow it rubs off on members of that party.

I must say that personally I think the link to Mr. Mulroney is very unfair, but leaving that aside, the point is that we do it, they did it and, back there in the distant past, every other government did it. In the future every other government will do it so we are better off with the people we know and not the ones we do not know because we will never get above this standard. That is the kind of messaging we will see constantly from the government. That is also the messaging, incidentally, that explains the endless pursuit that has gone on by the government of Mr. Mulroney in the attempt to make up or discover dilemmas that do not exist. That was what produced the airbus scandal, among other things.

With regard to the specific question asked by my hon. colleague about the sorts of things we could do between elections, a few things come to my mind. I think it would be useful to give members of the public the opportunity to directly challenge members who have not been representing the public interest. This of course is the policy of recall that my party has advocated for a long time. We should give members of the public the ability to petition to have a byelection called in their constituency if their member is failing to do his or her duty to represent his or her constituents. That would certainly have an impact on the ethical conduct of members, not just members who are involved in misspending of public funds or misappropriations, but members who fail to represent their constituents at some other level or who behave in a manner that is simply unbecoming of a member of parliament. I think that would be a very useful measure. I would throw that out as one possible measure.

● (1945)

Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, Canadian Alliance): Mr. Speaker, a lot of our debate has been around transparency and having the Canadian electorate understand what is being done in its name. I am holding this huge book. It is parts 1 and 2 of government expenditure plan main estimates for 2002-03. Basically it contains the documentation of the total government plan. It says "The expenditure plan overview, the Minister of Finance budget plan of December 10, 2001 sets out the government's expenditure plan that amounts to \$172.9 billion". That is what we will be giving final approval on tonight with a few snaps of our fingers. That is how much will be put through and approved.

Supply

The way many government members have been carrying on lately, it seems as if they think it is the government's money. It is not the government's money. The government does not have any money of its own. It takes money from Canadians, stirs it around and gives a little bit of it back, some in services and some in transfers. We need to be mindful of the larger issue here of what this whole operation is tonight. What we are debating is \$172.9 billion represented in the book.

I would like to ask the member if he has other plans or ideas of how what is represented colossally here can be more clearly transmitted to Canadians so they can truly appreciate what is being done in their name.

Mr. Scott Reid: Mr. Speaker, there is a systemic problem that produces the kinds of dilemmas that we get here. It is indicated by the vast amount of money that my hon. colleague just cited.

When government is this large and involved in the economy in so many ways, not just in the overtly public aspects of the economy where we all understand what is involved in running, for example, the Canada pension plan or the various other large programs, but when it is involved in these vast capacities in the private part of the economy, then the potential for a conflict of interest becomes almost overwhelming, almost unavoidable.

Everybody depends upon some form of government largesse to get by. When that is discretionary, as of course it often is, and sometimes it must be when a program is designed in a certain way, the result is that we have in a sense one giant conflict of interest between the public and the private sector. There is no clear dividing line between where the private ends and the public starts. This means that the government can choose winners and losers.

Once the government decides that player *A* will be the winner and player *B* will be the loser, inevitably both sides will lobby the government in whatever way they can. They may lobby privately, which is the problem we have been addressing in the House over the past few weeks, but they can also lobby publicly and try to launch campaigns in the media to sway the government one way or the other. We see this most distinctly in the procurement for military goods, which is an area that is definitely unavoidable, but we also see it with other kinds of procurement.

When we have this kind of extensive government involvement in the private parts of the economy, I am afraid there is no solution. The obvious overall solution is to roll back government's involvement and say that government should be involved in providing those services that we would describe as welfare state services on which there is a consensus in this society, and not in doing other things beyond those services and the maintenance of law, order, defence and the other basic functions of government.

[*Translation*]

Mr. Ghislain Lebel (Chambly, BQ): Mr. Speaker, Privy Council is currently seeking approval of a budget that will be increased by \$101 million.

I cannot help but think—I am drawn irresistibly to it—of the 101 dalmatians, those little puppies with their 101 or so spots, either white ones on a black background or black ones on white, I do not

know which it is. This government's record is spotty, too. I will explain.

As we know, the government has reduced its deficit, which was \$44 billion when it first took power. It has been eliminated, and we are now in the black instead of in the red. Year in and year out, although this year was not quite as good as last, it manages to accumulate an operating surplus of \$6.5 billion to \$7 billion, maybe \$10 billion. We do not know because of the finance minister's unfortunate propensity to underestimate his revenues and underestimate profits, net benefits or surpluses.

An hon. member: Concealing them sometimes.

Mr. Ghislain Lebel: Concealing some, of course. He put them into scholarships right and left, and into trusts.

An hon. member: Into foundations.

Mr. Ghislain Lebel: There was some put into foundations. The situation has always been hard to grasp, a bit like a bar of slippery soap.

Now, for the spotty record I was talking about. Hon. members will see where I was heading. I have a whole thick collection of spots here—the sponsorship business.

However, before I get to that, the business of sponsorship and of blotches—the spots on the dalmatians, on the ministers and on the Treasury Board—I would just like to bring to the attention of the taxpayers that this government has indeed decreased its deficit and increased its revenues. It had to get the money from somewhere. It has also accumulated a surplus, but from where?

This government has always been good at making cuts that affect others, but not itself. With a snap of the fingers, it has sucked up \$30 billion from the fund of government workers, to which it has never contributed a red cent.

However, in public service collective agreements, certain deductions were counted as part of the salaries. They went into the fund. Then, at a certain point in time, the decision was made to appropriate the surplus generated.

It also cut jobs in the public service. Overnight, it decreed that there were 15,000 too many public servants working for the Government of Canada. I remember the minister at the time, Marcel Massé, presented us with a project to cut 15,000 from Canada's public service. And 15,000 jobs were cut.

In the meantime, government spending still had not been cut, and was never cut, or not by much. The government built up its revenues. The economic turnaround resulted in increased revenues. This did not hurt anyone, quite the opposite.

However, the government never trimmed the fat from its operations. It kept on living the high life. And today, we have seen what happened to thousands of seniors who should have collected the guaranteed income supplement.

An hon. member: Three billion dollars.

Supply

Mr. Ghislain Label: They simply did not get it. I am told that these senior citizens are owed some \$3 billion. These are people who, for the most part, are also sick. However, this government again cut from the transfers to the provinces, who deliver health care.

This government has always been good at cutting in the jurisdictions that do not belong to it, but not for itself. Quite the opposite, today, we are being asked to increase funding for its privy council, its propaganda machine. We know that Communications Canada is a part of the privy council.

Restraint and cuts, they do not happen there. Reduced budgets and more modest budgets, they do not apply to this government.

● (1950)

On the contrary, this is a growth period for the Prime Minister's Office and the Privy Council Office.

Now they want \$101 million from us. This is money that Canadian workers struggled to earn and that is deducted from their pay.

A study reported this week that Canadians have lost 10% of their purchasing power in the past ten years, whereas in the case of Americans, for the same period, it has increased. Canadians are therefore 10% poorer than they were when the party opposite took office. They have more than feathers to put in their cap. They have made gaffes. They are covered in spots, like dalmatians.

Now, they have the gall to demand an increase of \$101 million. Why? It is pretty easy to imagine that it will go to maintaining the Langevin building, across the street, which is full of officials working for the Prime Minister—

Ms. Jocelyne Girard-Bujold: Advisers.

Mr. Ghislain Label: —advisers of the Prime Minister, who take polls day in and day out to measure the Prime Minister's popularity.

It is money spent almost exclusively on polishing the image of the Prime Minister, to his exclusive and personal advantage. I would even go so far as to say that he will happily dip into these \$101 million, perfectly legally, for the next leadership race.

A few months or weeks before the evening of the convention, he will be showering people with grants hither and thither for causes such as the Auberge Grand-Mère and a bunch of similar things. Then there will be a whole lot of delegates supporting him. He will, with public funds, contribute to his re-election as party leader.

This approach may be legal, but it is immoral. Even his troops must be concerned, since he is not starting out on the same footing as the other contenders.

Let us talk about the ethics counsellor. The Prime Minister is not crazy. He wants to reduce treasury board's operating budgets to the maximum so that he will have more money to waste. We therefore have an ethics counsellor who reports exclusively to the Prime Minister. He is a personal employee of the Prime Minister, a member of his political staff.

But the Prime Minister does not want the ethics counsellor's salary—all it is is one salary—on his pay list. He has him paid by Industry Canada. He then saves that salary.

The Prime Minister has used these budgets to go all the way to the Federal Court of Appeal to challenge the access to information commissioner, who asked him to table his agenda book. Someone had asked the Prime Minister to table his agenda book in some dispute and the Prime Minister refused. He took it all the way to the Federal Court of Appeal, apparently, and the issue is not sorted out yet. He is going to use this \$101 million to pay his lawyers and his expenses.

But the propaganda tool known as the Canada Information Office, 1-800-O Canada, reports to the privy council. Public Works and Government Services Canada also comes under this office, as do the sponsorship budgets, which belong to Canada.

An hon. member: The dalmatians' spots.

Mr. Ghislain Label: The dalmatians' spots. This is where they originate.

I have the pile here, but it is not complete. It stops at May 8. Since May 8, there have been several more scandals. But I found so many scandals up to May 8 that I am not worried about finding more later, when I have had a chance to get the rest of the material, the up-to-date budget. I will find some for sure, because it is crawling with them.

● (1955)

I will focus on one of the spots. We all know that a certain company apparently did a project for the Canadian government, drafted a report, and charged \$550,000 for it. That report was never found, absolutely never found. We have seen what effect that had. The auditor general got involved, and could not turn it up either. She found this worrisome and passed the file on to the RCMP. Her reaction was “We seem to have been duped here. We paid \$550,000 for a service that was never rendered. We never received anything for our \$550,000. To put it succinctly, the work was never done”.

An hon. member: And this was not the only instance.

Mr. Ghislain Label: It takes quite a lot of nerve to do that. First of all, it was not a sponsorship. Besides, a \$66,000 commission was paid to a company that did not do the job it was paid to do.

To compare this situation with something that people will readily understand, say I buy a car. The dealer does not deliver it, although I have paid for it. What is more, I have paid him 12% as a reward for his excellent service. That is what happened in this instance.

Another thing has come out today. The RCMP is the state police. The Mounties are paid by the state. Their pay comes from the government, from a fund set aside for public service salaries, for RCMP employees. Their 125th anniversary came along and they wanted to celebrate it in a big way. I cannot fault them for wanting to celebrate 125 years, it only comes around once, and is good for Canada's image. We are all familiar with the sight of a Mountie standing beside his black horse, its reins in his hand, a Mountie wearing wide riding breeches, tall boots, gloves and his hat, holding a lance with a little flag on it. We have no objections to that.

Supply

But it would have been just too simple to say “Here is \$1,168,000. Have a great party”. A middleman was involved, one who had no need to be there. He got the \$1,168,000 to pass on to the RCMP. He took his cut. He was entitled to 12% of the \$1,168,000, which comes to about \$130,000.

The Prime Minister could have made cuts there. He would not be forced to come to us today for another \$101 million. He should take a look at this big document. It is appalling all of the scandals in here. Just in here alone, he could find the \$101 million. The \$101 million that he is asking for tonight is all in here. He did not think to cut these expenditures. It is not style. His style is cutting from others, no cutting from his own needs and lowering his own expectations.

There are countless examples: amounts of \$289,000 or of \$550,000. There is one entry for \$293,000 for Chicoutimi's outdoor expo. The people who went to this expo packed up their folding panels, put them in a trailer and set it up in Chicoutimi for \$273,913. Then they packed up the trailer again and drove across to Rimouski, and that cost \$293,478. Then they went to Shawinigan and that too cost us a pretty penny. Then they visited the Quebec City agricultural fair for \$273,913.

If we were to look at this whole document, we would see that it is appalling. It is appalling and sad.

• (2000)

Yesterday, or today, there was talk of a CD-ROM. A CD-ROM was published for \$125,000; we never did learn the name of the client, they refused to tell us. Yet, this is public money.

One hundred and twenty-five thousand dollars was paid for a CD-ROM and 12%, or \$15,000, went to Groupaction. Unfortunately, the same name crops up. That is what it says here. Then, \$3,750 was paid for the person who cut the cheque for \$125,000; \$80,237 for who knows what—it says subcontract; \$319,000 in professional services for a grant of \$125,000

Then, someone had the nerve to charge \$525 for Lord knows what—other costs. Nobody does anything for free here. On top of that, they have the gall to charge \$80 for travel.

Ms. Jocelyne Girard-Bujold: Unbelievable. This makes no sense whatsoever.

Mr. Ghislain Lebel: All this for a grand total of \$544,087.

And there are single mothers; there are 1.5 million children living in poverty in Canada. The Prime Minister does not only have feathers to put in his cap, he has spots. Spots like my dalmatians, and this is one very spotty record. One and a half million poor children in Canada, for several years now, as we have noted. Small children who go to school on an empty stomach.

The Prime Minister should look after people and not behave like some sort of ethereal monarch who transcends a nation, not to say the world. He should have a bit of compassion and pity for the poor, for those less able to cope than he, for the sick, for those less talented than he is at making politics work for him and building a career as he has done all his life at the expense of taxpayers and of the less fortunate, who sometimes move a little more slowly, because we are not all race horses.

He has no pity for these people. One might even say the Prime Minister detests them. He must not like them very much to have the nerve to come to us this evening asking for a \$101 million increase in the Treasury Board budgets. If only he would put this money to good use.

I saw the minister of intergovernmental affairs. He looked ridiculous not so long ago at the Standing Joint Committee on Official Languages. He promised us a plan for bilingualism in Canada, a plan to restore the official languages, using the Treasury Board's budgets; he has still not delivered anything. He has done nothing so far. He is sidestepping the issue and he does not seem any closer to producing anything.

We are talking about \$101 million to throw into the kitty so that the Prime Minister can parade around like the cock of the walk, grandstanding all over the place. What he is doing is exploiting the poor, exploiting Canadians, exploiting workers who work their fingers to the bone just to bring not even half their pay home.

Mr. Paul Crête: That is a good part of the fiscal imbalance.

Mr. Ghislain Lebel: Yes, that is what it is.

The government is making cuts in the health sector, in transfer payments for education, health and social assistance. It is easy to pay down its deficit. Actually, all they have to do is stop paying the invoices or have them paid by the poor or by others. It is easy, just as it is easy to become rich.

People call themselves good businessmen nowadays, and say that they have made it. If the Canada Information Office and the sponsorship system threw a million odd in my pocket every day, and I did not have to lift a finger, or do a stick of work, I might be a financial success.

Mr. Paul Crête: I too would have a beautiful cottage.

Mr. Ghislain Lebel: I too would have a beautiful cottage and I would let the minister stay there, even the minister of intergovernmental affairs, if he wanted.

We are going to say no to this \$101million increase, because we find it obscene.

• (2005)

[English]

Mr. Joe Jordan (Parliamentary Secretary to the Prime Minister, Lib.): Mr. Speaker, the member referred to an increase of a hundred and some million dollars.

For those Canadians who are not watching the hockey game, what we are doing here tonight is debating the full supply of the expenditures that were outlined in the estimates. This generally is a financial debate, but I must pay tribute to the Tories because they caught on very early that if they object to the PCO estimates, it is essentially *carte blanche* to debate whatever they want. Points of order on relevance will get nowhere because we are essentially talking about the umbrella and anything goes.

Supply

In terms of the cost, if we look at the cost of the Prime Minister's Office, in 1984-85 it was \$7.3 million. If we look at the cost of the Prime Minister's Office in 1992-93 it was \$6.7 million. They just happened to be years when there were Tory governments in place. From 1992-93 we have to go all the way up to 2001-02 before we get back to the amount that was spent in the PMO in the last year of the Mulroney government. We can debate whether ideologically this is what Canadians want us to spend money on, but as hon. members can we not at least acknowledge that what we are talking about is an organization that has exercised fiscal prudence?

Some hon. members: Oh, oh.

Mr. Joe Jordan: Obviously I hit a nerve, Mr. Speaker.

These are not numbers that are adjusted for inflation. These are absolute numbers and what we have is a significant process of efficiency and effectiveness. It has taken us 10 years, unadjusted for inflation, to get anywhere near the expenditures that took place under the Mulroney government.

● (2010)

[Translation]

Mr. Ghislain Lebel: Mr. Speaker, I did not really understand his question. I think it was actually a statement. I will try to respond to it in any case.

This country's budget is currently \$172 billion. This is what is projected for spending, in the big documents beside him. This has not decreased since 1993. I remember in 1994, this government's first budget, by the minister who will reappear tonight, was in the order of \$160 billion.

This is not centuries ago. This was in late February of 1994. The total budget was \$158 billion, \$159 billion, \$160 billion. It hit \$172 billion. It has not decreased, it has increased.

Government spending has always increased, except that the public service was cut. They cut where it hurts: the poor, the penniless, the children, the sick and seniors. This is what the government does well.

[English]

Mr. Joe Jordan: Mr. Speaker, be that as it may, we are debating the estimates and the supply of the resources for the Privy Council Office to carry out its objectives as outlined in the estimates. That is what I was referring to.

[Translation]

Mr. Ghislain Lebel: Mr. Speaker, I understand that a government needs a budget to operate. That is perfectly logical and to be expected. We have no objection to that.

We do object to the fact that this government never cut its own operations, costs or spending to the same extent it cut among the poor, the sick, the aged, poor children, in fact all children, and families. This is where the problem lies.

Had the government wanted to set an example and cut its own spending and splendour as it cut among the poor, we would be more inclined to have faith in it and say "You took the right approach, perhaps, to achieve your objectives, which we do not necessarily share".

Instead, it continued to eat butter by the fistful while it dished out misery to the poor. This is what we criticize. If it wants a fine political career, it is going to have to get these principles into its head. It cannot go on abusing people indefinitely.

At some point, logic and principles are required. And the principles are that you do not do to others what you would not want done to you, and that you do not cut for others what you would not cut for yourself.

If they are guided by this logic, I am prepared to do my bit and say that they have some credibility, but that is a long way off.

● (2015)

Ms. Jocelyne Girard-Bujold (Jonquière, BQ): Mr. Speaker, I would like to congratulate my colleague from Chambly. This speech makes good sense and comes from the heart.

The Parliamentary Secretary to the Prime Minister says that the Prime Minister's Office costs \$6.2 million. That is what he says in general terms. The Privy Council is looking for a budget of \$101 million. There is a discrepancy of \$95 million.

I would like to know what, in his opinion, this amount covers. Are there more sponsorships for good buddies? Does it include all the cases that the Bloc put on the table and for which it still has no answers? Are the good buddies all getting a bit?

Mr. Ghislain Lebel: Mr. Speaker, unfortunately, the Prime Minister has been in politics for forty years, and he has a lot of friends. It is this unfortunately that costs so much, namely, his friends, his friendships and his relations.

Indeed, the Prime Minister has been cut off for forty years from the day to day realities of the world of poverty. Even though he has long gone around with the reputation of being the little guy from Shawinigan, Shawinigan lost sight of him long ago. He has made tracks and moved into the big time. He has no idea of the difficulties faced by today's workers in a world of high performance, where you have to perform and where competition is the watchword. Any job you start has to be done quickly and perfectly. Some people suffer under this. Some businesses do too. They cannot keep up. So they close. These facts seem totally foreign to the Prime Minister, who has been out of touch with the people for forty years.

An hon. member: With his obsession for putting Quebec in its place.

Mr. Ghislain Lebel: This is paired with his obsession to put his fellow citizens, Quebecers, in their place. This has led him to do all kinds of utterly irrational things. This has led him to all kinds of tantrums. This has led him to hire people who advised him in this way, and it has cost a fortune all for visibility. And, to come back to my dalmatian analogy, it has left him with a spotty record, spots that can be found in this sponsorship document that I have here.

I would therefore ask the Prime Minister and his advisers, particularly the President of the Treasury Board, who is here with us, to try to bring him back to reason, and to beg him to put an end to the wanton spending and the lavish meals and to try to think of the poor people who pay for all of this and who are having an increasingly difficult time bringing money home for themselves, to ensure they will have some dignity when they stop working.

Supply

Workers despair when they come home with almost nothing, when they bring home not even 45% of their salary, when 38 workers out of a hundred lose their jobs and end up collecting employment insurance. One hundred percent of workers pay employment insurance premiums, yet only 38% of them can collect benefits. The other 62 out of a hundred are ineligible for all sorts of mysterious reasons. The chances of being eligible for EI are slimmer than winning the lottery.

I know, Mr. Speaker, that you must remain neutral, and that you cannot comment on this. However, I can tell that you are looking at me and that you completely agree with my ideas.

The Deputy Speaker: The Chair has no thoughts on the matter. The time has come, however, to move on to another speaker. The hon. member for Palliser.

[*English*]

Mr. Dick Proctor (Palliser, NDP): Mr. Speaker, it is always a pleasure to speak in the House of Commons especially in the evening. We are here tonight to talk about the Privy Council Office estimates for the coming year.

As the House knows, the Privy Council Office is one of the three central agencies of the federal government, along with the Prime Minister's Office and the Treasury Board Secretariat.

This debate comes at an important time, not only in the life of the country but in the life of this parliament. There is a growing unease among Canadians who since 1993 have been prepared to give the government and the Prime Minister the benefit of the doubt in many areas. In light of the stories that we have been hearing and reading about for many weeks, there is a growing concern among the population about where is the beef, where is the vision that the government has for the future of the country.

We have seen in the past week two editorials in English language newspapers calling for the resignation of the Prime Minister. Gordon Robertson, one of the most respected public servants, was acknowledged earlier in the debates. He said that he believes the Prime Minister is about to join the ranks of other Liberal prime ministers who have overstayed their welcome in that important job and role as the prime minister of the nation.

The role of the Privy Council Office is to provide cabinet with non-partisan political advice to guide the decision making of the government. That is in stark contrast to the Prime Minister's Office which is on the partisan side of the ledger.

There is some concern of late about whether or not the Privy Council Office itself is straying over the line and into the role of partisan political advice. I do not know Alex Himelfarb who three weeks ago was appointed the Clerk of the Privy Council but he has been criticized in public quarters for taking an active role in the recent highly publicized dispute between the Prime Minister and the former finance minister.

Public administration scholar Gilles Paquet has concluded that the Prime Minister had politicized the position by asking the current Clerk of the Privy Council to directly intervene in a partisan dispute. Before that dispute broke, columnist and author Jeffrey Simpson had written in a column just over a month ago that Mr. Himelfarb is a favourite of the Prime Minister. It is widely reported, according to

the columnist, that he had helped write the last red book which the Liberals campaigned on in the 2000 election, a rumour that if true would represent a breach of public service neutrality.

Under the government the relationship between the Privy Council Office and the Prime Minister's Office has been the focus of a good deal of scrutiny. There was a hallmark study done by Donald Savoie who had spent considerable time at the centre of government in a previous administration. He concluded that the decision making authority had been highly concentrated in these two bodies to the detriment and possible obsolescence of others including parliament. Mr. Savoie wrote:

Cabinet has now joined Parliament as an institution being bypassed. Real political debate and decision making are increasingly elsewhere—in federal-provincial meetings of first ministers, on Team Canada flights...in the Prime Minister's Office, in the Privy Council Office, in the Department of Finance, and in international organizations and international summits. There is no indication that the one person who holds all the cards, the prime minister, and the central agencies that enable him to bring effective political authority to the centre are about to change things.

• (2020)

What I think Mr. Savoie was saying is that cabinet, like parliament, has become little more than a focus group that polling companies engage in from time to time to assess the temperature of the electorate on issues of the day.

Mr. Savoie is not alone in his concern in this area and neither is Mr. Simpson, because Mr. Paquet has said:

I'm surprised that the clerk of the privy council, who is serving the prime minister as his deputy minister, would be politicizing its position to such a degree that he would become involved in partisan debate with other ministers.

Mr. Paquet concluded that as an official of the Prime Minister's Office, it is Mr. Eddie Goldenberg in this case who is in the political job, while Mr. Himelfarb's role is to oversee the machinery of government.

What this points to is the public's right to know and a feeling that the right to know is under some siege and in some considerable difficulty. The information commissioner has just this day released a document which indicates that the federal government has taken advantage of the tragic events of September 11 by suppressing information and stopping independent inquiries that it deemed to be threatening to national security. Information Commissioner John Reid says that the government has given itself the power to remove classes of records deemed to be too sensitive from ever being accessed while halting all requests under review. He believes that the government has "quietly and firmly" shut the door on 19 years of public access to the records showing how ministers and staff are spending public funds.

Mr. Reid stated "The report emphasizes the fragility of the public's 'right to know' and" cautions "that this right continues to be under siege" by parliament. Mr. Reid, I am pleased to note, takes issue with the much debated anti-terrorism law, which was known last year as Bill C-36. He refers to it as "a sweeping derogation from the right of access contained in the Access to Information Act". I am pleased to hear that because it is confirmation of and one of the reasons why our party stood in opposition to Bill C-36 when it was being rushed through the House of Commons in the wake of September 11.

The report states:

Supply

Bill C-36 gives the Attorney-General the power to use a secrecy certificate to resist giving records to the Information Commissioner. The federal government has given itself the legal tools to stop in its tracks any independent review of denials of access under the Access to Information Act.

The commissioner said that we Canadians need to be wary of this government's continued attempts to prevent access to important information. He is critical of the intent of the government to reform the act by way of an insider review process. He stated:

The harsh attacks made this year by the government against the right to know heighten the concern that, no matter how well the task force does its work, no serious effort will be made by this government to modernize and strengthen the Act.

Those are very significant concerns. In addition to them, Mr. Reid is also saying that Canadians should ask themselves why the Prime Minister is so opposed to independent political auditing of his ethical standards and those of his fellow ministers. We find the answer in the report from the commissioner, who is an independent officer of this House and who has had to take the Prime Minister's Office to court. This is what he has to say in that report released today:

- (2025)

The fact remains, however, that there is a reluctance to write things down (for fear of access) and an oversensitivity to preserving the good "image" of a minister, the government or the department. It is a fact that the Clerk of the Privy Council insists on the broadest possible interpretation of the scope of cabinet secrecy. As well, the Prime Minister is personally committed to insulating his office and offices of ministers from the Act's coverage and from the Information Commissioner's investigative jurisdiction. These "hostilities" at the top stand in the way of the good-faith efforts, at more junior levels, to get on with a cultural change to open government.

Those are fairly important words from the Information Commissioner, who does report to the House of Commons and to parliament. It brings up the fact that the New Democratic Party, for three consecutive parliaments now, has been endeavouring to have the House pass ethics guidelines. We favour a range of legislative reforms that would introduce transparency and accountability into party and campaign financing and the conduct of legislators and members of the executive in their dealings with lobbyists.

I think this is a terribly significant time to be making these kinds of ethical guidelines, just because of what we have been reading and hearing about in the news media. I believe that the root of the problem is kickbacks or perhaps kick-forwards in terms of working with ad agencies and the like, either for past favours or for future favours.

One of the ways that this could be corrected very quickly would be to amend the Canada Elections Act to incorporate funding of party leadership campaigns under the disclosure requirement. A second way would be to develop and promote a system of state funded campaign financing, possibly modeled after the system in Quebec or Manitoba, which must be implemented to curb the influence that business and the wealthy have over the democratic electoral process.

I do not want to imply by referring twice in one speech to Jeffrey Simpson, the *Globe and Mail* columnist, that I am necessarily a big fan, but I did read with some interest a recent column that Mr. Simpson wrote in that newspaper regarding the changes to the election law that have occurred in Manitoba under the premiership of Gary Doer. In that column, Mr. Simpson indicated that Mr. Doer "first had to persuade his own party to abolish union and corporate contributions to political parties". He managed to do that. He has

brought that law into power. The provincial parties operating in the province of Manitoba must now rely only on contributions of up to \$3,000 maximum from individuals, wrote Mr. Simpson, "a change that would be worthwhile for federal parties to adopt with modifications, instead of having their leaders fly around scooping up corporate (and union) cash" as the Prime Minister did recently in the province of Manitoba at a \$400 a plate fundraising dinner.

I recall that René Lévesque, the first leader of the parti Québécois in the province of Quebec, who governed for a number of years, was asked after he left office what the one piece of legislation was that he was most proud of. He responded very promptly that he was most proud of the guidelines his government brought in on spending for political parties and curbing and restricting donations from corporations and from trade unions. This is something that, as I have said before, but I do not think we can say it too often, would go a long way to restoring the faith of Canadians in what it is that governments are doing and what it is that political parties need to be doing.

- (2030)

Another area that could and should be looked at is the whole notion of whistleblower legislation. My colleague, the member for Winnipeg Centre, introduced a bill more than a year ago, an act to respect the protection of whistleblowers and to amend various acts. The bill proposes to protect members of the public service of Canada from retaliation for making in good faith allegations of wrongdoing and to provide a means for making such allegations in confidence so that it may be determined whether or not there is substance to the charges and to allow an opportunity to ferret out all of the facts. The legislation proposed by my colleague would have placed present practices under the House of Commons where they could be referred to a committee by the House.

Whistleblower laws are posited on the belief that employees should be able to disclose without reprisal to those in a position to investigate instances where there has been or there will likely be a criminal or a civil offence, a breach of legal obligation, miscarriage of justice, danger to public or individual health or safety, damage to the environment or a coverup of any of these matters.

The basic provisions would be protection of disclosures made in good faith to prescribed bodies. The bill would prohibit employers from discharging or otherwise discriminating against employees in retaliation to the disclosure to the employer, an independent body or government agency. It would protect employees and allow them to participate in formal government proceedings in connection with violations, including amnesty from any legal proceedings arising from their participation. Finally, it would establish an independent appeals procedure for any employee who believes that he or she has been discharged, demoted or otherwise discriminated against contrary to the provisions, and compensation could be awarded in cases where this has occurred.

Supply

This is not groundbreaking legislation. It would be in this country, but it certainly is not around the world. The British public interest disclosure act is considered by some to be the best example of comprehensive whistleblower legislation and makes provision for whistleblowers to be protected in the case of wider disclosures, which is mentioned in my colleague's bill.

My time is drawing to a close. I indicated that I was not here to be critical of Alex Himelfarb, the new Clerk of the Privy Council Office. Indeed, I noted with some interest that he addressed some 800 senior public servants yesterday in a speech here in Ottawa.

Among other things, Mr. Himelfarb said that the time was ripe for the bureaucracy to dish up new and exciting policy options like this government has "never seen before". He is calling for an agenda in the fall that includes public service reform, health care reform, the long promised innovation agenda, a skills and learning blueprint, and something that will reach out to aboriginal, poor people and make certain that every child has a good start in life.

I think that if that were to happen it would be a good start, not only for Mr. Himelfarb, but for the House and mostly for the people of Canada.

● (2035)

Mr. Joe Jordan (Parliamentary Secretary to the Prime Minister, Lib.): Mr. Speaker, I want to compliment the member on his speech. I think he is the first speaker tonight who we could listen to and not have to go to the order paper to check on what we were talking about. He made some very interesting points.

I want to mention a couple of things. He talked about his concern, and I think everyone would share his concern, about the politicization of the Clerk of the Privy Council.

I want to point out that the Clerk of the Privy Council provides advice to the Prime Minister on the machinery of government. That function includes orders in council when there are changes in ministers. The notion that because the Clerk of the Privy Council was somehow involved in the cabinet shuffle he is becoming political, is not entirely accurate in terms of the traditional role the Clerk of the Privy Council has undertaken. I do not think that is a strong enough argument to get at least myself to admit that we have crossed that line. However, the concern is valid. As are many of the concerns the member has raised.

I want to focus in on his comments on election financing. I am an MP who is fortunate enough to represent an area that is on the border. There are a number of issues where I must deal directly with my political counterpart in the United States. I have had a couple of very interesting discussions about the role that money plays in the electoral system there.

The congressman across the river from me, who represents roughly a similar geographical area, has three people on his staff who do nothing but raise money. We are talking about millions of dollars that have to go into war chests, which, incidentally, they can keep when they retire, which is a strange quirk of election law.

A couple of things concern me about the direction in which we are going now. In Ontario, where they mirror the federal ridings, they have increased the amount a candidate can spend in an election in

my riding from roughly \$70,000 to over \$100,000. That takes participation in this process away from people who do not have access to that kind of cash. I echo the member's sentiments and would be interested in hearing his views on how election financing reform could work at the constituents' level.

The other thing that concerns me, and this is an issue in which the Leader of the Opposition is directly involved, is the court case that is trying to appeal the aspects of electoral law that limit third party spending.

We changed the Elections Act. It says that special interest groups cannot spend unlimited amounts of money at election time because the candidate then would have to counter that and that would just drive up the cost. It is certainly a concept that I support and I would be interested in the member's view on that specific topic.

● (2040)

Mr. Dick Proctor: Mr. Speaker, I will deal very quickly with all the member's questions.

With regard to the business of orders in council and the involvement of the Clerk of the Privy Council, I do not think anybody should be concerned about that. I recognize where the member is coming from.

In addition to orders in council, I also asked whether the current clerk was involved with the production of the red book leading up to the 2000 campaign which others have said would be a breach. In any event, according to newspaper reports he was somehow caught up, to some degree, with the exciting and fascinating debate that went on last weekend involving the ex-finance minister and the current Prime Minister. If there was involvement there we should be properly concerned about that.

I am delighted to see the Speaker in the Chair because he knows firsthand about the royal commission on electoral reform and party financing that began about 1988 or 1989. Some very good, solid recommendations are in the Lortie report, recommendations that by and large have not been followed. Some of them deal with party financing. I encourage the member to look at that report or ask the Speaker for a briefing because he could do that on a firsthand basis.

The member referred to what happens in the United States. I recall when that commission had meetings in Washington. We sat down with a group of politicians and backroom strategists who started off the meeting by saying that they had looked at our laws and did not think they had a single thing to teach us. They felt that we had a lot we could teach them, and that is true.

However, having said that, it is not perfect. One thing that could happen and probably should happen is that there should be strict limits on the amount that can be donated. At the same time I think it is important to note that if we are going to limit and restrict donations, there has to be some additional public involvement. We do have some public financing in our laws but we need more in order to make it fair and equitable. If that happened it would take many of the current concerns out of the system.

Supply

I agree with where the member is coming from on third party advertising. I have always agreed with that legislation. I was concerned when Alberta judges turned it down. I am not talking about federal or provincial elections. I am talking about Canadian Wheat Board elections which come up every two years. Allegations were made after the last board election that folks who were interested in getting rid of the wheat board or in electing directors of the board who would open up the board to the open market were unnecessarily influencing it. Those allegations were made to the minister responsible for the wheat board. I am not sure what action he has taken but it is a major concern.

• (2045)

Mr. Larry Bagnell (Yukon, Lib.): Mr. Speaker, I have just one question for the member. The member spoke about transparency in programs. I agree that it is good to fix problems as soon as we find them. I also wanted to make sure that the member agrees with the balanced approach to fixing problems.

We had some problems a while back and measures were put in place to fix them. However I think we may have gone overboard in some places. I have had a number of calls from organizations in my constituency, especially those dealing with the poor and disabled, telling me that there are so many procedures and it is so transparent that it takes a long time and it is actually hurting their operations. They cannot function because it takes some time to get the final product out.

I hope I have the support of the member as we go through various improvements to the systems to still make them functional but fast enough for our organizations that really need the support.

Mr. Dick Proctor: Mr. Speaker, I can certainly agree with the sentiments of the member. We should always be looking at ways to improve the system and to make it as accessible as we possibly can.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, I have a supplementary for my friend from Yukon.

It is fine to suggest that somehow now the services and the delivery of those services may be affected, but the problem all along has been that money has gone missing, that money was not accounted for, that money was not properly given out in the first instance. Reports were paid for that were not complete. Money that was supposed to be helping to foster business was going to numbered companies in the HRDC scandal. There were untendered contracts for jets for \$101 million, which is the exact amount that the PCO is seeking here.

This is all about hiding the actual use of taxpayer dollars, not being accountable to the public and, in essence, setting up a scheme in which money is going to handpicked friends, relatives and donors of the Liberal Party to perpetrate power. That kind of chicanery, duplicity and patronage system is unprecedented in the country under this administration.

Mr. Dick Proctor: Mr. Speaker, the former minister of public works and government services, who is again the government House leader, in defence of his questions before that change took place, argued that there had been no benefit that accrued to him or his family for the time spent at chez Boulay, as it has come to be known.

I felt at the time, as I listened to that answer, and perhaps this is a way to address the question raised, that the former minister of public works had totally missed the point. It was not about the benefit that accrued to him. It was the benefit that accrued to the president of Groupaction.

• (2050)

Mr. Dennis Mills (Toronto—Danforth, Lib.): Mr. Speaker, this is one of the most important components of the main estimates debate. I believe that the Privy Council Office is the most critical component in the management of the Government of Canada.

It is important for Canadians to understand because we take it for granted sometimes when we use expressions like PMO and PCO. We think that most Canadians automatically understand what we are talking about.

The Privy Council Office represents 800 of the best and brightest minds we have in the country. The men and women who occupy the Privy Council Office have a level of experience, education and commitment that brought them there as a result of an incredible exercise of public service throughout most of their lives. The quality of talent in the Privy Council Office ultimately has a reflection not only on the quality of work exercised in the House but ultimately it is the barometer of the quality of service we give to all Canadians. I hold the Privy Council Office in great respect.

I have an enormous respect for Mr. Alex Himelfarb who I have watched over the years, and especially in the last couple of years because as members know, I have worked on the heritage committee and I have witnessed the ingenuity, creativity and drive that Mr. Himelfarb has. I salute the Prime Minister for his new appointment.

When we think of 800 men and women who are the nerve end of operating the Government of Canada, it is an average salary of about \$100,000 to \$125,000 per person. In that context Canadians should know, to put it in business terms, they are the key executives who report to the Prime Minister and are his chief non-partisan advisers. All deputy ministers operating departments and crown corporations of government report to the Privy Council Office. Canadians should also understand that there is a tremendous responsibility that exists within the Privy Council Office.

When I first came here in 1980 I was educated and trained by the Privy Council Office. I remember working with Mr. Dennis Orchard, who was the secretary to the cabinet committee responsible for government communications. I was the senior political assistant on the other side. I had the incredible experience of working under clerk Michael Pitfield, who was a giant of all clerks of privy council, a man whose life, intelligence, integrity and commitment to Canada could never ever be challenged. I experienced and was a part of a privy council system that was special. I stand here today in total support of the men and women who serve in that office. I will vote in support of that motion tonight.

Supply

● (2055)

In any organization and it does not matter whether it is this House of Commons, a business or whether it is any sector of the economy, from time to time we must review. We must review and renew ourselves. I believe that the moment has come when even the Privy Council must ask itself whether it is giving the best service, not only to the Prime Minister, but is it ensuring that the machinery of government, government departments, is giving the best quality service to the public?

I would like to challenge in a constructive way the Privy Council Office team. I will not challenge the Privy Council Office in the area of policy direction tonight. I would like to challenge the Privy Council Office on this whole notion of its attitude and thought process on service to the public.

I want to talk about a personal experience that I had with the Privy Council Office in the last six months. I consider the treatment that I received, and not just the treatment toward me, but treatment toward all of my colleagues from the greater Toronto area so serious that I consider it to be a near breach of my parliamentary privilege as well as the parliamentary privileges of my colleagues.

I represent a downtown riding in Toronto. About eight months ago over a series of two or three months the leading newspapers in the greater Toronto area, one in particular, the *Toronto Star*, article after article alleged that Toronto members of parliament were missing in action and that the Government of Canada was doing nothing. In fact, my neighbour and dear friend, Joey Slinger, wrote in the *Toronto Star*:

It's nice that Dennis Mills has a hobby...It's nice David Collette has a hobby... It's nice that all 22 Toronto MPs who belong to the government party have things to occupy their time. It's too bad they're all bums.

I called the research branch of the Library of Parliament and I said I needed the numbers of how much money the people in the greater Toronto area send to Ottawa and how much is returned. The facts will show, and any member can get this information from the research branch of the Library of Parliament, the people of the greater Toronto area send to Ottawa \$31 billion annually.

In the last three years the greater Toronto area received an average of \$22 billion back. There is a differential of \$9 billion which we share happily on equalization, service of debt and debt reduction. The people of Toronto are happy to do that. However \$22 billion going into the greater Toronto area is a lot of money. It is not members of parliament missing in action. It is not the Government of Canada doing nothing.

● (2100)

I started asking for this information, not just for myself but on behalf of the 28 members of parliament who serve the four million people in the greater Toronto area. We were denied request after request from department after department. The parliamentary research branch was denied. How is it that unelected officials can disperse \$22 billion and they know where it goes, but those of us who are elected cannot know?

I ask my friends in the Privy Council Office who are responsible for the machinery of government, who are responsible for service to the public, why should elected members of parliament not know

where the money goes? I know the member for St. John's, Newfoundland knows every bit of service that the Government of Canada provides for his constituents. I know that the member from Antigonish knows where every nickel of public money goes. I know the member for Saint John certainly knows. Why should members of parliament from the greater Toronto area not know?

I will tell members why this is important. The presence of the Government of Canada in a community is central to building confidence and pulling the community and the country together. I want to say directly to the Privy Council Office that as it is renewing itself under Mr. Himelfarb's new leadership I would ask it to please be extra sensitive to the whole idea of service to the public. In that same vein I would challenge the Privy Council Office to look at new and better ways of service to the public.

I am hearing from my constituents that it is so tough to get access to Government of Canada services. They either open late or close early or people have to leave voicemail. I would like to ask the Clerk of the Privy Council Office to examine the possibility of having a public service, remembering that the PCO is the head of the Public Service of Canada, that works two shifts a day, six days a week? Why not? We are living in a world where a husband and wife are working and need the support. Why not have a system that starts at 7 a.m. and goes until 3 p.m., and a second shift from 3 p.m. to 9 p.m.?

● (2105)

I believe one reason we have apathy, disinterest and a difficult time in gaining trust from Canadians is the gap that exists between the Government of Canada and the people. It is not about our constituency offices providing all this service. There is a team of 400,000 public servants across Canada. The leader of the Public Service of Canada is the Clerk of the Privy Council. I challenge the Privy Council Office, under the leadership of Mr. Himelfarb who I am a firm believer will be the greatest clerk since Michael Pitfield, to use its ingenuity and creativity to come up with a list of ways of providing better service to the public.

Ultimately that will serve every member of parliament in the House and it does not matter from what party they come. The reality is whether people live in Nova Scotia, Newfoundland or Toronto, 95% of the people never get to talk to us. They deal with those men and women in the 40 departments of government and the 10 crown corporations. The spark that inspires the quality of public service in all of those departments of government starts with the Privy Council Office.

To my friends in opposition, let us not try to be cheap with the payroll of the best minds and the best public servants in the country who are in the Privy Council Office. Let us just challenge them to renew themselves and reinvent themselves so we can ultimately have a higher quality public service.

Supply

Finally, I want to deal with one short point that was raised by opposition members on some of the problems we have had with so-called scandals. The people of Canada have to know something and it is really important they understand this. Every senior public servant is bound by the Financial Administration Act. A parliamentarian cannot order a public servant to do something that is against the Financial Administration Act because that puts that public servant at risk of a criminal charge if they were to do something against the act. If there were any situations where that kind of event happened, the people of Canada should know there are serious recriminations.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, I listened with great interest to the hon. member opposite. He raised a number of very penetrating and relevant questions. I share his frustration. The House can imagine the degree of frustration that we must feel, if a member of the governing party is unable to get important information. He is quoted in *The Hill Times* as saying, "Where's \$12 billion?". That is a very relevant question.

The member speaks of the need for trust and the need to renew faith of Canadians in the system. That is a wonderful sentiment as well. Yet on something as basic as how the finance minister and the Prime Minister came to part company, we cannot get a straight answer, whether he was fired or whether he quit, something as basic as that.

That is relevant because it sets the tone for basic honesty and basic disclosure of information and the government is not able to communicate something in a straightforward way.

With respect to the allegations, corruption and the ongoing concern about where the money is spent and how it is being spent, why would the member not support a full public inquiry with a mandate to go where the money is and where the trouble is with allegations that involve poor documentation as pointed out by the auditor general? I know the hon. member opposite is a very strident member when it comes to documentation and when it comes to backing up a claim and giving factual information. The auditor general talked about oral contracts being handed out. She pointed out specifically that some of these so-called arm's length quasi-crown corporations were not under her gamut or her ability to observe and to investigate.

Therefore, it reiterates the point of a full public inquiry with a mandate to go where the potential criminality might lie to find out if ministers were in fact making improper interference in files. The member is right. It is not fair to smear all departments and all bureaucrats, but there is evidence to which the auditor general has pointed. Why would the member not support a full public inquiry?

• (2110)

Mr. Dennis Mills: Mr. Speaker, I think the member has really missed my point. This was the body of my speech on the challenge to the Privy Council Office which in turn instructs deputy ministers on what to do. That is one thing. Another thing is that most people do not realize that deputy ministers in the Government of Canada report to two places. They report to the minister and they report to the Privy Council Office.

First, we have to find out where the money is going. I will give a specific example. In our city two years ago we distributed over \$20

million to the five chartered banks under a human resources development labour adjustment program. There is not a politician in this Chamber, when banks had just finished making \$5 billion, that would have supported giving \$20 million plus to banks. There is a gap between the interaction of the public service who are disbursing the funds and the political culture.

I do not think the opposition is fair when it thinks that all the moneys being disbursed are simply being disbursed by political direction. I make the point that I believe that 99% of the money is being disbursed through the public service. I pray and hope that most of what they do is right and proper. However those of us who are elected to be accountable for that money should at least know where it is going.

Mr. Gerald Keddy (South Shore, PC): Mr. Speaker, I just heard the last part of that intervention. It reminded me of a question that I asked the auditor general last week at the public accounts committee. The member said he hoped and prayed that the moneys were spent correctly and that there was a right and proper formula followed.

I asked that very question to the auditor general. The auditor general's reply was quite simple. She said that when she questioned the people involved, in this case with the Groupaction file and some improper spending of government dollars, the civil servants and the bureaucrats knew exactly what the rules were, where the dollars were and how the dollars were spent. They knew that they were in a conflict of interest. They knew that the contracts were not applied fairly and correctly following the government's policy.

My point is that we have a very good civil service. To a high degree, we have an excellent group of bureaucrats. They answer to their political masters, to the ministers of the departments. If a person is a top level civil servant and the minister tells that person not follow file or not file it, that is the gap and that is where the problem lies.

• (2115)

Mr. Dennis Mills: Mr. Speaker, the statement by the member for South Shore is not accurate. I will tell the House why, and I made that comment in my speech. A senior public servant, if he or she is ever asked to do something by a political master that is not right and is against the Financial Administration Act, that deputy minister has the right to report to the Clerk of the Privy Council.

Mr. Yvon Godin: He will likely lose his job.

Mr. Dennis Mills: The hon. members must be joking. He said he will lose his job. No one will be forced to do anything that is against the Financial Administration Act and risk a criminal offence.

Mr. Bill Casey (Cumberland—Colchester, PC): Mr. Speaker, I find it ironic that the member just stood up and said that the bureaucrats do not answer to their political masters. If they are their political masters, they are the bosses. We cannot say that they are the masters and that the bureaucrats do not answer to them. It just does not make sense.

Supply

I would like to ask the member a question. The Prime Minister has proposed a new ethics regime that applies to ministers, senators and members of parliament. He is making a big deal about the ethics standard applying to members of parliament. What this is for is to cover up the failure and the improper actions of the ministers. He is trying to drag in the members of parliament.

Could the member name a member on this side of the House who has been in trouble, or has been involved in a scandal about misappropriation of government funds, or has written a \$500,000 contract with no report, or has misplaced \$1 billion or whatever? Could he name one member of parliament on this side who has caused a problem and is being swept up in this big ethics net that the Prime Minister is creating to cover up the failure of the ministers?

Mr. Dennis Mills: Mr. Speaker, I was taking this debate quite seriously and that question does not deserve an answer.

Ms. Val Meredith (South Surrey—White Rock—Langley, Canadian Alliance): Mr. Speaker, I appreciate what the hon. member is saying about the civil service having a couple of masters.

My question to the hon. member is how do we hold that civil service, the deputy ministers and the ministers, accountable for situations? The supposed scandal of the Groupaction is only one department. I found out today there has been three audit reports done, one on heritage, one on HRDC and one on public works, that found missing information from files and contracts that were let without proper procedures being followed.

The hon. member mentioned that the rules and the treasury board guidelines are there. How do we hold the civil servants accountable and how do we hold the ministers accountable for running the show, because the buck does stop with the politician?

Mr. Dennis Mills: Mr. Speaker, I think that we are holding them accountable. The auditor general has recommended RCMP investigations on a number of files. Does anyone believe that the auditor general and the RCMP are not going through some kind of very serious accountability exercise right now? It is almost as if nothing has happened since these mistakes were discovered.

The reality is that a lot is happening right now not only with the auditor general in three departments as was just acknowledged, but also in certain instances where the auditor general has recommended the RCMP become involved. That is accountability.

• (2120)

The Speaker: A very brief question or comment from the hon. member for Pictou—Antigonish—Guysborough. However, this is only 10 or 15 seconds and none of these rants.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, as the hon. member knows all too well, the problem is there is a much different standard for a criminal investigation than there is for an ethical breach. That is where the rubber hits the road.

The RCMP can investigate criminality within a department, but where is the standard for government itself to be accountable, to be open, to be transparent and to be ethical? This has all been covered up and it is somehow suggested that the RCMP is looking into it and the auditor general is looking into it.

We can put lipstick on a pig. This is improper, unethical and immoral behaviour on the part—

The Speaker: I was trying my best. A very brief reply with a similar admonition to the hon. member for Toronto—Danforth.

Mr. Dennis Mills: Mr. Speaker, the member knows that I have an immense amount of respect for him but if he is suggesting that the actions of the RCMP are not sufficient, then I do not—

Mr. Peter MacKay: That is exactly it.

Mr. Dennis Mills: That is exactly what the member is suggesting.

Mr. Peter MacKay: There is a different standard between a criminal investigation and an ethical breach.

The Speaker: The hon. member for Toronto—Danforth has the floor. We want to hear his very brief reply.

Mr. Dennis Mills: Mr. Speaker, I think that this has been a very healthy exchange because the reality is that the Privy Council Office is ultimately responsible for making sure that the head of the Public Service of Canada has a new, reinvigorated service to the public. That includes ethics and everything else.

Mr. Monte Solberg (Medicine Hat, Canadian Alliance): Mr. Speaker, it is a pleasure to join in this spirited debate this evening. I just hope the debate at the other end will shut down so I can actually do what I am expected to do.

This debate is all about how the government spends money. It is all about accounting for government spending. It is about transparency. It is being held in the context of the current scandal that has shaken the government and it is within that context that I would like to address my remarks.

Let us back up a little and review some of the facts. I have to give this speech with a nod to the member from Toronto who just spoke because he has helped frame this debate tonight and some of his remarks have been very important. They have been important because we cannot have a debate about the hundreds of billions of dollars the government spends every year, the \$170 billion that it will spend, without talking seriously about the systems that need to be in place to ensure that the money is spent not only wisely but also ethically and within the bounds of the law. That is some of the discussion that has been occurring this evening.

I have to say to my friend that while he has been quite open about the need to find ways to ensure that happens, he has been a very good Liberal in defending his government when it has done things that are simply indefensible. I want to address a few of those things right now.

For instance, the information commissioner has brought down a very critical report of the government with respect to how transparent the government is and how easy it is to get information.

One of the problems that everyone in the House acknowledges is how difficult it is to determine from the estimates exactly where the spending is going, to determine from the public accounts exactly how money is being spent, but it gets much worse than that.

Supply

When there are specific questions about things that are going on in government, we use access to information to try to find out what is happening. The government has started to put roadblocks in place that make it virtually impossible to get access to information requests responded to in a timely way, if at all. The information commissioner just released his report and has been very critical of the government and its gatekeeping when it comes to access to information.

We know for instance that through the Prime Minister's Office there is a committee that is now in place comprised of some of the Prime Minister's key political advisers. They screen all the access requests to determine which ones are politically damaging and then they do everything in their power to hold those back year after year.

I stood in this place the other day and asked a question of the human resources minister about an access request that goes back two years, an access request that the information commissioner has ruled on and has stated that the Minister of Human Resources Development must respond to. She has refused to do that. I suppose it will end up in the courts. We know that when it goes to the courts the government is all too willing to pour all its resources into defending whichever minister it is who is trying to block these things, ultimately defeating the idea of access to information, which is completely contrary to the whole act.

That is one of the concerns we have on this side today. In the report that just came down the information commissioner said that the government does not pass the smell test when it comes to its willingness to abide by the spirit of the act. That should cause right thinking people everywhere some pretty deep concern. It does not pass the smell test. That is what he said.

● (2125)

He had many other criticisms. He told of a situation where someone had filed an access request and that person's name was revealed to someone within the government, who then wrote a threatening letter to this person wanting to know why the person was inquiring about expense accounts. It all went to court. In the end the complainant won, but the government backstopped the people who were inside government, the ones who were being threatened by the lawsuit, to the extent that it paid all their legal fees and paid the fine, the whole thing.

The government is using the treasury of the Government of Canada to defeat the intent of the Access to Information Act. We should all be concerned about that. The government is not abiding by the spirit of the act.

It does not end there. Remember that we are talking about an officer of parliament, the information commissioner. The government had promised in the 1993 election that it would give us another officer of parliament who would be the ethics counsellor. Unfortunately the government has failed to do that. The result is that whenever there is an ethical breach, all of this stuff gets buried. It is someone who was hired by the Prime Minister and who answers to the Prime Minister alone who investigates these ethical breaches.

Lo and behold we do not get the type of frank talk and criticism from our ethics counsellor, Mr. Wilson, the way we do from the information commissioner, the privacy commissioner and the auditor general, who are officers of parliament. What we need is for the

government to fulfill its promise, which was to give us an officer of parliament who would be responsible for looking into ethical breaches. It failed to do that.

Remember we are talking about a situation where the government side is in control of \$170 billion. We need that type of person in place to investigate these sorts of ethical breaches. There have been a number of them lately in public works and human resources development. There have been all kinds of them over the years. That person needs to be in place.

The auditor general is another officer of parliament who has done an outstanding job and has spoken very frankly about what has been happening in public works. In the internal audit of 2000 which was revealed because of access to information requests, we found that public works had all kinds of problems. The government was embarrassed. It knew it had a political problem. It had no choice but to send it off to the auditor general.

I just want to point out that sometimes the government members will say that they turned something over to the auditor general, like they did it voluntarily. Why did they not reveal it the moment they found the problems through their own internal audit? If they are so concerned about transparency and about doing what it is right, why did they not make it public at that point? No, what they did was hide it as long as they could until it was revealed through an access to information request and only then, when they were suffering political damage, did they turn it over to the auditor general.

What did the auditor general find? The auditor general said that the accounting practices in public works were appalling. She used the word appalling over and over again. She said that they broke every rule in the book. We have found since that time that instead of being forthright about what is going on in public works, the government has continually tried to cover up.

When we brought the former public works minister before the foreign affairs committee, when he was called back from Denmark, the foreign affairs committee stonewalled and blocked any questions about his tenure as minister of public works. The government knew there was all kinds of explosive information to which he had access and knew about and it did not want him to be embarrassed in front of the committee. The government arranged for the committee to block all questions about that.

● (2130)

We have seen situation after situation where the government stonewalls and only releases information when it starts to suffer political damage. A good example was today right here in the House during question period. The Canadian Alliance stood up and asked questions of the new public works minister, the third one in about three months. We said that we had found out on Tuesday night that the government was still giving contracts to Groupaction despite the fact that it had been revealed to have, in my mind, effectively defrauded taxpayers of at least a half a million dollars, maybe more. This was all revealed in the auditor general's report.

Despite the fact that it was under criminal investigation, despite the fact that the minister revealed on Tuesday night that it did substandard work, the government was still giving Groupaction contracts. It was only after being pounded today in the House that the minister finally said “We are not going to give them any more contracts”. He said it in such an equivocal way it took us several questions to really confirm that the government would not do it any more.

My point is that the government is being dragged kicking and screaming to the place where it will now supposedly start to enforce the rules that currently exist. That is not good enough. We are talking about expenditures of \$170 billion a year.

Canadians have a right to expect that there would be the highest possible standards when it comes to scrutinizing how the government does business, but at every turn the government blocks every attempt to gather information about what is going on inside the government.

If that is the case then the public has every right to be cynical about what the government is doing. They are cynical. We all know that. We have seen the polls. We know that they are cynical. They do not trust politicians. One of the reasons is that the government has been so stubborn about being open to how it does business. I think that is a well established fact.

There are a number of things I could talk about. Let me just talk for a moment about the need for a full public inquiry into all of this mess.

My friend from Pictou—Antigonish—Guysborough in Nova Scotia stood up a moment ago and he was correct in saying that the RCMP will investigate instances of criminality, but many of the ethical breaches that we are talking about technically are not against the law. They are simply unethical and they are ethical breaches that put money into people's pockets. They may not necessarily meet the high test of being criminal but they are still absolutely and completely wrong.

Sometimes the auditor general will report on them and find that what has happened is wrong. Sometimes what we find is that there are holes in the Financial Administration Act or that the treasury board guidelines do not cover these things off. That is why we need somebody else who will come in and say that the treasury board guidelines did not anticipate a particular type of action that has been uncovered and they should, or that the Financial Administration Act did not anticipate what has been going on in public works and it should.

That is why we need a full public inquiry. We need a judge effectively to come in and take a look at this and make recommendations about how to tighten up the guidelines so that we do not have problems like we have had in public works and other departments over the years, but especially in public works right now. We need somebody to come in and make those recommendations. If that happened there would be a lot more faith that the money the government spends, \$170 billion, is being spent if not wisely, at least within the bounds of what is ethical. Right now I do not think there is any question that that is in question.

Supply

That is the best possible case I can make for the need for a full public inquiry into what is going on in public works and frankly, throughout government. I think that is very important.

• (2135)

I want to say a few more words about some of the other examples of how the government has found ways around the guidelines that are put in place to protect taxpayers.

In the past the auditor general has been extraordinarily critical of the finance minister for his accounting practices. For instance, in many years we have seen situations where at the end of the year the government will effectively front end load spending. In its book-keeping it will spend a bunch of money at the end of the year for a program that actually will not come into place until a few years down the road.

We found situations where the government is putting money into foundations in trust, about \$7 billion. The auditor general has criticized the finance minister for that kind of behaviour. The concern is that this money is being moved off the books. It is being moved into these foundations and trusts that are beyond the reach of the auditor general.

The government's defence is that audits are done. The official opposition would like to know that a servant of parliament and the people of Canada, the auditor general, who has the interests of the public at heart, is the one who can go in and audit these foundations. We are talking about \$7 billion in this case.

There are many other examples of times when the auditor general has been critical of some of the accounting the government does. There are other things the government could do beyond that to give the public faith in how it spends money.

For instance the auditor general does not have access to many of the crown corporations. They spend extraordinary amounts of money. The Canadian Wheat Board is a good example. It is not quite a crown corporation but an entity all its own and it is beyond the reach of the auditor general.

We would like to know that organizations like the Canadian Wheat Board, the CBC and all these different groups have proper scrutiny so that we can know for sure that the spending that occurs, which is in the billions of dollars, is actually being done within proper guidelines. We want to know that the spending meets the Financial Administration Act, that it follows treasury board guidelines, that the organizations are engaging in proper accounting and that all the standards are in place.

What does the government have to hide? Why would it stand in the way of that? It does not make any sense unless there is something to hide. The official opposition is concerned about that.

Mr. Speaker, I have just seen a remarkable thing. Some roses have been placed on the desk of the former finance minister. That speaks volumes about some of the fireworks we are going to experience in the days and weeks to come, not just here but across the country.

Supply

At any rate, we are deeply concerned about how the government tries to block the access of servants of the public, servants of parliament like the auditor general, the information commissioner and the privacy commissioner whose jobs are to protect the taxpayers and protect parliament.

I have not touched on the particulars of the \$170 billion and how the government spends its money. Suffice it to say that I am very critical of how it does that. Beyond the scandal and all the things that have happened at public works, I am deeply concerned. Year after year there are all kinds of criticisms that come forward from the auditor general that are never responded to adequately. Beyond that there is \$15 billion to \$20 billion in grants and contributions that the official opposition believes is full of patronage, pork barreling and waste. The government needs to address that.

There are many things we could talk about but I see my friend is anxious to ask some questions. I will leave it at that and I look forward to his questions.

• (2140)

Mr. Dennis Mills (Toronto—Danforth, Lib.): Mr. Speaker, if we have a system on this side of the House that is blocking information from getting out, then we are not doing a very good job. It seems to me that every single mistake we have made has been well documented and is well known.

The member said himself that the auditor general has done a very good job in bringing everybody to account. The auditor general's function is not something new. It is not something that has just happened in the last six months. The Auditor General of Canada has been here year after year.

It was this government that brought out the fact that these reports on making us accountable would be done quarterly rather than annually. We have quadrupled the pressure on the auditor general to make us accountable four times a year, more times than what has happened in the past. The member should acknowledge that fact. We were the ones who said the auditor general would do her report quarterly. We do not think for a second that we can circumvent the auditor general and in fact we are not.

The member acknowledged that the auditor general was doing a very good job. In no way, shape or form do we disagree with her. That is the nature of our governance. We are constantly in a state of accountability. When we make mistakes those mistakes are corrected.

We would never acknowledge the mistakes that were made in the past few weeks as anything other than mistakes that need to be corrected. The Prime Minister has said that several times himself. What bothers me about the debate in the last three weeks is that once a point has been made, why do we not get on to the challenges that we have in the House such as dealing with the issues of agriculture, the homeless and all the other issues that are a challenge to this country?

Mr. Monte Solberg: Mr. Speaker, the member asked a number of questions and I will deal with one which he asked near the end of his comments.

He said that once we have made the point why do we not just move on. The problem is that just making the point does not ensure that any action will be taken.

I point to the problems with the Groupaction contracts that were revealed again today. Today the minister finally said that he will not hand out any more contracts to Groupaction. That would not have happened had we not sat here and hammered at it day after day. If it would have happened, it would have happened months ago when this first came out, but we had to pound away on it. That is why we had to do it. I would like to hear the member's response.

• (2145)

Mr. Dennis Mills: Mr. Speaker, it is important that we understand that the motion we are debating is a motion to support the resources the Privy Council Office needs to do its function for the year. With all due respect, we did not really talk about the Privy Council Office.

Does the member not agree that it is absolutely critical for the functioning of this House and the functioning of the Public Service of Canada to make sure that the best and the brightest in this country are in the Privy Council Office? Will the member support that happening?

Mr. Monte Solberg: Mr. Speaker, I would go even beyond that. Not only do we have to have the best possible public servants in the PCO, but we also have to have public servants who are free from political hectoring that puts them in a position of being asked to do things that are at the very least unethical. That is what happened in public works. That is one of the concerns the public service itself has. Individuals are put in positions where they are asked to do political work for the government at the risk of putting themselves in a completely untenable position.

Mr. Gerald Keddy (South Shore, PC): Mr. Speaker, following the debate this evening is almost incredulous. The member for Toronto—Danforth has been sole sourced. He is out here all by himself defending the government and its policies. His colleagues seem to have scurried away into the dark corners and recesses of this Chamber. They have left this member all by himself. He has done an admiral job defending difficult policies and deserves a round of applause for doing that.

The member's comments on the PCO do not just pertain to unethical practices. The PCO's practices are bordering on being illegal. That becomes the issue that needs to be brought out into the full light of day. We need to assess whether they are not just unethical but illegal.

Mr. Monte Solberg: Mr. Speaker, the hon. member is right. The member for Toronto—Danforth is a good parliamentarian. I know he has great respect for the House. He always does his best to hold his own government to account in many situations and he should be commended for that. In this case however I believe he is trying to defend the indefensible.

Supply

My colleague is right. The government does not reveal too many situations. We uncover situations where public servants are effectively asked to sign off on contracts or grant oral contracts that anyone with any conscience at all knows are ethically questionable and possibly illegal. Sometimes it is hard to determine these things. Sometimes situations come close to meeting the criteria for what might be illegal and sometimes there are grey areas but my friend is absolutely correct.

If we want to stand up for public servants tonight let us do that by saying that we will put in place a system that will stop politicians from using public servants as their way to reward their political friends.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, we are drawing near the end of this issue but what the hon. member for Medicine Hat has touched upon is critical to this whole debate. That is one of accountability and, further to that, consequences. He talks about immoral, unethical or illegal activity. Those bring about change and corrective actions which are consequences. That is what appears to be missing throughout this entire process. An RCMP investigation may result in a charge being laid and due process initiated. What we are seeing are immoral and unethical breaches of cronyism, patronage and unbelievable cozy behaviour with no consequences.

The hon. member is right. He talks about the government's first reaction which is to deny it, then to accuse the accuser and finally to blame someone else. I would ask the hon. member to address the issue of whether Canadians should trust the PCO with more money, \$101 million.

• (2150)

Mr. Monte Solberg: Mr. Speaker, my hon. colleague is absolutely right when he talks about consequences. What was the penalty that the first public works minister had to pay for his breaches? He was made the ambassador to Denmark. That was the consequence. What happened to the second public works minister when he ran into an ethical problem? He was not fired, he was shuffled into his old cabinet position. What happened with the defence minister? It was only after newspaper reports that he became a political liability and was let go. Consequences seldom happen in any way that are damaging to the person who is guilty. They only do when the government itself starts to run into political problems.

Mr. Mac Harb (Ottawa Centre, Lib.): Mr. Speaker, I am pleased to be able to participate in tonight's consideration of the Privy Council Office estimates, which cover the cost of commissions of inquiry, including the commission on the future of health care. That commission requested an amount of \$15 million over two fiscal years, \$7.4 million in fiscal year 2001-02 and \$7.6 million in 2002-03. These amounts are reflected in the estimates of the Privy Council Office.

I welcome this opportunity to speak about the Commission on the Future of Health Care in Canada because of the importance of medicare in the daily lives of Canadians. For nearly 50 years, medicare has helped define who we are as people, reflecting the values we share as a society, and few things have become more central to our national life or have come to embody our most fundamental beliefs. In recent years, however, what was once a point of pride has become a cause of concern.

Changing demographics, new technologies and anxieties about the sustainability of medicare created new challenges and required new responses. That is why, in the year 2000, an historic agreement was reached between the Prime Minister of Canada and the first ministers, aimed at meeting immediate needs and addressing short term concerns. This was an important step, but we also knew that if we were to address the long term sustainability of health care we needed to look further down the road to 10 years or even 20 years from now to define the health care system of the 21st century.

That is why in April 2001 the federal government created the Commission on the Future of Health Care in Canada, led by the able Saskatchewan premier, Roy Romanow. As we know, the commission mandate was straightforward: to address the long term sustainability of a high quality, universally accessible, publicly administered health care system. In particular, it looked at how we can foster and maintain a culture of continuous improvement in Canadian health care and how we can develop and maintain an environment of constructive collaboration between governments, and governments and stakeholders, in support of medicare.

Because of the importance of health care to Canadians and because of its complexity, the commission divided its work into two phases. The first was aimed at fact finding, doing the homework and building a solid foundation of evidence upon which to base its consultation. To avoid duplicating work that had been completed or undertaken by others, the commission's small in-house research staff focused on synthesizing the existing body of knowledge about health care in Canada and the options that exist to strengthen it. A significant portion of the commission's research effort was contracted to external policy analysts, practitioners and scholars, most of whom are associated with Canadian think tanks or universities.

It was an ambitious research agenda. Three major research projects were commissioned in the areas of human resources, the impact of globalization and federal-provincial fiscal relations. In addition, the commission produced over 40 background and research papers on a wide range of subjects and organized public policy forums and roundtables, including three international roundtables in London, Paris and Washington in order to gain insight from countries facing policy challenges similar to our own.

This fact finding work led to the commission's interim report tabled in February this year. While that report quite properly did not draw firm conclusions or foreclose on debate, it did indicate that a clear consensus existed on a number of points.

Supply

First, all Canadians should have reasonable access to quality care regardless of income or where they reside. Second, people should not risk bankruptcy if they become ill. With more and more treatments and drug therapies falling outside the coverage envisaged by the health care act, it is an increasingly important issue. Third, any reform to the system must not negatively affect the poor or the vulnerable. Fourth, there is an important role for government in health care.

● (2155)

These areas of agreement are not insignificant. They present a solid foundation on which to build. The second phase which has just been completed involved consulting directly with Canadians. It was perhaps the commission's most important contribution, for it removed health care from the passion of political debate and returned it to where it belonged: with the people of Canada.

Canadians responded. Close to 2,000 formal submissions or abstracts were received from individuals and organizations. More than 16,000 Canadians completed the commission's online survey. The commission fielded over 8,000 phone calls, e-mails and letters.

All told, the commission will have heard directly from over 600 groups and individuals during its public consultations. Many members of parliament including members of the opposition will play an important role and will be able to participate in their own ridings. To all the organizations which held town hall meetings, encouraged public debate and distributed the commission's workbooks I express my sincere appreciation.

With the public consultations behind it the commission is wrapping up its work with a series of public forums involving experts from across the country. The final stage will see the commission study its research results, review the findings of the preceding consultation phase and assess proposed policy directions.

I am pleased to report to the House that the final report will come in on time and on budget. The commission has done a great service for Canadians. I look forward to its recommendations as do my hon. colleagues. I can pledge to the House that the people of Canada will be given careful consideration. I am speaking a little out of line. I am sure the commission will do that.

I will close as I began, with a recognition that at its heart health care is not just about the services we receive but about the values we hold. The Commission on the Future of Health Care in Canada recognized early on the importance of understanding those values, testing our commitment to certain principles, articulating the policies that flow from them, and recognizing that we must rethink our ideas about medicare. We must never abandon our ideals about medicare.

I am thankful to be able to participate in this important debate about health care and the importance of adopting the estimates so the Government of Canada can carry on doing the excellent and marvellous job it has been doing for the past nine years and which it will continue to do from here on in.

The Speaker: It being 10 p.m., it is my duty to interrupt the proceedings and put forthwith every question necessary to dispose of the business of supply.

● (2200)

[*Translation*]

SUPPLY DAY—INCOME TAX

The House resumed consideration of the motion and of the amendment.

The Speaker: The House will now proceed to the taking of the deferred recorded division on the opposition motion standing in the name of the hon. member for Peace River.

Call in the members.

(The House divided on the amendment, which was negated on the following division:)

(*Division No. 294*)

YEAS

Members

Abbott	Anders
Anderson (Cypress Hills—Grasslands)	Asselin
Bachand (Saint-Jean)	Benoit
Bergeron	Bigras
Bourgeois	Breitkreuz
Brien	Cadman
Cardin	Chatters
Comartin	Crête
Dalphond-Guiral	Day
Desjarlais	Desrochers
Dubé	Duncan
Epp	Fitzpatrick
Forseath	Gagnon (Québec)
Gallant	Gauthier
Girard-Bujold	Godin
Goldring	Gouk
Grewal	Grey
Guay	Harper
Harris	Hill (Prince George—Peace River)
Hilstrom	Jaffer
Johnston	Laframboise
Lalonde	Lebel
Lill	Loubier
Lunn (Saanich—Gulf Islands)	Lunney (Nanaimo—Alberni)
Martin (Esquimalt—Juan de Fuca)	Masse
Mayfield	McDonough
McNally	Ménard
Meredith	Merrifield
Moore	Pallister
Penson	Perron
Picard (Drummond)	Proctor
Rajotte	Reid (Lanark—Carleton)
Reynolds	Ritz
Robinson	Roy
Schmidt	Skelton
Solberg	Sorenson
Spencer	St-Hilaire
Stinson	Strahl
Thompson (Wild Rose)	Toews
Vellacott	White (North Vancouver)
Yelich — 81	

NAYS

Members

Adams	Allard
Anderson (Victoria)	Assad
Assadourian	Augustine
Bagnell	Bakopanos
Barnes (Gander—Grand Falls)	Barnes (London West)
Beaumier	Bélangier
Bellemare	Bennett
Bertrand	Bevilacqua
Binet	Blondin-Andrew
Bonin	Borotsik
Boudria	Bradshaw
Brisson	Brown

Bryden
Byrne
Calder
Caplan
Carroll
Castonguay
Cauchon
Charbonneau
Clark
Collenette
Cotler
DeVillers
Dion
Dromisky
Easter
Eyking
Finlay
Fontana
Fry
Godfrey
Graham
Guarnieri
Harvard
Hearn
Hubbard
Jackson
Jordan
Karygiannis
Keyes
Knutson
Laliberte
LeBlanc
Leung
MacKay (Pictou—Antigonish—Guysborough)
Mahoney
Maloney
Marcil
Marleau
McGuire
McLellan
Minna
Murphy
Nault
Normand
O'Brien (London—Fanshawe)
Owen
Pagtakhan
Parrish
Peric
Peterson
Phinney
Phillippi
Price
Provenzano
Reed (Halton)
Richardson
Saada
Scherrer
Sgro
Simard
St-Jacques
St. Denis
Stewart
Telegdi
Thibeault (Saint-Lambert)
Tirabassi
Torsney
Valeri
Volpe
Wayne
Wilfert

Bulte
Caccia
Cannis
Carignan
Casey
Catterall
Chamberlain
Chrétien
Coderre
Copps
Cuzner
Dhaliwal
Discepola
Drouin
Efford
Farrah
Folco
Frulla
Galloway
Goodale
Grose
Harb
Harvey
Herron
Ianno
Jennings
Karetak-Lindell
Keddy (South Shore)
Kilgour (Edmonton Southeast)
Kraft Sloan
Lastewka
Lee
MacAulay
Macklin
Malhi
Manley
Mark
Matthews
McKay (Scarborough East)
Mills (Toronto—Danforth)
Mitchell
Myers
Neville
O'Brien (Labrador)
O'Reilly
Pacetti
Paradis
Patry
Peschisolido
Pettigrew
Pickard (Chatham—Kent Essex)
Pratt
Proulx
Redman
Regan
Robillard
Savoy
Scott
Shepherd
Speller
St-Julien
Steckle
Szabo
Thibault (West Nova)
Thompson (New Brunswick Southwest)
Tonks
Ur
Vanclief
Wappel
Whelan
Wood- — 166

PAIRED

Members

Bonwick
Cullen
Eggleton
Gagnon (Champlain)
Lancôt
Longfield
McCallum
Paquette

Comuzzi
Duceppe
Fournier
Guimond
Lee
Marceau
McCormick
Plamondon

Supply

Sauvageau

Serré — 18

• (2225)

The Speaker: I declare the motion lost.

[*English*]

The next question is on the main motion.

• (2230)

Ms. Marlene Catterall: Mr. Speaker, I think if you ask you would find consent that those who voted on the previous motion be recorded as voting in the same way on the motion now before the House.

The Speaker: Is it agreed that the vote be applied?

Some hon. members: Agreed.

Some hon. members: No.

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

Some hon. members: Agreed.

Some hon. members: No.

The Speaker: All those in favour of the motion will please say yea.

Some hon. members: Yea.

The Speaker: All those opposed will please say nay.

Some hon. members: Nay.

The Speaker: In my opinion the nays have it.

And more than five members having risen:

• (2235)

[*Translation*]

The Speaker: I declare the motion lost.

* * *

MAIN ESTIMATES, 2002-2003

CONCURRENCE IN VOTE 1 — PRIVY COUNCIL

The House resumed consideration of Motion No. 1.

The Speaker: The House will now proceed to the taking of the several deferred recorded divisions on motions relating to the main estimates standing in the name of the hon. President of the Treasury Board.

The question is on Motion No. 1. Is it the pleasure of the House to adopt Motion No. 1?

Some hon. members: Agreed.

Some hon. members: No.

Supply

● (2240)

[English]

Ms. Marlene Catterall: Mr. Speaker, I think if you ask this time you would find consent that those who voted on the previous motion be recorded as voting on the motion now before the House, with Liberal members voting yes, with the exception of the hon. member for LaSalle—Émard who has just come into the House and may wish to indicate how he is voting.

The Speaker: Is there unanimous consent to proceed in such a fashion?

Some hon. members: Agreed.

Hon. Paul Martin: Mr. Speaker, on this particular piece of legislation I wish to be recorded as voting with the government.

Mr. Dale Johnston: Mr. Speaker, members of the Canadian Alliance will be voting nay.

[Translation]

Mr. Pierre Brien: Mr. Speaker, the members of the Bloc Québécois will vote against this motion.

Mr. Yvon Godin: Mr. Speaker, the NDP members will vote against this motion.

[English]

Mr. Rick Borotsik: Mr. Speaker, members of the Progressive Conservative Party will vote no to this motion.

Mr. Reg Alcock: Mr. Speaker, I was regrettably absent for the former vote. I would like my vote recorded as voting with the government.

Mr. Dan McTeague: Mr. Speaker, my time this evening was in very short supply. I wish to be recorded as voting with the government.

Mr. Andrew Telegdi: Mr. Speaker, I would like to be recorded as voting with the government.

Mr. Chuck Strahl: Mr. Speaker, I wonder if the former finance minister would like to indicate how he would like to vote on the opposition motion presented earlier this evening.

The Speaker: Maybe he would but he is not going to because that is finished.

[Translation]

Mr. Jean-Guy Carignan: Mr. Speaker, I vote with the government.

(The House divided on the motion, which was agreed on the following division:)

(Division No. 296)

YEAS

Members

Adams	Alcock
Allard	Anderson (Victoria)
Assad	Assadourian
Augustine	Bagnell
Bakopanos	Barnes (London West)
Beaumier	Bélangier
Bellemare	Bennett
Bertrand	Bevilacqua
Binet	Blondin-Andrew
Bonin	Boudria

Bradshaw	Brown
Bryden	Bulte
Byrne	Caccia
Calder	Cannis
Caplan	Carignan
Carroll	Castonguay
Catterall	Cauchon
Chamberlain	Charbonneau
Chrétien	Coderre
Collenette	Copps
Cotler	Cuzner
DeVillers	Dhaliwal
Dion	Discepola
Dromisky	Drouin
Easter	Efford
Eyking	Farrah
Finlay	Folco
Fontana	Frulla
Fry	Galloway
Godfrey	Goodale
Graham	Grose
Guarnieri	Harb
Harvard	Harvey
Hubbard	Ianno
Jackson	Jennings
Jordan	Karetak-Lindell
Karygiannis	Keys
Kilgour (Edmonton Southeast)	Knutson
Kraft Sloan	Laliberte
Lastewka	LeBlanc
Lee	Leung
MacAulay	Macklin
Mahoney	Malhi
Maloney	Manley
Marcel	Marleau
Martin (LaSalle—Émard)	Mathews
McGuire	McKay (Scarborough East)
McLellan	McTeague
Mills (Toronto—Danforth)	Minna
Mitchell	Murphy
Myers	Nault
Neville	Normand
O'Brien (Labrador)	O'Brien (London—Fanshawe)
O'Reilly	Owen
Pacetti	Pagtakhan
Paradis	Parrish
Patry	Peric
Peschisolido	Peterson
Pettigrew	Phinney
Pickard (Chatham—Kent Essex)	Pillitteri
Pratt	Price
Proulx	Provenzano
Redman	Reed (Halton)
Regan	Richardson
Robillard	Saada
Savoy	Scherer
Scott	Sgro
Shepherd	Simard
Speller	St-Jacques
St-Julien	St. Denis
Steckle	Stewart
Szabo	Telegdi
Thibault (West Nova)	Thibeault (Saint-Lambert)
Tirabassi	Tonks
Torsney	Ur
Valeri	Vanclief
Volpe	Wappel
Whelan	Wilfert
Wood — 157	

NAYS

Members

Anders
Asselin
Barnes (Gander—Grand Falls)
Bergeron
Borotsik
Breitkreuz
Brisson
Cardin
Casey
Clark

Comartin
Dalphond-Guiral
Desjarlais
Dubé
Epp
Forseth
Gallant
Girard-Bujold
Goldring
Grewal
Guay
Harris
Herron
Hilstrom
Johnston
Laframboise
Lebel
Loubier
Lunney (Nanaimo—Alberni)
Martin (Esquimalt—Juan de Fuca)
Mayfield
McNally
Meredith
Moore
Penson
Picard (Drummond)
Rajotte
Reynolds
Robinson
Schmidt
Solberg
Spencer
Stinson
Thompson (New Brunswick Southwest)
Toews
Wayne
Yelich — 93

Crête
Day
Desrochers
Duncan
Fitzpatrick
Gagnon (Québec)
Gauthier
Godin
Gouk
Grey
Harper
Hearn
Hill (Prince George—Peace River)
Jaffer
Keddy (South Shore)
Lalonde
Lill
Lunn (Saanich—Gulf Islands)
MacKay (Pictou—Antigonish—Guysborough)
Masse
McDonough
Ménard
Merrifield
Pallister
Perron
Proctor
Reid (Lanark—Carleton)
Ritz
Roy
Skelton
Sorenson
St-Hilaire
Strahl
Thompson (Wild Rose)
Vellacott
White (North Vancouver)

PAIRED

Members

Bonwick
Cullen
Eggleton
Gagnon (Champlain)
Lancôt
Longfield
McCallum
Paquette
Sauvageau

Comuzzi
Duceppe
Fournier
Guimond
Lee
Marceau
McCormick
Plamondon
Serré — 18

The Speaker: I declare Motion No. 1 carried.

The next question is on Motion No. 2.

CONCURRENCE IN VOTE 20—PRIVY COUNCIL

Hon. Lucienne Robillard (President of the Treasury Board, Lib.) moved:

Que le crédit 20, au montant de 3 423 000 \$, sous la rubrique CONSEIL PRIVÉ—Secrétariat des conférences intergouvernementales canadiennes—Dépenses du Programme, du Budget principal des dépenses pour l'exercice financier se terminant le 31 mars 2003, soit agréé.

• (2245)

[English]

Ms. Marlene Catterall: Mr. Speaker, I believe you would find consent that the vote just taken be applied to Motions Nos. 2, 3, 4, 5 and 6 and the vote on concurrence in the main estimates.

The Speaker: Is there unanimous consent to proceed in this fashion?

Some hon. members: Agreed

(The House divided on Motion No. 2, which was agreed to on the following division:)

Supply (Division No. 297)

YEAS

Members

Adams
Allard
Assad
Augustine
Bakopanos
Beaumier
Bellemare
Bertrand
Binet
Bonin
Bradshaw
Bryden
Byrne
Calder
Caplan
Carroll
Catterall
Chamberlain
Chrétien
Collenette
Cotler
DeVillers
Dion
Dromisky
Easter
Eyking
Finlay
Fontana
Fry
Godfrey
Graham
Guarnieri
Harvard
Hubbard
Jackson
Jordan
Karygiannis
Kilgour (Edmonton Southeast)
Kraft Sloan
Lastewka
Lee
MacAulay
Mahoney
Maloney
Marcil
Martin (LaSalle—Émard)
McGuire
McLellan
Mills (Toronto—Danforth)
Mitchell
Myers
Neville
O'Brien (Labrador)
O'Reilly
Pacetti
Paradis
Patry
Peschisolido
Pettigrew
Pickard (Chatham—Kent Essex)
Pratt
Proulx
Redman
Regan
Robillard
Savoy
Scott
Shepherd
Speller
St-Julien
Steckle
Szabo
Thibault (West Nova)
Tirabassi
Torsney
Valeri
Volpe
Whelan

Alcock
Anderson (Victoria)
Assadourian
Bagnell
Barnes (London West)
Bélanger
Bennett
Bevilacqua
Blondin-Andrew
Boudria
Brown
Bulte
Caccia
Cannis
Carignan
Castonguay
Cauchon
Charbonneau
Coderre
Copps
Cuzner
Dhaliwal
Discepolo
Drouin
Efford
Farrah
Folco
Frulla
Galloway
Goodale
Grose
Harb
Harvey
Ianno
Jennings
Karetak-Lindell
Keyes
Knutson
Laliberte
LeBlanc
Leung
Macklin
Malhi
Manley
Marleau
Matthews
McKay (Scarborough East)
McTeague
Minna
Murphy
Nault
Normand
O'Brien (London—Fanshawe)
Owen
Pagtakhan
Parrish
Peric
Peterson
Phinney
Pillitteri
Price
Provenzano
Reed (Halton)
Richardson
Saada
Scherrer
Sgro
Simard
St-Jacques
St. Denis
Stewart
Telegdi
Thibeault (Saint-Lambert)
Tonks
Ur
Vanclief
Wappel
Wilfert

Supply

Wood— 157

NAYS

Members

Abbott	Anders
Anderson (Cypress Hills—Grasslands)	Asselin
Bachand (Saint-Jean)	Barnes (Gander—Grand Falls)
Benoit	Bergeron
Bigras	Borotsik
Bourgeois	Breitkreuz
Brien	Brisson
Cadman	Cardin
Carignan	Casey
Chatters	Clark
Comartin	Crête
Dalphond-Guiral	Day
Desjarlais	Desrochers
Dubé	Duncan
Epp	Fitzpatrick
Forseth	Gagnon (Québec)
Gallant	Gauthier
Girard-Bujold	Godin
Goldring	Gouk
Grewal	Grey
Guay	Harper
Harris	Hearn
Herron	Hill (Prince George—Peace River)
Hilstrom	Jaffer
Johnston	Keddy (South Shore)
Laframboise	Lalonde
Lebel	Lill
Loubier	Lunn (Saanich—Gulf Islands)
Lunney (Nanaimo—Alberni)	MacKay (Pictou—Antigonish—Guysborough)
Martin (Esquimalt—Juan de Fuca)	Masse
Mayfield	McDonough
McNally	Ménard
Meredith	Merrifield
Moore	Pallister
Penson	Perron
Picard (Drummond)	Proctor
Rajotte	Reid (Lanark—Carleton)
Reynolds	Ritz
Robinson	Roy
Schmidt	Skelton
Solberg	Sorenson
Spencer	St-Hilaire
Stinson	Strahl
Thompson (New Brunswick Southwest)	Thompson (Wild Rose)
Toews	Vellacott
Wayne	White (North Vancouver)
Yelich— 93	

PAIRED

Members

Bonwick	Comuzzi
Cullen	Duceppe
Eggleton	Fournier
Gagnon (Champlain)	Guimond
Lancôt	Lee
Longfield	Marceau
McCallum	McCormick
Paquette	Plamondon
Sauvageau	Serré— 18

CONCURRENCE IN VOTE 10—FOREIGN AFFAIRS AND INTERNATIONAL TRADE

Hon. Lucienne Robillard (President of the Treasury Board, Lib.) moved:

That Vote 10, in the amount of \$426,404,100, under FOREIGN AFFAIRS AND INTERNATIONAL TRADE—Department—Grants and contributions, in the Main Estimates for the fiscal year ending March 31, 2003, be concurred in.

(The House divided on Motion No. 3, which was agreed to on the following division:)

(Division No. 298)

YEAS

Members

Adams	Alcock
Allard	Anderson (Victoria)
Assad	Assadourian
Augustine	Bagnell
Bakopanos	Barnes (London West)
Beaumier	Bélangier
Bellemare	Bennett
Bertrand	Bevilacqua
Binet	Blondin-Andrew
Bonin	Boudria
Bradshaw	Brown
Bryden	Bulte
Byrne	Caccia
Calder	Cannis
Caplan	Carignan
Carroll	Castonguay
Catterall	Cauchon
Chamberlain	Charbonneau
Chrétien	Coderre
Collenette	Copps
Cotler	Cuzner
DeVillers	Dhaliwal
Dion	Discepola
Dromisky	Drouin
Easter	Efford
Eyking	Farrah
Finlay	Folco
Fontana	Frulla
Fry	Gallaway
Godfrey	Goodale
Graham	Grose
Guarnieri	Harb
Harvard	Harvey
Hubbard	Iano
Jackson	Jennings
Jordan	Karetak-Lindell
Karygiannis	Keyes
Kilgour (Edmonton Southeast)	Knutson
Kraft Sloan	Laliberte
Lastewka	LeBlanc
Lee	Leung
MacAulay	Macklin
Mahoney	Malhi
Maloney	Manley
Marcil	Marleau
Martin (LaSalle—Émard)	Matthews
McGuire	McKay (Scarborough East)
McLellan	McTeague
Mills (Toronto—Danforth)	Minna
Mitchell	Murphy
Myers	Nault
Neville	Normand
O'Brien (Labrador)	O'Brien (London—Fanshawe)
O'Reilly	Owen
Pacetti	Pagtakhan
Paradis	Parrish
Patry	Peric
Pescholido	Peterson
Pettigrew	Phinney
Pickard (Chatham—Kent Essex)	Pillitteri
Pratt	Price
Proulx	Provenzano
Redman	Reed (Halton)
Regan	Richardson
Robillard	Saada
Savoy	Scherrer
Scott	Sgro
Shepherd	Simard
Speller	St-Jacques
St-Julien	St. Denis
Steckle	Stewart
Szabo	Telegdi
Thibault (West Nova)	Thibeault (Saint-Lambert)
Tirabassi	Tonks
Torsney	Ur
Valeri	Vanclief
Volpe	Wappel
Whelan	Wilfert

Supply

(The House divided on Motion No. 4, which was agreed to on the following division:)

(Division No. 299)

NAYS

Members

Abbott	Anders
Anderson (Cypress Hills—Grasslands)	Asselin
Bachand (Saint-Jean)	Barnes (Gander—Grand Falls)
Benoit	Bergeron
Bigras	Borotsik
Bourgeois	Breitkreuz
Brien	Brisson
Cadman	Cardin
Carignan	Casey
Chatters	Clark
Comartin	Crête
Dalphond-Guiral	Day
Desjarlais	Desrochers
Dubé	Duncan
Epp	Fitzpatrick
Forseath	Gagnon (Québec)
Gallant	Gauthier
Girard-Bujold	Godin
Goldring	Gouk
Grewal	Grey
Guay	Harper
Harris	Hearn
Herron	Hill (Prince George—Peace River)
Hilstrom	Jaffer
Johnston	Keddy (South Shore)
Laframboise	Lalonde
Lebel	Lill
Loubier	Lunn (Saarich—Gulf Islands)
Lunney (Nanaimo—Alberni)	MacKay (Pictou—Antigonish—Guysborough)
Martin (Esquimalt—Juan de Fuca)	Masse
Mayfield	McDonough
McNally	Ménard
Meredith	Merrifield
Moore	Pallister
Penson	Perron
Picard (Drummond)	Proctor
Rajotte	Reid (Lanark—Carleton)
Reynolds	Ritz
Robinson	Roy
Schmidt	Skelton
Solberg	Sorenson
Spencer	St-Hilaire
Stinson	Strahl
Thompson (New Brunswick Southwest)	Thompson (Wild Rose)
Toews	Vellacott
Wayne	White (North Vancouver)
Yelich — 93	

PAIRED

Members

Bonwick	Comuzzi
Cullen	Duceppe
Eggleton	Fournier
Gagnon (Champlain)	Guimond
Lancôt	Lee
Longfield	Marceau
McCallum	McCormick
Paquette	Plamondon
Sauvageau	Serré — 18

* * *

CONCURRENCE IN VOTE 10—CITIZENSHIP AND IMMIGRATION

Hon. Lucienne Robillard (President of the Treasury Board, Lib.) moved:

The President of the Treasury Board — That Vote 10, in the amount of \$110,372,000, under CITIZENSHIP AND IMMIGRATION—Immigration and Refugee Board—Program expenditures, in the Main Estimates for the fiscal year ending March 31, 2003, be concurred in.

YEAS

Members

Adams	Alcock
Allard	Anderson (Victoria)
Assad	Assadourian
Augustine	Bagnell
Bakopanos	Barnes (London West)
Beaumier	Bélanger
Bellemare	Bennett
Bertrand	Bevilacqua
Binet	Blondin-Andrew
Bonin	Boudria
Bradshaw	Brown
Bryden	Bulte
Byrne	Caccia
Calder	Cannis
Caplan	Carignan
Carroll	Castonguay
Catterall	Cauchon
Chamberlain	Charbonneau
Chrétien	Coderre
Collenette	Copps
Cotler	Cuzner
DeVillers	Dhaliwal
Dion	Discepola
Dromisky	Drouin
Easter	Efford
Eyking	Farrah
Finlay	Folco
Fontana	Frulla
Fry	Galloway
Godfrey	Goodale
Graham	Grose
Guarnieri	Harb
Harvard	Harvey
Hubbard	Iano
Jackson	Jennings
Jordan	Karetak-Lindell
Karygiannis	Keyes
Kilgour (Edmonton Southeast)	Knutson
Kraft Sloan	Laliberte
Lastewka	LeBlanc
Lee	Leung
MacAulay	Macklin
Mahoney	Malhi
Maloney	Manley
Marcil	Marleau
Martin (LaSalle—Émard)	Mathews
McGuire	McKay (Scarborough East)
McLellan	McTeague
Mills (Toronto—Danforth)	Minna
Mitchell	Murphy
Myers	Nault
Neville	Normand
O'Brien (Labrador)	O'Brien (London—Fanshawe)
O'Reilly	Owen
Pacetti	Pagtakhan
Paradis	Parrish
Patry	Peric
Peschisolido	Peterson
Pettigrew	Phinney
Pickard (Chatham—Kent Essex)	Pillitteri
Pratt	Price
Proulx	Provenzano
Redman	Reed (Halton)
Regan	Richardson
Robillard	Saada
Savoy	Scherer
Scott	Sgro
Shepherd	Simard
Speller	St-Jacques
St-Julien	St. Denis
Steckle	Stewart
Szabo	Telegdi
Thibault (West Nova)	Thibeault (Saint-Lambert)
Tirabassi	Tonks

Supply

Torsney
Valeri
Volpe
Whelan
Wood— 157

Ur
Vanclief
Wappel
Wilfert

NAYS

Members

Abbott
Anderson (Cypress Hills—Grasslands)
Bachand (Saint-Jean)
Benoit
Bigras
Bourgeois
Brien
Cadman
Carignan
Chatters
Comartin
Dalphond-Guiral
Desjarlais
Dubé
Épp
Forseth
Gallant
Girard-Bujold
Goldring
Grewal
Guay
Harris
Herron
Hilstrom
Johnston
Laframboise
Lebel
Loubier
Lunney (Nanaimo—Alberni)
Martin (Esquimalt—Juan de Fuca)
Mayfield
McNally
Meredith
Moore
Penson
Picard (Drummond)
Rajotte
Reynolds
Robinson
Schmidt
Solberg
Spencer
Stinson
Thompson (New Brunswick Southwest)
Toews
Wayne
Yelich— 93

Anders
Asselin
Barnes (Gander—Grand Falls)
Bergeron
Borotsik
Breitkreuz
Brisson
Cardin
Casey
Clark
Crête
Day
Desrochers
Duncan
Fitzpatrick
Gagnon (Québec)
Gauthier
Godin
Gouk
Grey
Harper
Hearn
Hill (Prince George—Peace River)
Jaffer
Keddy (South Shore)
Lalonde
Lill
Lunn (Saanich—Gulf Islands)
MacKay (Pictou—Antigonish—Guysborough)
Masse
McDonough
Ménard
Merrifield
Pallister
Perron
Proctor
Reid (Lanark—Carleton)
Ritz
Roy
Skelton
Sorenson
St-Hilaire
Strahl
Thompson (Wild Rose)
Vellacott
White (North Vancouver)

PAIRED

Members

Bonwick
Cullen
Eggleton
Gagnon (Champlain)
Lancôt
Longfield
McCallum
Paquette
Sauvageau

Comuzzi
Duceppe
Fournier
Guimond
Lee
Marceau
McCormick
Plamondon
Serré— 18

CONCURRENCE IN VOTE 1—JUSTICE

Hon. Lucienne Robillard (President of the Treasury Board, Lib.) moved:

That Vote 1, in the amount of \$325,464,000, under JUSTICE—Department—Operating expenditures, in the Main Estimates for the fiscal year ending March 31, 2003, be concurred in.

(The House divided on Motion No. 5, which was agreed to on the following division:)

(Division No. 300)

YEAS

Members

Adams
Allard
Assad
Augustine
Bakopanos
Beaumier
Bellemare
Bertrand
Binet
Bonin
Bradshaw
Bryden
Byrne
Calder
Caplan
Carroll
Catterall
Chamberlain
Chrétien
Collenette
Cotler
DeVillers
Dion
Dromisky
Easter
Eyking
Finlay
Fontana
Fry
Godfrey
Graham
Guarnieri
Harvard
Hubbard
Jackson
Jordan
Karygiannis
Kilgour (Edmonton Southeast)
Kraft Sloan
Lastewka
Lee
MacAulay
Mahoney
Maloney
Marcil
Martin (LaSalle—Émard)
McGuire
McLellan
Mills (Toronto—Danforth)
Mitchell
Myers
Neville
O'Brien (Labrador)
O'Reilly
Pacetti
Paradis
Patry
Peschisolido
Pettigrew
Pickard (Chatham—Kent Essex)
Pratt
Proulx
Redman
Regan
Robillard
Savoy
Scott
Shepherd
Speller
St-Julien
Steckle
Szabo
Thibault (West Nova)
Tirabassi
Torsney
Valeri
Volpe
Whelan

Alcock
Anderson (Victoria)
Assadourian
Bagnell
Barnes (London West)
Bélanger
Bennett
Bevilacqua
Blondin-Andrew
Boudria
Brown
Bulte
Caccia
Cannis
Carignan
Castonguay
Cauchon
Charbonneau
Coderre
Copps
Cuzner
Dhaliwal
Discepola
Drouin
Efford
Farrah
Folco
Frulla
Galloway
Goodale
Grose
Harb
Harvey
Iano
Jennings
Karetak-Lindell
Keyes
Knutson
Laliberte
LeBlanc
Leung
Macklin
Malhi
Manley
Marleau
Matthews
McKay (Scarborough East)
McTeague
Minna
Murphy
Nault
Normand
O'Brien (London—Fanshawe)
Owen
Pagtakhan
Parrish
Peric
Peterson
Phinney
Pillitteri
Price
Provenzano
Reed (Halton)
Richardson
Saada
Scherrer
Sgro
Simard
St-Jacques
St. Denis
Stewart
Telegdi
Thibeault (Saint-Lambert)
Tonks
Ur
Vanclief
Wappel
Wilfert

Wood— 157

NAYS

Members

Abbott
Anderson (Cypress Hills—Grasslands)
Bachand (Saint-Jean)
Benoit
Bigras
Bourgeois
Brien
Cadman
Carignan
Chatters
Comartin
Dalphond-Guiral
Desjarlais
Dubé
Epp
Forseth
Gallant
Girard-Bujold
Goldring
Grewal
Guay
Harris
Herron
Hilstrom
Johnston
Laframboise
Lebel
Loubier
Lunney (Nanaimo—Alberni)
Martin (Esquimalt—Juan de Fuca)
Mayfield
McNally
Meredith
Moore
Penson
Picard (Drummond)
Rajotte
Reynolds
Robinson
Schmidt
Solberg
Spencer
Stinson
Thompson (New Brunswick Southwest)
Toews
Wayne
Yelich — 93

Anders
Asselin
Barnes (Gander—Grand Falls)
Bergeron
Borotsik
Breitkreuz
Brisson
Cardin
Casey
Clark
Crête
Day
Desrochers
Duncan
Fitzpatrick
Gagnon (Québec)
Gauthier
Godin
Gouk
Grey
Harper
Hearn
Hill (Prince George—Peace River)
Jaffer
Keddy (South Shore)
Lalonde
Lill
Lunn (Saanic—Gulf Islands)
MacKay (Pictou—Antigonish—Guysborough)
Masse
McDonough
Ménard
Merrifield
Pallister
Perron
Proctor
Reid (Lanark—Carleton)
Ritz
Roy
Skelton
Sorenson
St-Hilaire
Strahl
Thompson (Wild Rose)
Vellacott
White (North Vancouver)

PAIRED

Members

Bonwick
Cullen
Eggleton
Gagnon (Champlain)
Lancôt
Longfield
McCallum
Paquette
Sauvageau

Comuzzi
Duceppe
Fournier
Guimond
Lee
Marceau
McCormick
Plamondon
Serré — 18

CONCURRENCE IN VOTE 5—JUSTICE

Hon. Lucienne Robillard (President of the Treasury Board, Lib.) moved:

That Vote 5, in the amount of \$398,715,000, under JUSTICE—Department—Grants and contributions, in the Main Estimates for the fiscal year ending March 31, 2003, be concurred in.

(The House divided on Motion No. 6, which was agreed to on the following division:)

Supply

(Division No. 301)

YEAS

Members

Adams
Allard
Assad
Augustine
Bakopanos
Beaumier
Bellemare
Bertrand
Binet
Bonin
Bradshaw
Bryden
Byrne
Calder
Caplan
Carroll
Catterall
Chamberlain
Chrétien
Collenette
Cotler
DeVillers
Dion
Dromisky
Easter
Eyking
Finlay
Fontana
Fry
Godfrey
Graham
Guarnieri
Harvard
Hubbard
Jackson
Jordan
Karygiannis
Kilgour (Edmonton Southeast)
Kraft Sloan
Lastewka
Lee
MacAulay
Mahoney
Maloney
Marcil
Martin (LaSalle—Énard)
McGuire
McLellan
Mills (Toronto—Danforth)
Mitchell
Myers
Neville
O'Brien (Labrador)
O'Reilly
Pacetti
Paradis
Patry
Peschisolido
Pettigrew
Pickard (Chatham—Kent Essex)
Pratt
Proulx
Redman
Regan
Robillard
Savoy
Scott
Shepherd
Speller
St-Julien
Steckle
Szabo
Thibault (West Nova)
Tirabassi
Torsney
Valeri
Volpe
Whelan

Alcock
Anderson (Victoria)
Assadourian
Bagnell
Barnes (London West)
Bélangier
Bennett
Bevilacqua
Blondin-Andrew
Boudria
Brown
Bulte
Caccia
Cannis
Carignan
Castonguay
Cauchon
Charbonneau
Coderre
Copps
Cuzner
Dhaliwal
Discepolo
Drouin
Efford
Farrah
Folco
Frulla
Galloway
Goodale
Grose
Harb
Harvey
Iano
Jennings
Karetak-Lindell
Keyes
Knutson
Laliberte
LeBlanc
Leung
Macklin
Malhi
Manley
Marleau
Matthews
McKay (Scarborough East)
McTeague
Minna
Murphy
Nault
Normand
O'Brien (London—Fanshawe)
Owen
Pagtakhan
Parrish
Peric
Peterson
Phinney
Pillitteri
Price
Provenzano
Reed (Halton)
Richardson
Saada
Scherrer
Sgro
Simard
St-Jacques
St. Denis
Stewart
Telegdi
Thibault (Saint-Lambert)
Tonks
Ur
Vanclief
Wappel
Wilfert

Supply

Wood— 157

NAYS

Members

Abbott	Anders
Anderson (Cypress Hills—Grasslands)	Asselin
Bachand (Saint-Jean)	Barnes (Gander—Grand Falls)
Benoit	Bergeron
Bigras	Borotsik
Bourgeois	Breitkreuz
Brien	Brison
Cadman	Cardin
Carignan	Casey
Chatters	Clark
Comartin	Crête
Dalphond-Guiral	Day
Desjarlais	Desrochers
Dubé	Duncan
Epp	Fitzpatrick
Forseth	Gagnon (Québec)
Gallant	Gauthier
Girard-Bujold	Godin
Goldring	Gouk
Grewal	Grey
Guay	Harper
Harris	Hearn
Herron	Hill (Prince George—Peace River)
Hilstrom	Jaffler
Johnston	Keddy (South Shore)
Laframboise	Lalonde
Lebel	Lill
Loubier	Lunn (Saanich—Gulf Islands)
Lunney (Nanaimo—Alberni)	Mackay (Pictou—Antigonish—Guysborough)
Martin (Esquimalt—Juan de Fuca)	Masse
Mayfield	McDonough
McNally	Ménard
Meredith	Merrifield
Moore	Pallister
Penson	Perron
Picard (Drummond)	Proctor
Rajotte	Reid (Lanark—Carleton)
Reynolds	Ritz
Robinson	Roy
Schmidt	Skelton
Solberg	Sorenson
Spencer	St-Hilaire
Stinson	Strahl
Thompson (New Brunswick Southwest)	Thompson (Wild Rose)
Toews	Vellacott
Wayne	White (North Vancouver)
Yelich— 93	

PAIRED

Members

Bonwick	Comuzzi
Cullen	Duceppe
Eggleton	Fournier
Gagnon (Champlain)	Guimond
Lancôt	Lee
Longfield	Marceau
McCallum	McCormick
Paquette	Plamondon
Sauvageau	Serré— 18

The Speaker: I declare Motions Nos. 2, 3, 4, 5 and 6 carried.

Hon. Lucienne Robillard (President of the Treasury Board, Lib.) moved:

That the main estimates for the fiscal year ending March 31, 2003, except any vote disposed of earlier today and less the amounts voted in interim supply, be concurred in.

(The House divided on the motion, which was agreed to on the following division:)

(Division No. 302)

YEAS

Members

Adams	Alcock
Allard	Anderson (Victoria)
Assad	Assadourian
Augustine	Bagnell
Bakopanos	Barnes (London West)
Beaumier	Bélangier
Bellemare	Bennett
Bertrand	Bevilacqua
Binet	Blondin-Andrew
Bonin	Boudria
Bradshaw	Brown
Bryden	Bulte
Byrne	Caccia
Calder	Cannis
Caplan	Carignan
Carroll	Castonguay
Catterall	Cauchon
Chamberlain	Charbonneau
Chrétien	Coderre
Collenette	Copps
Cotler	Cuzner
DeVillers	Dhaliwal
Dion	Discepolo
Dromisky	Drouin
Easter	Efford
Eyking	Farrah
Finlay	Folco
Fontana	Frulla
Fry	Galloway
Godfrey	Goodale
Graham	Grose
Guarnieri	Harb
Harvard	Harvey
Hubbard	Ianno
Jackson	Jennings
Jordan	Karetak-Lindell
Karygiannis	Keyes
Kilgour (Edmonton Southeast)	Knutson
Kraft Sloan	Laliberte
Lastewka	LeBlanc
Lee	Leung
MacAulay	Macklin
Mahoney	Malhi
Maloney	Manley
Marcil	Marleau
Martin (LaSalle—Énard)	Matthews
McGuire	McKay (Scarborough East)
McLellan	McTeague
Mills (Toronto—Danforth)	Minna
Mitchell	Murphy
Myers	Nault
Neville	Normand
O'Brien (Labrador)	O'Brien (London—Fanshawe)
O'Reilly	Owen
Pacetti	Pagtakhan
Paradis	Parrish
Patry	Peric
Peschisolido	Peterson
Pettigrew	Phinney
Pickard (Chatham—Kent Essex)	Pillitteri
Pratt	Price
Proulx	Provenzano
Redman	Reed (Halton)
Regan	Richardson
Robillard	Saada
Savoy	Scherrer
Scott	Sgro
Shepherd	Simard
Speller	St-Jacques
St-Julien	St. Denis
Steckle	Stewart
Szabo	Telegdi
Thibault (West Nova)	Thibault (Saint-Lambert)
Tirabassi	Tonks
Torsney	Ur
Valeri	Vanclief
Volpe	Wappel
Whelan	Wilfert

Wood— 157

Abbott
Anderson (Cypress Hills—Grasslands)
Bachand (Saint-Jean)
Benoit
Bigras
Bourgeois
Brien
Cadman
Carignan
Chatters
Comartin
Dalphond-Guiral
Desjarlais
Dubé
Epp
Forseth
Gallant
Girard-Bujold
Goldring
Grewal
Guay
Harris
Herron
Hilstrom
Johnston
Laframboise
Lebel
Loubier
Lunney (Nanaimo—Alberni)
Martin (Esquimalt—Juan de Fuca)
Mayfield
McNally
Meredith
Moore
Penson
Picard (Drummond)
Rajotte
Reynolds
Robinson
Schmidt
Solberg
Spencer
Stinson
Thompson (New Brunswick Southwest)
Toews
Wayne
Yelich— 93

NAYS

Members

Anders
Asselin
Barnes (Gander—Grand Falls)
Bergeron
Borotsik
Breitkreuz
Brisson
Cardin
Casey
Clark
Crête
Day
Desrochers
Duncan
Fitzpatrick
Gagnon (Québec)
Gauthier
Godin
Gouk
Grey
Harper
Hearn
Hill (Prince George—Peace River)
Jaffier
Keddy (South Shore)
Lalonde
Lill
Lunn (Saanich—Gulf Islands)
MacKay (Pictou—Antigonish—Guysborough)
Masse
McDonough
Ménard
Merrifield
Pallister
Perron
Proctor
Reid (Lanark—Carleton)
Ritz
Roy
Skelton
Sorenson
St-Hilaire
Strahl
Thompson (Wild Rose)
Vellacott
White (North Vancouver)

PAIRED

Members

Bonwick
Cullen
Eggleton
Gagnon (Champlain)
Lancôt
Longfield
McCallum
Paquette
Sauvageau

Comuzzi
Duceppe
Fournier
Guimond
Lee
Marceau
McCormick
Plamondon
Serré— 18

The Speaker: I declare the motion carried.

[*Translation*]

Hon. Lucienne Robillard: moved that Bill C-59, An Act for granting to Her Majesty certain sums of money for the public service of Canada for the financial year ending March 31, 2003, be read the first time.

(Motion agreed to, and bill read the first time)

Hon. Lucienne Robillard: moved that Bill C-59, an act for granting to Her Majesty certain sums of money for the public service

Supply

of Canada for the financial year ending March 31, 2003, be read the second time and referred to Committee of the Whole.

The Speaker: Is the House ready for the question?

Some hon. members: Agreed.

Some hon. members: No.

The Speaker: All those in favour of the motion will please say yea.

Some hon. members: Yea.

The Speaker: All those opposed will please say nay.

Some hon. members: Nay.

The Speaker: In my opinion the nays have it.

And more than five members having risen:

[*English*]

Ms. Marlene Catterall: Mr. Speaker, I believe you would find consent that those who voted on previous motions be recorded as voting in the same way on the motion now before the House.

The Speaker: Is it agreed?

Some hon. members: Agreed

(The House divided on the motion, which was agreed to on the following division:)

(*Division No. 303*)

YEAS

Members

Adams
Allard
Assad
Augustine
Bakopanos
Beaumur
Bellemare
Bertrand
Binet
Bonin
Bradshaw
Bryden
Byrne
Calder
Caplan
Carroll
Catterall
Chamberlain
Chrétien
Collenette
Cotler
DeVillers
Dion
Dromisky
Easter
Eyking
Finlay
Fontana
Fry
Godfrey
Graham
Guarnieri
Harvard
Hubbard
Jackson
Jordan
Karygiannis
Kilgour (Edmonton Southeast)
Kraft Sloan

Alcock
Anderson (Victoria)
Assadourian
Bagnell
Barnes (London West)
Bélangier
Bennett
Bevilacqua
Blondin-Andrew
Boudria
Brown
Bulte
Caccia
Cannis
Carignan
Castonguay
Cauchon
Charbonneau
Coderre
Copps
Cuzner
Dhaliwal
Discepola
Drouin
Efford
Farrah
Folco
Frulla
Gallaway
Goodale
Grose
Harb
Harvey
Ianno
Jennings
Karetak-Lindell
Keys
Knutson
Laliberte

Supply

Lastewka
Lee
MacAulay
Mahoney
Maloney
Marcil
Martin (LaSalle—Émard)
McGuire
McLellan
Mills (Toronto—Danforth)
Mitchell
Myers
Neville
O'Brien (Labrador)
O'Reilly
Pacetti
Paradis
Patry
Peschisolido
Pettigrew
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Redman
Regan
Robillard
Savoy
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Owen
Pagtakhan
Parrish
Peric
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Phinney
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Price
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Reed (Halton)
Richardson
Saada
Scherrer
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White (North Vancouver)

PAIRED

Members

Bonwick
Cullen
Eggleton
Gagnon (Champlain)
Lancôt
Longfield
McCallum
Paquette
Sauvageau

Comuzzi
Duceppe
Fournier
Guimond
Lee
Marceau
McCormick
Plamondon
Serré— 18

The Speaker: I declare the motion carried.

(Bill read the second time and the House went into committee thereon, Mr. Kilger in the chair)

The Chairman: Order, please. House in committee of the whole on Bill C-59.

(On clause 2)

Mr. Paul Forseth (New Westminster—Coquitlam—Burnaby, Canadian Alliance): Mr. Chairman, would the President of the Treasury Board please declare to the House as to whether the supply bill representing a planned \$172.9 billion in the main estimates for the fiscal year 2002-03 is in the usual form?

[*Translation*]

Hon. Lucienne Robillard (President of the Treasury Board, Lib.): Mr. Speaker, the form of the bill is substantially the same as that of bills approved in previous years.

The Chairman Shall clause 2 carry?

Some hon. members: Agreed.

Some hon. members: On division.

(Clause 2 agreed to)

The Chairman: Shall clause 3 carry?

Some hon. members: Agreed.

Some hon. members: On division.

(Clause 3 agreed to)

The Chairman: Shall clause 4 carry?

Some hon. members: Agreed.

Some hon. members: On division.

(Clause 4 agreed to)

The Chairman: Shall clause 5 carry?

Some hon. members: Agreed.

Some hon. members: On division.

(Clause 5 agreed to)

The Chairman: Shall clause 6 carry?

Some hon. members: Agreed.

NAYS

Members

Abbott
Anderson (Cypress Hills—Grasslands)
Bachand (Saint-Jean)
Benoit
Bigras
Bourgeois
Brien
Cadman
Carignan
Chatters
Comartin
Dalphond-Guiral
Desjarlais
Dubé
Epp
Forseth
Gallant
Girard-Bujold
Goldring
Grewal
Guay
Harris
Herron
Hilstrom
Johnston
Laframboise
Lebel
Loubier
Lunney (Nanaimo—Alberni)
Martin (Esquimalt—Juan de Fuca)
Mayfield
McNally
Meredith
Moore
Penson
Picard (Drummond)
Rajotte
Reynolds
Robinson

Anders
Asselin
Barnes (Gander—Grand Falls)
Bergeron
Borotsik
Breitkreuz
Brisson
Cardin
Casey
Clark
Crête
Day
Desrochers
Duncan
Fitzpatrick
Gagnon (Québec)
Gauthier
Godin
Gouk
Grey
Harper
Hearn
Hill (Prince George—Peace River)
Jaffer
Keddy (South Shore)
Lalonde
Lill
Lunn (Saanich—Gulf Islands)
MacKay (Pictou—Antigonish—Guysborough)
Masse
McDonough
Ménard
Merrifield
Pallister
Perron
Proctor
Reid (Lanark—Carleton)
Ritz
Roy

Supply

Some hon. members: On division.
(Clause 6 agreed to)

The Chairman: Shall clause 7 carry?

Some hon. members: Agreed.

Some hon. members: On division.
(Clause 7 agreed to)

The Chairman: Shall schedule 1 carry?

Some hon. members: Agreed.

Some hon. members: On division.
(Schedule 1 agreed to)

The Chairman: Shall schedule 2 carry?

Some hon. members: Agreed.

Some hon. members: On division.
(Schedule 2 agreed to)

The Chairman: Shall clause 1 carry?

Some hon. members: Agreed.

Some hon. members: On division.
(Clause 1 agreed to)

The Chairman: Shall the preamble carry?

Some hon. members: Agreed.

Some hon. members: On division.
(Preamble agreed to)

The Chairman: Shall the title carry?

Some hon. members: Agreed.

Some hon. members: On division.
(Title agreed to)

The Chairman: Shall the bill carry?

Some hon. members: Agreed.

Some hon. members: On division.
(Bill reported)

● (2250)

[*English*]

Hon. Lucienne Robillard moved that the bill be concurred in.

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

Some hon. members: Agreed.

Some hon. members: No.

The Speaker: All those in favour of the motion will please say yea.

Some hon. members: Yea.

The Speaker: All those opposed will please say nay.

Some hon. members: Nay.

The Speaker: In my opinion the yeas have it.

And more than five members having risen:

Ms. Marlene Catterall: Mr. Speaker, I believe you would find consent that those who voted on the previous motions be recorded as voting on the motion now before the House in the same way as they previously voted.

The Speaker: Is it agreed to proceed in this fashion?

Some hon. members: Agreed.

(The House divided on the motion, which was agreed to on the following division:)

(*Division No. 304*)

YEAS

Members

Adams	Alcock
Allard	Anderson (Victoria)
Assad	Assadourian
Augustine	Bagnell
Bakopanos	Barnes (London West)
Beaumier	Bélangier
Bellemare	Bennett
Bertrand	Bevilacqua
Binet	Blondin-Andrew
Bonin	Boudria
Bradshaw	Brown
Bryden	Bulte
Byrne	Caccia
Calder	Cannis
Caplan	Carignan
Carroll	Castonguay
Catterall	Cauchon
Chamberlain	Charbonneau
Chrétien	Coderre
Collenette	Copps
Cotler	Cuzner
DeVillers	Dhaliwai
Dion	Discepola
Dromisky	Drouin
Easter	Efford
Eyking	Farrah
Finlay	Folco
Fontana	Frulla
Fry	Galloway
Godfrey	Goodale
Graham	Grose
Guarnieri	Harb
Harvard	Harvey
Hubbard	Ianno
Jackson	Jennings
Jordan	Karetak-Lindell
Karygiannis	Keyes
Kilgour (Edmonton Southeast)	Knutson
Kraft Sloan	Laliberte
Lastewka	LeBlanc
Lee	Leung
MacAulay	Macklin
Mahoney	Malhi
Maloney	Manley
Marcil	Marleau
Martin (LaSalle—Émard)	Matthews
McGuire	McKay (Scarborough East)
McLellan	McTeague
Mills (Toronto—Danforth)	Minna
Mitchell	Murphy
Myers	Nault
Neville	Normand
O'Brien (Labrador)	O'Brien (London—Fanshawe)
O'Reilly	Owen
Pacetti	Pagtakhan
Paradis	Parrish
Patry	Peric

Supply

Peschisolido
 Pettigrew
 Pickard (Chatham—Kent Essex)
 Pratt
 Proulx
 Redman
 Regan
 Robillard
 Savoy
 Scott
 Shepherd
 Speller
 St-Julien
 Steckle
 Szabo
 Thibault (West Nova)
 Tirabassi
 Torsney
 Valeri
 Volpe
 Whelan
 Wood— 157

Peterson
 Phinney
 Pillitteri
 Price
 Provenzano
 Reed (Halton)
 Richardson
 Saada
 Scherrer
 Sgro
 Simard
 St-Jacques
 St. Denis
 Stewart
 Telegdi
 Thibeault (Saint-Lambert)
 Tonks
 Ur
 Vanclief
 Wappel
 Wilfert

Longfield
 McCallum
 Paquette
 Sauvageau
 Marceau
 McCormick
 Plamondon
 Seré— 18

The Speaker: I declare the motion carried.

Hon. Lucienne Robillard moved that the bill be read a third time and passed.

Ms. Marlene Catterall: Mr. Speaker, I would ask that you seek the consent of the House to apply the vote just taken on concurrence at report stage to the motion for third reading.

The Speaker: Is it agreed?

Some hon. members: Agreed.

(The House divided on the motion, which was agreed to on the following division:)

(*Division No. 305*)

NAYS

Members

Abbott
 Anderson (Cypress Hills—Grasslands)
 Bachand (Saint-Jean)
 Benoit
 Bigras
 Bourgeois
 Brien
 Cadman
 Carignan
 Chatters
 Comartin
 Dalphond-Guiral
 Desjarlais
 Dubé
 Épp
 Forseth
 Gallant
 Girard-Bujold
 Goldring
 Grewal
 Guay
 Harris
 Herron
 Hilstrom
 Johnstone
 Laframboise
 Lebel
 Loubier
 Lunney (Nanaimo—Alberni)
 Martin (Esquimalt—Juan de Fuca)
 Mayfield
 McNally
 Meredith
 Moore
 Penson
 Picard (Drummond)
 Rajotte
 Reynolds
 Robinson
 Schmidt
 Solberg
 Spencer
 Stinson
 Thompson (New Brunswick Southwest)
 Toews
 Wayne
 Yelich— 93

Anders
 Asselin
 Barnes (Gander—Grand Falls)
 Bergeron
 Borotsik
 Breitzkreuz
 Brison
 Cardin
 Casey
 Clark
 Crête
 Day
 Desrochers
 Duncan
 Fitzpatrick
 Gagnon (Québec)
 Gauthier
 Godin
 Gouk
 Grey
 Harper
 Hearn
 Hill (Prince George—Peace River)
 Jaffer
 Keddy (South Shore)
 Lalonde
 Lill
 Lunn (Saanich—Gulf Islands)
 MacKay (Pictou—Antigonish—Guysborough)
 Masse
 McDonough
 Ménard
 Merrifield
 Pallister
 Perron
 Proctor
 Reid (Lanark—Carleton)
 Ritz
 Roy
 Skelton
 Sorenson
 St-Hilaire
 Strahl
 Thompson (Wild Rose)
 Vellacott
 White (North Vancouver)

PAIRED

Members

Bonwick
 Cullen
 Eggleton
 Gagnon (Champlain)
 Lanciot

Comuzzi
 Duceppe
 Fournier
 Guimond
 Lee

Adams
 Allard
 Assad
 Augustine
 Bakopanos
 Beaumier
 Bellemare
 Bertrand
 Binet
 Bonin
 Bradshaw
 Bryden
 Byrne
 Calder
 Caplan
 Carroll
 Catterall
 Chamberlain
 Chrétien
 Collenette
 Cotler
 DeVillers
 Dion
 Dromisky
 Easter
 Eyking
 Finlay
 Fontana
 Fry
 Godfrey
 Graham
 Guarnieri
 Harvard
 Hubbard
 Jackson
 Jordan
 Karygiannis
 Kilgour (Edmonton Southeast)
 Kraft Sloan
 Lastewka
 Lee
 MacAulay
 Mahoney
 Maloney
 Marcil
 Martin (LaSalle—Émard)
 McGuire
 McLellan
 Mills (Toronto—Danforth)
 Mitchell
 Myers
 Neville

YEAS

Members

Alcock
 Anderson (Victoria)
 Assadourian
 Bagnell
 Barnes (London West)
 Bélanger
 Bennett
 Bevilacqua
 Blondin-Andrew
 Boudria
 Brown
 Bulte
 Caccia
 Cannis
 Carignan
 Castonguay
 Cauchon
 Charbonneau
 Coderre
 Copps
 Cuzner
 Dhaliwal
 Discepolo
 Drouin
 Efford
 Farrah
 Folco
 Frulla
 Gallaway
 Goodale
 Grose
 Harb
 Harvey
 Ianno
 Jennings
 Karetak-Lindell
 Keyes
 Knutson
 Laliberte
 LeBlanc
 Leung
 Macklin
 Malhi
 Manley
 Marleau
 Matthews
 McKay (Scarborough East)
 McTeague
 Minna
 Murphy
 Nault
 Normand

O'Brien (Labrador)
O'Reilly
Pacetti
Paradis
Patry
Peschisolido
Pettigrew
Pickard (Chatham—Kent Essex)
Pratt
Proulx
Redman
Regan
Robillard
Savoy
Scott
Shepherd
Speller
St-Julien
Steckle
Szabo
Thibault (West Nova)
Tirabassi
Torsney
Valeri
Volpe
Whelan
Wood— 157

O'Brien (London—Fanshawe)
Owen
Pagtakhan
Parrish
Peric
Peterson
Phinney
Pillitteri
Price
Provenzano
Reed (Halton)
Richardson
Saada
Scherrer
Sgro
Simard
St-Jacques
St. Denis
Stewart
Telegdi
Thibault (Saint-Lambert)
Tonks
Ur
Vanclief
Wappel
Wilfert

NAYS

Members

Abbott
Anderson (Cypress Hills—Grasslands)
Bachand (Saint-Jean)
Benoit
Bigras
Bourgeois
Brien
Cadman
Carignan
Chatters
Comartin
Dalphond-Guiral
Desjarlais
Dubé
Epp
Forseth
Gallant
Girard-Bujold
Goldring
Grewal

Anders
Asselin
Barnes (Gander—Grand Falls)
Bergeron
Borotsik
Breitkreuz
Brison
Cardin
Casey
Clark
Crête
Day
Desrochers
Duncan
Fitzpatrick
Gagnon (Québec)
Gauthier
Godin
Gouk
Grey

Guay
Harris
Herron
Hilstrom
Johnston
Laframboise
Lebel
Loubier
Lunney (Nanaimo—Alberni)
Martin (Esquimalt—Juan de Fuca)
Mayfield
McNally
Meredith
Moore
Penson
Picard (Drummond)
Rajotte
Reynolds
Robinson
Schmidt
Solberg
Spencer
Stinson
Thompson (New Brunswick Southwest)
Toews
Wayne
Yelich— 93

Supply

Harper
Heam
Hill (Prince George—Peace River)
Jaffer
Keddy (South Shore)
Lalonde
Lill
Lunn (Saanich—Gulf Islands)
MacKay (Pictou—Antigonish—Guysborough)
Masse
McDonough
Ménard
Merrifield
Pallister
Perron
Proctor
Reid (Lanark—Carleton)
Ritz
Roy
Skelton
Sorenson
St-Hilaire
Strahl
Thompson (Wild Rose)
Vellacott
White (North Vancouver)

PAIRED

Members

Bonwick
Cullen
Eggleton
Gagnon (Champlain)
Lancôt
Longfield
McCallum
Paquette
Sauvageau

Comuzzi
Duceppe
Fournier
Guimond
Lee
Marceau
McCormick
Plamondon
Serré— 18

The Speaker: I declare the motion carried.

(Bill read the third time and passed)

The Speaker: It being 10.50 p.m., the House stands adjourned until tomorrow at 10 a.m. pursuant to Standing Order 24(1).

(The House adjourned at 10.51 p.m.)

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(Schedule 1 agreed to).....	12331
(Schedule 2 agreed to).....	12331
(Clause 1 agreed to).....	12331
(Preamble agreed to).....	12331
(Title agreed to).....	12331
(Bill reported).....	12331
Motion for concurrence.....	12331
Motion agreed to.....	12332
Third reading.....	12332
Motion agreed to.....	12332
(Bill read the third time and passed).....	12333

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