



CANADA

# House of Commons Debates

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OFFICIAL REPORT  
(HANSARD)

**Thursday, September 18, 2003**

—

**Speaker: The Honourable Peter Milliken**

## CONTENTS

(Table of Contents appears at back of this issue.)

## CORRIGENDUM

In the September 16, 2003 issue of *Hansard* at page 7378, the text of Question No. 234 and the answer thereto should be replaced by the following:

Question No. 34--**Mr. James Rajotte:**

Concerning the Small Business Loans Program since 1993: (a) what have been its revenues and expenditures; (b) how many loans were made annually; (c) what was the total value of those loans; (d) how many claims have been made annually; (e) what was the total value of the claims made annually; (f) what is the breakdown by province of loans made and the claims made; and (g) what is the breakdown by financial institution of loans made and the claims made?

Return tabled.

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# HOUSE OF COMMONS

Thursday, September 18, 2003

The House met at 10 a.m.

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*Prayers*

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## ROUTINE PROCEEDINGS

•(1000)

[English]

### CHILDREN OF DECEASED VETERANS EDUCATION ASSISTANCE ACT

**Hon. Rey Pagtakhan (Minister of Veterans Affairs and Secretary of State (Science, Research and Development), Lib.)** moved for leave to introduce Bill C-50, an act to amend the statute law in respect of benefits for veterans and the children of deceased veterans.

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

\* \* \*

### INTERPARLIAMENTARY DELEGATIONS

**Mr. David Price (Compton—Stanstead, Lib.):** Mr. Speaker, pursuant to Standing Order 34(1) I have the honour to present to the House, in both official languages, the report of the Canadian NATO Parliamentary Association which represented Canada at the spring session of the NATO parliamentary assembly held in Prague, Czech Republic, on May 24 to May 28, 2003.

\* \* \*

•(1005)

### MARRIAGE ACT

**Mr. Grant Hill (Macleod, Canadian Alliance)** moved for leave to introduce Bill C-447, an act to protect the institution of marriage.

He said: Mr. Speaker, the bill is an essential step in upholding the promise to protect marriage that Parliament made in 1999 and the Liberals campaigned on in the last election. It also provides an opportunity to revisit the tie vote that occurred on Monday as the bill does not contain the notwithstanding clause.

The law that was recently struck down in the Ontario Court of Appeal was a common law definition. It was the deliberate inaction on the part of the Liberals that allowed us to arrive at the chaotic situation with which we are now faced, with traditional marriage being the law of the land in all but two provinces.

Had the Liberal government appealed the Ontario decision to the Supreme Court, there is every reason to believe, based on past decisions, that the Supreme Court would find this definition constitutional.

Finally, and importantly, the bill also notes that it is the provinces that have the jurisdiction to provide appropriate legal recognition to relationships outside marriage.

Mr. Speaker, there have been discussions between all parties and I believe, if you seek it, you would find unanimous consent to allow the leader of the official opposition to make a brief comment.

**The Acting Speaker (Mr. Bélair):** Is there unanimous consent?

**Some hon. members:** Agreed.

**Some hon. members:** No.

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

\* \* \*

## PETITIONS

### AGRICULTURE

**Mr. Peter Adams (Peterborough, Lib.):** Mr. Speaker, I rise to present another petition from farmers and others in the Peterborough area who are concerned about the BSE crisis.

They point out that the Canadian beef cattle, dairy, goat and sheep industries are in a state of crisis due to BSE. The whole industry, in fact, is in a state of crisis.

The petitioners say that the aid package to the industry is inadequate as it does not deal with disastrously low prices and the imminent collapse of key sectors of the rural economy.

The citizens urge Parliament to open the American border to Canadian cattle now and, as soon as possible, develop fair, long term solutions and economic relief that reflects the importance of these industries to Canada, and in particular, in my case, to eastern Ontario.

### KIDNEY DISEASE

**Mr. Peter Adams (Peterborough, Lib.):** Mr. Speaker, I have a second petition from people who are concerned about those suffering from kidney disease. They point out that kidney disease is a huge problem and, with the demographics of our population, it is a growing problem.

*Routine Proceedings*

They know real progress is being made with various ways of preventing and treating kidney disease but they call upon Parliament to encourage the Canadian Institutes of Health Research to explicitly include kidney research as one of the institutes in its system today to be named the institute of kidney urinary tract diseases.

## FREEDOM OF RELIGION

**Mr. Werner Schmidt (Kelowna, Canadian Alliance):** Mr. Speaker, I want to present a petition on behalf of a number of my constituents who call upon Parliament to protect the rights of Canadians to be free to share their religious beliefs without fear of prosecution.

## IRAQ

**Mr. Rick Casson (Lethbridge, Canadian Alliance):** Mr. Speaker, it is my pleasure today to rise pursuant to Standing Order 36 to present a petition holding 492 names. These folks from my riding urge Parliament to immediately begin supporting the United States and the coalition allies in their efforts to free and stabilize Iraq.

## FREEDOM OF RELIGION

**Mr. Inky Mark (Dauphin—Swan River, PC):** Mr. Speaker, it is an honour to rise on behalf of the good people of Dauphin—Swan River to present two separate petitions this morning signed by thousands of petitioners.

The first one calls upon Parliament to protect the rights of Canadians to be free to share their religious beliefs without fear of prosecution.

## MARRIAGE

**Mr. Inky Mark (Dauphin—Swan River, PC):** Mr. Speaker, the second petition calls upon Parliament to take all necessary steps to preserve marriage as a union of one man and one woman to the exclusion of all others.

## BILL C-250

**Mr. Murray Calder (Dufferin—Peel—Wellington—Grey, Lib.):** Mr. Speaker, I have several petitions I would like to present. The first one is from the constituents of Dufferin—Peel—Wellington—Grey opposing Bill C-250.

• (1010)

## MARRIAGE

**Mr. Murray Calder (Dufferin—Peel—Wellington—Grey, Lib.):** Mr. Speaker, the next pair of petitions are from constituents in my riding who urge Parliament to ensure that marriage, as it always has been legally known, is reaffirmed within Canada, preserved and protected.

## CENSUS RECORDS

**Mr. Murray Calder (Dufferin—Peel—Wellington—Grey, Lib.):** Finally, Mr. Speaker, I would like to present a petition signed by over 1,400 Canadians seeking the release of the post-1901 census records.

## FREEDOM OF RELIGION

**Mr. Alex Shepherd (Durham, Lib.):** Mr. Speaker, it is with pleasure that I present a petition on behalf of 50 of my constituents who are concerned about amendments to section 318 of the Criminal Code.

They call upon Parliament to take all measures necessary to protect the rights of Canadians to freely share their religious and moral beliefs without fear of prosecution.

**Mr. Bob Speller (Haldimand—Norfolk—Brant, Lib.):** Mr. Speaker, I also rise to present a petition to the House that concerns religious freedom and the addition of sexual orientation to the Criminal Code signed by a number of people in my constituency calling upon the government to petition Parliament to protect the rights of Canadians to share their religious beliefs.

\* \* \*

## MARRIAGE ACT

**Mr. Grant Hill (Macleod, Canadian Alliance):** Mr. Speaker, I rise on a point of order.

I did seek unanimous consent for the leader of the official opposition to speak briefly to this new bill that has been presented. I believe, with further consultations, that has been clarified, and if you seek unanimous consent I believe you would find it.

**The Acting Speaker (Mr. Bélair):** Does the hon. member have unanimous consent?

**Some hon. members:** Agreed.

**Mr. Stephen Harper (Leader of the Opposition, Canadian Alliance):** Mr. Speaker, my special thanks to the member for Macleod for introducing the bill on behalf of the party. He has been a long time member of our party who will be retiring. I thank him for his service to our party, to the country and for being such a great friend and colleague.

First, just to make it clear, the bill asks Parliament to do what has never been done before, and that is to legislate a legal definition of marriage in this country. The bill proposes that definition be a union of one man and one woman to the exclusion of all others. The bill also encourages provinces to go ahead with the recognition of traditional or non-traditional relationships of civil unions.

[Translation]

The bill is clear. It recognizes that the provinces have the exclusive jurisdiction to create civil unions.

\* \* \*

[English]

## QUESTIONS ON THE ORDER PAPER

**Mr. Geoff Regan (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, Question No. 236 will be answered today.

[Text]

Question No. 236—**Mr. John Reynolds:**

Pertaining to the Francophonie Day that took place Thursday, March 20, 2003, what was the breakdown of the money spent by the government for the activities that took place in Canada in dollar figures?

*Supply***Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):**

The previously identified amount of \$1,534,000 which was provided for Francophonie Day celebrations encompassed a wide range of activities which took place over an extended period of time, of which only a minor component actually took place on March 20, Francophonie Day.

The largest portion, \$1,250,000, of the amount cited related to the Rendez-vous de la Francophonie. Les Rendez-vous has the mandate to promote the French language and culture and to reinforce links between anglophones and francophones in Canada. Each year, over a thousand activities are held in all the regions of Canada starting in August and culminating in the two week period preceding March 20, Journée internationale de la francophonie. These activities include school projects as well as various promotional tools used in the media, youth exchanges, etc.

The department has also funded the Québec Canada Television Consortium for the production of a special program to celebrate Francophonie Day. The production took the form of a quiz, which was broadcast on the TV5 network.

[*English*]

**Mr. Geoff Regan:** Mr. Speaker, I ask that all other questions be allowed to stand.

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

**Some hon. members:** Agreed.

## GOVERNMENT ORDERS

[*Translation*]

### SUPPLY

#### ALLOTTED DAY—TAX CONVENTIONS

**Mr. Pierre Paquette (Joliette, BQ) moved:**

That, in the opinion of this House, in order to ensure tax equity, the government should terminate Canada's tax convention with Barbados, a tax haven, which enables wealthy Canadian taxpayers and companies to avoid their tax obligations, and should play a leadership role at the international level in activities to eliminate tax havens.

He said: Mr. Speaker, I am extremely pleased to rise today to bring this motion forward in the House. It is a recurring and worsening issue and an issue Canada has ignored here in the House. All hon. members will agree with me that the Bloc Québécois has taken an excellent initiative in addressing this issue right away.

I think the motion deserves to be read again.

That, in the opinion of this House, in order to ensure tax equity, the government should terminate Canada's tax convention with Barbados, a tax haven, which enables wealthy Canadian taxpayers and companies to avoid their tax obligations, and should play a leadership role at the international level in activities to eliminate tax havens.

Why is this motion being brought forward? First of all, tax havens are places or jurisdictions which attract individuals and businesses who refuse to pay income tax like everyone else.

We must remember that governments do not levy taxes simply for their own pleasure, but in order to have the collective tools, public services, and wealth redistribution programs available to improve the

welfare of the population, in this case, the population of Canada and Quebec.

Those who take advantage of tax havens are setting themselves apart from the rest of Canadians and Quebecers, and that ought to be exposed.

Obviously, the current context allows this to go on. To a certain extent, it is not illegal to use tax havens, but in my opinion, it is illegitimate and immoral, particularly when the individual in question is a former minister of finance who wants to be the next Prime Minister.

This is what I call grey money. It is the result of tax evasion. Sometimes, this money is also the result of tax fraud. I will expand on this later.

It gets worse. This grey money gets mixed with dirty money. International organized crime groups use tax havens to launder money. Their method of choice to launder money, be it related to drugs, prostitution, arms trafficking, the corruption of politicians in certain countries or terrorism, is tax havens.

According to current estimates, some \$5,000 billion is sheltered in tax havens, \$1,000 billion of which is laundered money used by international crime rings for various purposes.

It is somewhat surprising that so little has been done about tax havens in the wake of the tragic events of September 11, when governments agreed in the weeks that followed to tighten various national and international laws, so that international terrorist groups could not use the loopholes in the international financial system to obtain funds by sending them from one anonymous account to another.

I said this to the Auditor General. In her most recent report, she included an appendix explaining the various schemes used by organized crime to launder money. She made no reference to tax havens. I told her that there is an immediate and direct link between money laundering and tax havens. She promised me that she would examine this matter. Knowing her as I do, I am certain that her next report will make the connection.

In 1999, Canadians invested \$17 billion in tax shelters in Barbados, to give one example. It is not peanuts. Two years later, in 2001, Canadian taxpayers, both individuals and corporations, put \$23.3 billion in tax shelters in Barbados.

You will be surprised to learn that Barbados is the third most favoured destination for Canadians as far as direct investments are concerned. One might have expected Canadian investors to send money to developed countries like France, Japan, Italy or Germany in order to profit from their economy. But no, after the United States and Great Britain, Barbados is their favourite.

There is no way I am convinced that these investments going to Barbados are always used to generate income. A very considerable portion of this \$23 billion is sometimes there for the purpose of tax evasion, sometimes for tax fraud, or sometimes for money laundering by organized crime.

### Supply

What is more, this money is protected by an agreement between Canada and Barbados signed by the former Minister of Finance. As a result, the Canadians concerned can avoid paying taxes here in Canada.

Obviously, it will be argued that Barbados has been taken off the list of countries the OECD considers tax havens.

• (1020)

If it has been taken off the list, this was because 13 countries, Canada among them, said that if certain countries were not removed, they would withdraw from the proceedings under way at the time to tighten the rules on money laundering.

So Canada, which generally boasts of its lead role in connection with all manner of rights and concerns, is one of only seven signatories of a tax convention with Barbados. Of all the countries on this planet, a mere seven—one of these the U.S., I must point out—have signed a convention with Barbados. This shows just how immoral this Canadian initiative is, sanctioning as it does the existence of this tax haven.

As I have said, nothing has actually changed in Barbados, even though it was struck from the OECD list. Take its taxation system, for example: you may find it interesting that the tax rate varies between 1% and 2.5%.

If you have \$15 million US or more in assets, you pay 1%. If you have less than \$5 million US in assets, you pay 2.5%. That makes no sense, it should be the other way around. And yet, the less money you have, the more taxes you pay.

This is a regressive tax system, therefore. Of course, it applies to extremely rich individuals and companies. No one feels sorry for them, but a tax rate like that is unfair competition that erodes the tax base in Canada and in a number of other western countries.

There is no capital gains tax and no financial surveillance. It is total bank secrecy.

Canada's big five banks do not hesitate to use the tax havens. The big five banks have operations in 26 tax havens, including several that are blacklisted by the Financial Action Task Force on Money Laundering, or FATF, of the OECD.

Canadian banks have 61 branches in the tax havens. The Bank of Nova Scotia leads the way with branches in 23 tax havens, followed by the Royal Bank of Canada, which has 17, CIBC, 12, the Bank of Montreal, 5, and TD Bank, 3.

While the governments and states of these tax havens can be accused of being bad administrators or bad managers, there are those in Canada who are really taking advantage of the situation, notably some of our best known companies internationally.

That explains why the motion says that the tax convention with Barbados should be terminated immediately, I would even say do away with it completely. Canada must also take a firmer stand against tax havens.

I said earlier that some major Canadian banks have operations in the tax havens that are on the FTAF black list. A representative from

ATTAC-Québec, François Gosselin, wrote to all the banks asking why they were active in the tax havens at his expense. It is the average citizen who pays, because those corporate citizens and individuals refuse to pay income tax like the rest of Canadians and Quebecers.

The answer received from Mr. Dougall, of Scotiabank, which is the Canadian bank that has the most branches in tax havens, reads as follows:

If we went by the FATF (Financial Action Task Force on Money Laundering) list when it comes to starting up or shutting down operations, this would have a very adverse impact on the economies and workers of the countries concerned, especially since this list is constantly changing depending on the results of the review of local laws and procedures.

Scotiabank is apparently investing in these tax havens in the interest of the countries concerned. It says here, "especially since this list is constantly changing depending on the results of the review of local laws and procedures". I refuse to believe that Scotiabank makes investments in the Bahamas and 23 other tax havens in the interest of the local people. It is well known that money invested in tax havens does not in any way benefit the local population or economy, but is used to fatten up a handful, and sometimes a corrupt handful, of local politicians.

Fortunately, there is one bank that is more honest, morally, than Scotiabank. I am talking about the Royal Bank. In reply to the same letter, the Royal Bank at least had the decency to tell the truth.

A Royal Bank official wrote:

RBC Financial Group would be at a competitive disadvantage, and its share value would decline, if it were to unilaterally decide to cease operations in any of these places.

We are still talking about tax havens, and those blacklisted by the FATF. He wrote further:

Unless specifically prohibited by law, RBC Financial Group must be able to take advantage of business opportunities in any region, in order to provide its clients with internationally integrated financial services.

That is the truth. At present, Canadian legislation does not prohibit this. The Royal Bank is taking advantage of it for its shareholders and clients. It is an accomplice of these tax havens. But again, this is not illegal. That is why the motion says that we must not only terminate the tax convention with Barbados but also play a leadership role in establishing laws and regulations at the international level, be it at the World Trade Organization or as part of the negotiation of the Free Trade Area of the Americas, to eliminate such practices or make them illegal.

I thank the Royal Bank official for at least enlightening us as to the real reason they have operations in these tax havens.

Who benefits from these tax havens? Canada's big banks, of course. Still, the major banks are not the only ones. There are individuals who benefit as well. It is interesting to note, as I said earlier, that tax havens are countries, or sometimes territories or free zones within certain countries, and not always developing countries. There are such zones in European countries and in the United States, too, that are tax havens. That may explain why there is a contradiction in what we are hearing, when on one hand, people say they want to tighten up the rules on money laundering, and on the other hand, nothing is done.

These zones encourage bank secrecy. Their officials are not very inquisitive, their taxes are light, as I pointed out, and they specialize in various fields. Sometimes anonymous trusts are set up, making it possible for individuals and companies to avoid their fiscal responsibilities. Other times, it may be individuals or businesses. And we know that ship owners are among the heaviest users of these tax havens.

There have been laws passed in this House—I believe the hon. member for Saint-Hyacinthe—Bagot will be able to speak to this more fully later on—which have directly benefited the former finance minister and his businesses which, we should point out, he has transferred to his children. If I have time, I will come back to this point.

Thus, minimal taxation, virtual corporations, leading-edge high-tech infrastructures, and contracts in most banks mean that today, even the upper middle class has easy access to tax havens.

And that is why the Auditor General is right to be worried. It is not just the very rich businesses and the very rich taxpayers who could take advantage of such stratagems tomorrow to evade their fiscal obligations. It could be anyone who has access to brokers through the Internet. Action must be taken quickly.

To illustrate the fact that anyone can benefit from tax havens as long as one has enough money to pay for the necessary services, I give as an example the former finance minister's businesses registered in Barbados. That should say something about the sort of businesses found in these tax havens.

These companies are directly or indirectly owned by Canada Steamship Lines. The former finance minister, the hon. member for LaSalle—Émard transferred his shares in this company to his son.

So, there is Atlasco Shipping Ltd., head office, Barbados; CSL Cabo Shipping Inc., head office, Barbados; Paiton Shipping Inc., head office, Barbados; Semisub Transshippers Inc., head office, Barbados; Lati Transshippers Inc., head office, Barbados; Hull 2227 Shipping Inc, head office, Barbados; Hull 2229—the former finance minister was seemingly lacking in imagination when he named these companies—, head office, Barbados; Guadeloupe Cable International Inc., head office, Barbados. There are others, but I will not bore the House with the list of what our former finance minister and future Prime Minister used to own.

•(1025)

There is a moral problem. It must be mentioned. And perhaps we would be doing the former finance minister and future Prime Minister a favour by adopting my motion, which seeks to ensure that there is no hint of conflict of interest.

### *Supply*

I would remind the House that even if the companies were transferred—I am giving this example, because it is really the tip of the iceberg, and it bothers many of my constituents, who are doubtless not alone—the ethics counsellor, who is not known for his tough stand on ethics problems, stated nonetheless in a letter he sent to the member for LaSalle—Émard on July 28, 2003:

—there will still be a requirement for you to recuse from a narrow range of matters—

He must do so once he becomes Prime Minister.

—which would be directly beneficial to Canadian Steamship Lines. When the transfer is complete I know you will personally have no further financial interest in CSL.

It was completed at the end of August.

Ownership will, however, rest with your sons.

Yes, but let us not be naive here.

The ethics counsellor continues:

By definition this transfer has to be distinguished from a sale to a third party—

This illustrates the need to keep right out of certain decisions. Even though it was transferred to his sons, the ethics councillor is not naïve either. He knows full well that there could be a conflict of interest in the decisions made by the future Prime Minister.

In that sense, we would be doing him a favour by adopting my motion.

The report entitled “Rapport moral sur l'argent dans le monde, 2001”, published by the Association française d'économie financière, identifies 35 countries or territories as tax havens. There are 4,000 offshore banks. These offshore banks are reserved for non-residents. The term offshore comes from the time of prohibition. Americans would take boats to the U.S. maritime boundary in order to drink and gamble. That is where the expression comes from.

There are 2.4 million shadow companies, fake companies, fictitious companies, that are simply there to protect individuals and companies from having to pay taxes.

I mentioned earlier that there is currently \$5,000 billion in assets in these tax havens. I will give an example. The Cayman Islands have a population of 26,000, which is not a lot. However, for those 26,000 people, there are 450 banks. Those people must be very wealthy indeed. I wonder what the main industry is in that country. There is \$400 billion dollars in assets in a country of 26,000. I cannot believe that the money in those 450 banks belongs to the local residents. It is dirty money or grey money from all over the world. This is morally unacceptable for a civilized society, if we consider our common desire to have fair development for the whole planet.

As I said earlier, the auditor general is worried. I will read what she said in her report:

Failure to take urgent action on these matters will severely limit Revenue Canada's ability to manage the risks to Canada's tax base that international transactions represent.

This is not a Bloc Québécois invention. It comes from the Auditor General. Since his report—and it was a he at the time—nothing has happened. My motion offers us an opportunity to remedy this.

*Supply*

I have just listed three places: the Bahamas, Bermuda and Barbados. We have seen that Barbados is the favoured place for the major Canadian banks, as well as the former finance minister. They are not the only ones, however, as there are 1,700 Canadian corporations in Barbados, and it is the third favourite foreign investment destination. All told, \$40 billion has left Canada for the tax havens of Barbados, Bermuda and the Bahamas combined.

Once again, in the 2001 auditor general report, a number of the strategies used were studied. She found that that 53 taxpayers had managed to save \$800 million in taxes by using one or the other of these known tax havens.

According to the report:

The Agency has identified 53 examples of this scheme—

She went on to list a whole series of schemes, ending with a recommendation that the government and the House take the necessary steps to ensure that the Canada-Barbados tax convention is not prejudicial to our ability to collect taxes.

The only way to solve the problem is to terminate, do completely away with, this tax convention with Barbados, and to expand our international service at Revenue Canada. Canadian legislation must be extraterritorial and Canadian companies must be answerable to the Parliament of Canada, regardless of where they are actually located on the planet, when they are seeking to escape social responsibility. Canada must—and the Bloc Québécois will lobby for this—change its attitude toward tax havens and abandon its complacency.

This must in fact be an ongoing concern in all conventions and negotiations in which we are currently involved internationally.

In closing, it is my hope that the House will give unanimous support to a motion which, in my opinion, is nothing more than common sense.

• (1030)

[*English*]

**Mr. Gurmant Grewal (Surrey Central, Canadian Alliance):** Mr. Speaker, I commend the Bloc for bringing up this particular motion. The member has spoken well on this issue, articulating his party's position.

I believe that generally taxes have gone up in Canada in the last few years. The compliance costs of regulations or statutory instruments in Canada have gone up significantly. It is estimated that \$12,000 per family is the compliance cost of various regulations in Canada. It is a hidden tax. On top of that, user fees have gone up, particularly beyond cost recovery. It is unfair and unauthorized taxation. In total, taxes, the compliance costs of regulations and user fees, all types of taxes, are very high.

Where there is unfair competition from countries such as Barbados or the Bahamas and others, it undermines Canada's tax system. Various Canadian institutions and political leaders have taken advantage of this unfair competition. Surprisingly, the former finance minister is alleged to have taken full advantage of this. I would say that he has abused the process, even though there is

conflict of interest. Ordinary Canadians do not have the privileges the former finance minister had.

This whole process has created a situation when there is abundant loyalty to Canada and it has jeopardized the sovereignty of Canada in this whole system. I would like to know from the hon. member what he thinks about the system. On the one hand in this system, taxes have gone up, all kinds of taxes, hidden and otherwise, whereas the treaty with Barbados, for example, shows that political leaders in various situations have taken advantage whereas ordinary Canadians cannot. Would the member like to comment and say if he is in agreement?

• (1035)

[*Translation*]

**Mr. Pierre Paquette:** Mr. Speaker, I thank the member for his question. Indeed, this gives me the opportunity to talk more specifically and quickly about schemes that are available to Canadian taxpayers who want to avoid their tax obligations. They ensure that those who, like us, do not have a choice or abide by the spirit of the law, pay more.

For example, I will give you a very simple trick and I will not make you pay anything for this. You take some money to the United States, go to a casino in Las Vegas and pretend that you lost your money. You give that money to a broker who invests it in a tax haven and you do not pay taxes on the gains that you will make. Anybody can pull this trick.

There are schemes that are a little more sophisticated, but not that much more. This is in the report of the Auditor General. The ownership of a Canadian private company is held by a trust that resides in Barbados. The capital gain on the sale of the shares is subject to Canadian tax because the shares are taxable Canadian assets. The trust sells the shares and asks for the exemption from Canadian tax provided for in the agreement. The capital gain is not taxed in Barbados. This is legal.

Currently, there are holes in the act and the convention with Barbados does not pass muster. If the future prime minister were consistent, he would champion the motion that I moved.

[*English*]

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, it is too bad that the time of the House is taken up with this kind of nonsense. This is purely a politically motivated motion we have here. Clearly the member knows there are 1,700 companies that have a similar situation in Barbados. In fact, we have reviewed the Barbados cases since 1995. There continue to be reviews and the member knows that.

The member knows we have over 70 tax treaties with countries around the world, yet this member for some reason is focusing on one particular company, one particular individual. The fact is that there are 1,700 companies in operation. I find it rather ludicrous that the member has the audacity to stand up and talk about something when he knows that since 1995 we have been taking specific steps and in fact currently there is a review of the treaty that continues with Barbados, as there is with other countries.



The fact is that to unilaterally abrogate this treaty, as the member might suggest, would in fact affect 1,700 companies. I do not think that would be in the public interest and the member knows that. I suggest we are listening to nonsense from the other side. It is pure garbage to suggest that some people are not paying their taxes. We have these treaties and the member knows why we have them.

[*Translation*]

**Mr. Pierre Paquette:** Mr. Speaker, even told with conviction, a lie is still a lie. I was not the first one to raise the alarm on this issue. The Auditor General mentioned it in her 2001 report. Even if a study was carried out in 1995, with the way things change, the problem might have gotten worse.

Just because something was done in 1995 does not mean that nothing should have been done in 2001 after the release of the Auditor General's report. She herself made the following recommendation:

The Canada Customs and Revenue Agency should continue to be vigilant in ensuring that tax treaties are not used inappropriately to reduce Canadian tax and, if necessary, should seek legislative or treaty changes to protect Canada's tax base.

It is not me but the Auditor General who said so. That is why I find the comments made by the parliamentary secretary irresponsible. Mind you, I have come to expect this of him since being appointed finance critic for the Bloc Quebecois.

This very serious issue is being considered by the OECD and should be raised at the meeting of the Monetary and Financial Committee of the International Monetary Fund and at the meeting of the Development Committee of the World Bank, which the current finance minister will be attending over the weekend. If anyone here is being irresponsible, it is the members opposite.

• (1040)

[*English*]

**Hon. Elinor Caplan (Minister of National Revenue, Lib.):** Mr. Speaker, I rise today to speak to the motion raised by my honourable colleagues in the opposition regarding our tax convention with Barbados.

I would like to make clear at the outset that I cannot support this motion, not just because of the importance of tax conventions in the international context but because of Canada's strong, longstanding relationship with Barbados.

I would like to focus my remarks on why Canada signs tax conventions with other countries around the world. These treaties are designed to protect taxpayers from double taxation and to assist tax authorities in their efforts to prevent fiscal evasion.

For the past several decades, Canada along with other nations of the Organization for Economic Co-operation and Development, OECD, have sought ways to avoid double taxation and protect against fiscal evasion and their corrective efforts have resulted in model double taxation conventions prepared by OECD.

Canada's tax treaties, while tailored to address our particular needs, are generally patterned on this document and are in accord with international norms in this area. Canada imposes tax on the worldwide income of Canadian residents and on the income from Canadian sources of non-residents. In other words, all income of

### *Supply*

Canadian residents, whether earned in Canada or abroad, is taxable in Canada. Non-residents, on the other hand, are only subject to Canadian income tax to the extent that they participate in the economic life of Canada or receive income from sources in Canada.

In this regard, these two fundamental features of Canadian income tax that have been with us for several decades and our tax system functions in accordance with international norms.

When our system was overhauled in the early 1970s, one of the results was the expansion of Canada's network of tax treaties with other countries. We have constantly made efforts to update and expand our network of tax treaties and we will continue to do so in the foreseeable future.

Our network of tax treaties is one of the most extensive of any country in the world. At present, Canada has tax treaties in force with more than 70 countries. As well, Canada has tax treaties in force with all of its major trading partners and with almost all of the 30 members of the OECD.

The tax treaties adopted by Canada have been developed with two main purposes in mind. First, they are designed to protect against double taxation and to offer a degree of certainty about the tax rules that apply to international transactions. The issue of double taxation arises when a taxpayer resides in one country and earns income in another. Without a tax treaty, both countries would claim income tax and would have a claim on that income. Double taxation treaties therefore insure that income is not taxed twice, a situation that would be extremely unfair to the taxpayer who is caught between two jurisdictions.

Our tax treaties accomplish this goal in three ways: first, they allocate the right of taxation of between Canada and its treaty partner over different categories of income; second, they set out rules and procedures for resolving dual claims about a taxpayer's residential status and source of income; and third, they allow taxpayers who feel that they have received unfair treatment under the terms of a tax treaty to present their case to tax authorities.

The second goal in participating in tax conventions with other nations is to encourage cooperation between governments to prevent tax evasion or avoidance. This is achieved in a number of ways including: first, the allocation of profits between parties on an arm's-length basis; second, ensuring that domestic law applies in cases involving transfer pricing and other international avoidance practices; third, providing for information exchanges between respective national tax authorities; and fourth, in some cases, allowing for mutual assistance in the collection of taxes.

• (1045)

Let me take a moment and explain why it is important that Canada provide relief from the burden of double taxation.

### *Supply*

Tax treaties have a positive effect on the Canadian economy, particularly because they help facilitate international trade and investment by removing tax barriers to cross border dealings. This is significant because, as members of the House know, Canada's economy relies to a significant extent on trade with other nations around the world. Exports are the lifeline of our economy, accounting for almost half of our GDP and providing jobs for hundreds of thousands of people right across the country.

At the same time, Canada's economy is also stimulated by inflows of foreign investment, which include information, capital and technology. In other words, by eliminating tax impediments and by creating more predictable tax results for traders, investors and other taxpayers with international ties, our tax treaties promote opportunities at home and international trade, and investment abroad.

As recent events have shown, Canada's economy is becoming more integrated in the global economy. This means that now more than ever eliminating tax impediments in cross border trades is a crucial element to our long term prosperity.

I would like to point out that there can be economic disadvantages for countries that do not enter into tax agreements with other nations.

The absence of such agreements can have harmful effects on the economic relations between the countries because without a tax treaty in place setting out tax rules, income is at risk of being taxed in both countries. This outcome stands to produce unfair results and can very adverse economic impacts. It is fair to say that tax treaties help promote certainty and stability, and in doing so they help produce a better business climate.

I would like to turn to another element of the motion presented before us today and that is the question of ending our tax convention with Barbados, which the motion describes as a tax haven. I cannot support such a move and I would certainly disagree with the description of Barbados in this manner.

Once again, a bit of background is in order so that members can understand the position. First, we need to recognize that while Canada taxes the income of Canadian based corporations whether they earn it in this country or abroad, it also taxes in some situations the income of their foreign subsidiaries as well. Canada's rules must therefore take into account that the income of those companies could be subject to a foreign tax as well as the tax payable here in this country.

There are two basic ways that countries around the world deal with foreign taxes in these circumstances. One way is to have taxpayers claim a foreign tax credit, which reduces their home country tax by the amount of the foreign credit, or simply to exempt the foreign source income from taxes in the home country.

Our Canadian system combines these two methods. The Canadian corporation's direct foreign source income and portions of the income of its foreign subsidiaries are eligible for foreign tax credits. This reduces Canadian tax on that income. At the same time, Canada exempts certain kinds of foreign income of foreign subsidiaries from Canadian tax.

The rules are complex, but essentially it boils down to the fact that an exemption is usually given for the active business income of a foreign subsidiary that is resident in a country with which Canada has a tax treaty, provided the income is earned in such a country.

In 1992 the Auditor General raised questions relating to the possibilities of tax avoidance by foreign subsidiaries for some Canadian companies. In response to these questions, the government proposed a number of amendments to its existing foreign subsidiary rules.

● (1050)

These modifications were first unveiled in the 1994 federal budget and affected the definition of active business income, the deduction of business losses and computing foreign accrual property income and the list of countries where foreign subsidiaries can earn exempt and active business earnings from which dividends might be received tax free in Canada.

The question before us now, and one that has been raised a number of times in the House is why, when the government revisited certain aspects of these rules several years ago, was the exemption left in place for a particular kind of subsidiary resident in Barbados that did not pay a substantial rate of tax?

The answer has several important elements.

First, it is not clear that abruptly curtailing the exemption would have benefited Canada. In a world of tax planning opportunities there is no assurance that the corporate groups would not simply move the function performed by the Barbados subsidiary to another jurisdiction where similar results could be obtained and, in that case, the corporation would not pay any more Canadian tax.

Second, Canadian business is interested in maintaining its international competitiveness. Decisions that disrupt the operation of Canadian corporations abroad can have repercussions on their competitiveness. I would say further, forcing businesses out of Barbados could actually be counterproductive. As a tax treaty partner, Barbados gives Canada's tax authorities far more information and assistance than many other jurisdictions do.

Last, as hon. members know, Barbados is a good friend to Canada, a fellow Commonwealth member with which we have deep ties. The tax treaty that formed the basis for giving this exemption to these Barbados corporations has been in place since 1980. Indeed, Barbados has also been a strong ally in the efforts of OECD to combat tax havens around the world.

In February 2002 the OECD and Barbados concluded discussions on this issue. At that time the organization concluded that Barbados has transparent tax and regulatory systems. The country also agreed to increase its information sharing efforts with other OECD members, including those that did not presently have tax treaties in place.

The Barbadian parliament also passed new money laundering legislation in 1998 and updated it in 2000 and 2001. Under this legislation, assets obtained from criminal activities are subject to freezing orders and all financial institutions are required to report suspicious transactions and to maintain records of transactions worth more than 10,000 Bahamian dollars for five years.

*Supply*

An anti-money laundering authority and a financial investigation unit was established in August 2000 and has cooperated with similar agencies around the world since its inception.

The evidence is clear. Barbados has a fair and transparent tax system in place and is cooperating fully with its international partners. In light of this situation, it was entirely correct for Canada to maintain the longstanding exemption for income from these Barbados corporations.

This does not mean, however, that the matter is closed entirely. We continually review our tax treaties with Barbados and others and the relevant income tax regulations to ensure that they fit into our tax policy goals. If it is deemed to be necessary, the appropriate authorities will make considered decisions.

However let me absolutely clear. If changes are implemented, they will be the result of careful and thorough analysis on the part of the Canadian tax officials. The government will not make a hasty decision that could be costly both for Canada and for our tax treaty partners.

Let me state further that Canada will continue to abide and respect its existing over 70 tax treaties with other nations. They are an important element of our efforts to develop and maintain a fair and equitable tax system. We must have a tax system that provides the government with the revenues it needs to support the social and economic programs that Canadians want. At the same time such a system must also be reasonable and flexible to adapt to the changing global environment. Canadian businesses and foreign investors who helped build our economy deserve nothing less.

• (1055)

For these reasons and for those outlined by my colleagues during the debate, I cannot support this motion. I would urge that it be defeated. It is not in Parliament's interest to allow this motion.

[*Translation*]

**Mr. Pierre Paquette (Joliette, BQ):** Mr. Speaker, I want to be perfectly clear. We are not against tax treaties. We are against the tax convention between Canada and Barbados, because that country is a tax haven. The question that I am asking myself, among others, is why is Canada one of seven countries that have signed a convention with Barbados. There are some 30 countries that belong to the OECD; the others did not see fit to sign a convention with Barbados. Therefore, we are among those that are the exception.

We are talking here about avoiding double taxation, and I totally agree with that. However, if we look at capital gains, for example, they are not taxable in Barbados, but they are in Canada. The Auditor General in her 2001 report stated:

Canada usually signs tax treaties to avoid double taxation. Barbados does not tax capital gains. However, the Agreement allows a resident of Barbados to claim a Canadian tax exemption on a capital gain that would otherwise be subject to Canadian tax.

My question for the member is, was the Auditor General making frivolous statements when she warned the government about these practices in 2001?

[*English*]

**Hon. Elinor Caplan:** Mr. Speaker, the government always takes very seriously the advice from the Auditor General. That is why we

continue to constantly review all our treaties with all our treaty partners to ensure that they are in Canada's interest and performing as we would have them.

I would say to the member that it is obvious that his proposal to scrap the convention on a moment's notice would do irreparable harm to Canada's international reputation. In some cases we would be seen as a banana republic, but more than that it would have a serious negative impact on the trust that countries which have tax treaties with us have in our ability to continue to work with them.

Confidence and trust of the international community is something which Canada is very proud of in its reputation. We work with countries and if there are changes to be made in treaties, they are done through negotiations, not unilaterally.

**Mr. Pat Martin (Winnipeg Centre, NDP):** Mr. Speaker, I for one find it absolutely shocking that the Minister of National Revenue of all people would have the unmitigated gall to stand in her place today and knowingly and willingly turn her back and forgo, or at least turn her back on, this incredible amount of money, which is a lost opportunity for Canadians.

In her job as the watchdog or the person in charge of oversight of our revenue taxation system, it has been brought to her attention many times today and other times that people are knowingly and willingly avoiding paying their fair share of taxes in Canada through these structural and by design tax havens. They are knowingly and willingly avoiding their taxes.

I call it economic treason when Canadian businesses or individuals take deliberate steps to avoid paying their fair share of taxes in Canada, in the country that gave them the opportunity to flourish and prosper and become wealthy for one good reason, because it puts an added burden on the rest of us. We have to shoulder their burden.

I would like the hon. Minister of National Revenue to give us an explanation. Never mind the issue of double taxation. I think we all agree that we need rules in place that no one gets hit twice, but we are talking about people who do not even get hit once. There are chartered banks, for instance. Would she not agree that our chartered banks that enjoy special privileges in this country and deliberately take steps to avoid paying their fair share here should lose their charter and be disciplined in that way for what I call economic treason?

• (1100)

**Hon. Elinor Caplan:** Mr. Speaker, one of the things that I am particularly proud of as Minister of National Revenue is that CCRA treats all taxpayers with respect and we expect everyone to obey our laws.

### Supply

We have one of the best compliance rates in the world. We know that over 95% of all Canadians and businesses comply with Canadian tax law. We also know that in the international environment, and Canada is an international trader, the most important thing for those companies is a rules based approach, rules that they can count on and rules that have been negotiated with other countries, so we can be sure our businesses can be compete and be successful. That is in Canada's interest. It creates prosperity and wealth for Canada.

These treaties are negotiated. We have over 70 of them. They are based on an OECD model. It gives us the information and partnership to go after those who would avoid paying their fair share. We have experts at CCRA with tremendous expertise in understanding the international tax environment of members of international organizations. They are always up to date with the latest information to ensure that CCRA, Revenue Canada as it used to be called, has the information and the tools that it needs to go after those business, those people who would not pay their fair share in Canada.

For anyone to suggest that these tax treaties are not in Canada's interest is making a very false claim. Those tax treaties, which avoid double taxation and set out very clear rules for all of those Canadian companies that are trading in the international arena, give them confidence and let them know what they can expect. The treaties tell them that they will be treated fairly. If they improperly or unduly attempt to avoid our taxes, we go after them and we go after them with the help of our treaty partner that provides us with important information so we can do that.

No system is perfect and that is why we continually review and update through our experience those treaties which may need modification over time. We have made many changes in the past and I am sure there will be many changes in the future. However we will continue to negotiate those treaties through the Department of Finance and see that they are properly and fully implemented through CCRA and the experts who work in my agency.

It is our goal to see that Canada has the resources available to meet its social and economic needs and to ensure that all Canadians, Canadian individuals and businesses, pay their fair share so they can help this country to continue to grow and prosper.

[Translation]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, I listened to the minister and I am absolutely astounded by what I heard.

Year after year, the current Auditor General and her predecessor Mr. Desautels have condemned the government for aiding tax evasion by not amending the Income Tax Act and refusing to abolish tax conventions that make no sense. Some do make sense, such as those signed with countries that have roughly the same tax rates as we do. If profits are taxed once, they must not be taxed a second time.

But in Barbados the tax rate is zero—zero is zero—and when profits come back here, they are not taxed. Should that be allowed? Can the minister explain how allowing billions of dollars to be invested abroad without being taxed either here or there is in the best

interest of Canadian taxpayers? Who benefits from that? A tiny proportion of the population and big multinationals.

I would like the minister to answer.

[English]

**Hon. Elinor Caplan:** Mr. Speaker, we know there is a very significant partisan element in this debate. I know many people can get upset and excited about taxes but he should be ashamed of himself for engaging in this kind of a partisan debate.

We know that the 70 tax treaties we have around the world assist many thousands of Canadian businesses to do their very best to create opportunities, jobs and wealth for Canada.

We review those treaties continually and we often, in discussions with our treaty partners, make changes to those agreements. However we make those changes after we have done the proper analysis and after we have done the proper studies. When we believe it is in the interest of Canada, then we move forward in making changes with our partners.

This is the way it has been in the past. The Barbados treaty has been in place since 1980. There have been changes and there could well be changes in the future. However for the member to suggest, as he has, that there is something improper is absolutely incorrect and it is in my view a partisan attempt to create an impression that is false.

• (1105)

**Mr. Gurmant Grewal:** Mr. Speaker, I rise on a point of order. Since the minister is here and I and many of my colleagues did not get a chance to ask her questions, may I have unanimous consent to extend the questions and comments period for the minister by just five to ten minutes?

**The Acting Speaker (Mr. Bélair):** Is there unanimous consent?

**Some hon. members:** Yes.

**Some hon. members:** No.

**Mr. Charlie Penson (Peace River, Canadian Alliance):** Mr. Speaker, I am splitting my time with my colleague, the member for Lethbridge. I am pleased to stand today to take part in this debate because I think it is an important one.

In my view, this is really a story about hypocrisy: the hypocrisy of those in this government who want one set of rules for themselves and another set of rules for ordinary Canadians, the mom and pop corner store operations that have to pay a lot of taxes.

The reality is that Canada is a high tax country. Most Canadians would like to pay lower taxes. I think that is a given. We hear it all the time. But they also recognize that they have a responsibility: if they are going to take advantage of services, they have to pay tax.

What Canadians object to is wasteful spending and spending on priority areas that they do not share. They do not like to give money to huge corporations. If they want to buy shares in some corporation in Canada, they can do that through a public offering or the stock market, but they do not want the Government of Canada doing that for them. They think big government should be curtailed.

There was a little bit of a reprieve in the size of government in the mid-1990s when the Mexican peso crisis and the credit downgrades on Canadian debt forced the Liberals to deal with Canada's fiscal problems, but of course the Liberal government chose to bite the bullet only after it was forced to. How did it do so? Basically it transferred its problem to the provinces by offloading a whole large area of government spending. Health care, I would suggest, has never fully recovered from that offloading. The government chose the easy way. Transfers to provinces were cut very dramatically while cuts to its own departments were very small.

Canadians did get a tax break in the year 2000, after six years of tax increases under this government, but just before the last election. In early 2000, the Canadian Alliance proposed a \$100 billion tax reduction plan which the Liberals claimed was not affordable. To ensure electoral success, however, following strong Alliance polling numbers, the Liberals introduced their tax plan to appeal to a growing number of Canadians demanding a tax cut. Although the Liberal plan was smaller than the Alliance plan, it stole several key proposals to augment its policy expediency.

Further spending and tax cuts are required, but since the government's spending has been increasing since that time, the total federal expenditures are up by over \$36 billion since 1997. I will not hold my breath that we will see tax cuts any time soon.

That sets the stage for a government that says one thing and puts in special rules for its friends, or in some cases maybe even its own members, but raises taxes time after time in Canada for the mom and pop operations and individual Canadians. I think this is the height of hypocrisy.

I said earlier that Canadians understand the need to pay taxes. Therefore, it is especially galling when those in a position to take advantage and dodge their responsibilities to the taxman do just that. I would suggest that those in authority, those in that position, include the former minister of finance. It is downright infuriating when somebody who is in that position of authority to require Canadians to pay extra taxes, as he has done over a long period of time, ensures that their own tax bill is considerably lighter than otherwise might be the case. How are they doing that?

I think the Bloc for introducing this motion today, because it just reveals the hypocrisy, with special tax havens and special rules for dividends coming back that avoid taxes. Who could take advantage of that? I want to quote the former auditor general, who talked about those who took advantage of Liberia. It was said that "Liberia wasn't simply a tax haven—foreign affiliates there were also allowed to bring their profits back into Canada, tax-free".

So it was not good enough that they could register their companies there and stay there themselves, but they were able transfer their profits back to Canada, tax free. There were very, very low taxes or none at all in some cases.

What did the auditor general at that time say? The former auditor general was trying to shut down these kinds of tax havens. Denis Desautels said that they were costing the government hundreds of millions of dollars. To deal with that, in early 1994 the former minister of finance said in his budget speech:

### *Supply*

Certain Canadian corporations are not paying an appropriate level of tax. Accordingly, we are taking measures to prevent companies from using foreign affiliates to avoid paying taxes which are otherwise due.

● (1110)

That sounds pretty good, but what was the reality? What did he choose to do? He did choose to close one loophole, that which encouraged Canadian companies to locate in countries that did not have a tax treaty with Canada. That is why the former minister of finance's company, Canada Steamship Lines, used to proudly fly the flag of Liberia. However, when he ended that tax advantage, which he said he was going to do in his budget, he very conveniently had an escape hatch, one that most Canadians did not know about at the time. He quickly relocated his businesses at CSL and his flag to Barbados.

Although Canada does have a tax treaty with Barbados, there is a loophole, one that the Minister of National Revenue conveniently forgot to mention today. It allows companies, and in particular the company belonging to the member for LaSalle—Émard, to transfer CSL dividends back to Canada completely tax free. This was exactly the opposite of what the former auditor general wanted when he said that Canadian companies were avoiding paying hundreds of millions of dollars of tax.

I want to quote from a CBC interview about a year ago on *Disclosure*, which said that the former minister of finance "didn't shut down all the tax havens. Across the Atlantic, he kept Barbados open, and that's exactly where [Canada Steamship Lines] went next".

*Disclosure* asked, "Why did you move your shell companies to Barbados in 1995?" That is just a year after he closed down the Liberian one.

Mr. Préfontaine from CSL said, "We moved them to Barbados because of the change to Canadian tax rules".

There just happened to be a convenient tax loophole escape hatch for the former finance minister's company.

*Disclosure* went on to ask, "Was Paul Martin aware of this—when you moved to Barbados in 1995?"

**The Acting Speaker (Mr. Bélair):** Order, please. I know the member is quoting from an article or something, but please, if at all possible, avoid addressing the former finance minister by his name.

**Mr. Charlie Penson:** Mr. Speaker, I would make the case that I am reading a direct quote from a CBC interview. I think that is allowed.

Mr. Préfontaine said, "Mr. Martin's assets are in a blind management trust".

### Supply

I would raise the issue with the House that if it was the case that the former minister of finance's business was in a blind management trust, maybe he did not know about it. But we know a lot about that since the time; that there were special rules written by the ethics counsellor for the former finance minister's companies. He had a chance to look at it all the time, so it was not true that it was in a blind management trust.

This practice of course attracted a lot of attention, particularly because officials at the Department of Finance and a special taxation committee recommended closing these loopholes in Canada's tax laws. The current Auditor General criticized their existence. Two auditors general have spoken very clearly on this. Mr. Desautels said it was costing Canadian taxpayers hundreds of millions of dollars and wanted it closed off. It was closed off in one area, but loopholes were left in another. The current Auditor General criticized their existence, rightly pointing out that these tax havens were unfair to other Canadian taxpayers.

When asked about the situation in the House of Commons, the current Minister of Finance, and I know because I asked some of these questions myself, made a vague reference to discussions between Barbados and Canada with respect to the treatment of income of international business corporations and the repatriation of active business income to Canadian firms. Basically, he stonewalled.

And again today, when the revenue minister had the opportunity to say "we are going to close off these loopholes, we know there is a problem here", she basically dismissed this argument as partisan. I cannot understand why the minister would do this, except that maybe she wants to keep her job and thinks that once the new prime minister is in place she will still be in cabinet.

There has been a lot of talk about Liberal arrogance. Imagine the nerve of the government allowing these tax havens to exist and allowing some people to bring their dividends home tax free, while at the same time the revenue department has been accused, and I think rightly so, of harassing the mom and pop operations, the corner stores across the country, which have to put up with audits all the time.

So there is one set of rules for small business and individuals in Canada and another set of rules for the elite. It is galling enough that it involved the former minister of finance. Now he aspires to be even higher in government. He wants to be the prime minister. How can this man relate to the Canadian public? Most people who do not want to pay taxes in Canada think our taxes are too high. We have Canadian professionals coming right out of university saying taxes are too high and they are going to move to the United States. But they then go and live in the United States. They do not try to have it both ways. They do not try to avoid paying tax in Canada and then try to enjoy all the benefits of the Canadian system that those taxes generate from other people. It is absolute hypocrisy. I think it is hypocrisy of the worst kind.

I hope very much that this is exposed in the run-up to the next election. I think it is going to be a huge issue, which needs to be dealt with. It seems to me that a person who aspires to be prime minister should be able to relate to the Canadian public. He should be able to relate to the person who says that these high taxes are hurting us.

High taxes are hurting us, and the taxes are being collected for what? They are being wasted on ad contracts. We have a big RCMP investigation of the Liberal Party itself in Quebec right now. We had the HRDC scandal, when they lost a billion dollars of taxpayers' money. How does that relate to someone in this House who is in a position of authority and does not have to pay any taxes, saying, "Oh, that does not really bother me that much, because I do not pay taxes." I think that is the height of hypocrisy and he should pay a heavy price in the next election.

•(1115)

**Mr. Alex Shepherd (Durham, Lib.):** Mr. Speaker, one of the words the previous member used was hypocrisy. As I listened to his speech I thought what great hypocrisy that that party has today in the House. Essentially what members of that party are saying is that Canadians who are successful business people have no place in the country's decision making process.

I have practised as an accountant for many years and there is a difference between the definitions of avoidance and evasion of income taxes. Avoidance is the things that one does in the normal operations to try to reduce one's taxes. Today when people buy an RRSP, they are avoiding paying income taxes. Does the member suggest that those people should also somehow be victimized by the system, that people who use the system to reduce their income taxes should also be subjugated and not eligible for elected office?

We live in a trading country. Canada's GDP represents about 40% of trade. Forty per cent of the income of our banks comes from off shore, from foreign sources. Are we suggesting that they stop doing that, that they stop being engaged with those countries around the world?

The fact of the matter is that the economic activities of Canadian companies do not just occur in Canada. They occur in other countries, and they are taxed or not taxed according to the rules of other countries. Does the member suspect that the opportunities exist in this country for people like that?

*Supply*

•(1120)

**Mr. Charlie Penson:** Mr. Speaker, I can only conclude that I now understand why the hon. member is no longer an accountant, because to suggest that Canadians who buy RRSPs pay no taxes on them is simply not true. Tax is delayed, but as soon as they take the money out of course they have to pay taxes. That is unlike the companies that are bringing dividends home through a very elaborate scheme, a scheme that does not meet with the approval of auditors general in this country who are obligated to look at whether Canada and Canadian taxpayers are being well served. It is unlike those individuals who are bringing the dividends home and paying nothing on them in terms of Canadian taxes. Canadians who have RRSPs will pay tax to the government as soon as they start to take the money out.

The member asked the question of whether people should not be allowed to be in office just because they are successful businessmen. That is not the case at all. But I think that those who are trying to misuse our system certainly should not be in office, especially those who simply cannot relate to the average voter out there, to the average person who has to earn a paycheque and sees the government taking bigger and bigger amounts out of that paycheque every month.

In fact, in 1997 when I was campaigning I just happened to be in a heavy duty equipment shop. A person there told me that his take home pay was less than it had been 10 years before. I said that I did not think so, and he said that it was and he showed me his pay stub.

That is what is happening. Our standard of living has declined under the government, under a series of governments for 30 years. Our productivity is now only 80% of that of the United States, our major trading partner.

The member talked about companies that are deriving their incomes from off shore. I would suggest that most of that is not off shore, it is from the continent. Eighty-seven per cent of our trade is with the United States and it does account for a very big part of our GDP. I do not discount that. But these same companies are only 80% as efficient in terms of productivity.

The industry committee over a number of years has done a series of studies. One of the main culprits time after time is the high level of government taxation in Canada, because government is 11% bigger in Canada than it is in the United States. The same Liberal government over there will argue that it is health care, but health care accounts for about 2% of that 11%. A lot of the rest of it is wasteful spending, and being in areas of business it should not be, and high degrees of regulation. That comes up time after time.

Who was in office during all this time? The same party of the member who asked the question, the same party to which he belongs. I suggest that the Liberals are the biggest part of the problem. When the former finance minister who now aspires to be the prime minister cannot understand or relate to what Canadians are paying in taxes because essentially he does not have to pay any, it seems to me that there is a big problem.

**Mr. Rick Casson (Lethbridge, Canadian Alliance):** Mr. Speaker, it is good to speak to this issue because it is very important. My colleague who spoke previously laid out some glaring

problems with the tax system in the country. The system is double tracked. There is one set of taxation rules for mom and pop and the people who get up every day and work hard for a living and there is another set of taxation rules for corporations and people who can manipulate all the systems at their disposal to avoid paying tax. The only place that a working person can put some money away to avoid paying tax is into an RRSP and the tax is not forgiven, it is deferred. When that money is taken out the tax is payable.

This summer has been one which I will never forget, nor will many people in our country forget. Out west we have had drought, forest fires, grasshopper infestations and smoke in the air. Some days when getting out of bed one would just wonder what one was doing. BSE affected the country from coast to coast and is still an ongoing issue that the government has not solved. Our border is still closed to beef, to cattle. It goes on and on.

One of the groups affected this summer by the whole BSE issue is the trucking industry. When this thing hit there were 1,000 cattle liners in western Canada working every day moving cattle around. Since this has happened, the vast majority of trucks have been parked. One of the things we asked for immediately after this happened was that the government forgive the tax on fuel for the truckers so they could at least save that amount of money, but no way.

The billions of dollars that the government takes in taxes out of the pockets of hardworking truck drivers and everyone else in the country who drives a vehicle go into general revenue and get lost. The country's roads, highways and infrastructure are falling apart. The people who are paying the tax through gas taxes have to drive on those highways to make their living and it is appalling. It is breaking them. It is costing in maintenance. It is hard on gas mileage. For a government that thinks it is green to the core, it is absolutely unbelievable that it would not do something to improve the infrastructure program so that people who are trying to make a living can do that on the infrastructure that is available.

Let us look at income tax. Why is the government not reducing income tax for people who are trying to make a living and put food on the table? Let us look at our payroll tax. Let us look at almost \$50 billion in overtaxation that goes into the general revenue of the government through payroll deductions through the EI program. It has been suggested by the Auditor General that that reserve could be a fraction of what it is and still handle any downturn in the economy, but no.

The government promised to get rid of the GST, but it is rolling in it. Also it put GST on top of the gasoline tax, which is a tax on a tax. It just goes on, and the spending goes on. It is unbelievable that the government can go on.

### Supply

My colleague mentioned productivity. No wonder productivity is down. Who wants to get up and go to work for half of the year to pay the government its tax bill? How are we going to buy homes and vehicles? How are people who are trying to raise and educate their children going to get by when half of what they earn goes to the government to feed an over-blossomed government that does not deal with the issues at hand?

Perhaps some Canadians may go to a financial adviser who will tell them to borrow some money and invest it so they can deduct the interest payments. That is a great idea. It is a wonderful idea that allows Canadians to invest a bit of money back into the country.

However, a corporation dealing with a Barbados subsidiary can borrow the money and get the tax break on the interest, but it is invested in Barbados, in a low tax jurisdiction. Then the earnings that come back from the investment in Barbados can go into a U.S. subsidiary and come back into Canada tax free. It is not good enough that one can borrow the money and get a deduction on the interest, one can go through this double dipping process, which I think is more like money laundering, and get another benefit. Where are our priorities? Where are the government's priorities?

• (1125)

We have tax treaties with I believe it is 79 countries. I suppose there are some that are reasonable. In 1972 there were 16 and now there are 79. The ones that have been structured specifically for the benefit of people in a position of power are wrong. People who are in a position to make decisions and make laws which come back to benefit them in any way, we all know that this is wrong. It is a conflict of interest and it should not be allowed to happen.

Let us encourage corporations, Canadians, everybody to invest in Canada. If this country had a tax regime that allowed people or businesses to keep a few bucks, they would invest it in their businesses. They would hire another person; they would get somebody working on research and development. Unlike some other parties that would tax corporations into oblivion and put everybody out on the street at soup kitchens, if we had a reasonable tax regime that allowed strong reinvestment back into the country, it would bode well for all.

Let us look at some of the tax treaties to get specific on what we are dealing with today and the motion that the Bloc has brought forward. Bloc members claim that tax treaties should facilitate information sharing and mitigate or eliminate double taxation. If they do that, what they are doing is doubling income on the other side. We have tax treaties with 79 countries.

Dividends received by Canadian corporations from foreign affiliates in treaty countries are exempt from tax at the corporate level to avoid double taxation. When that rule was put in place, it allowed money to come back from these offshore investments into Canada at a lower tax rate. The dividends received by Canadian corporations from foreign affiliates resident in non-treaty countries qualify for a credit with the underlying foreign taxes on income out of which a dividend is paid.

We can see when tax havens are created with these special countries it is creating a huge advantage for the industries or companies that deal with them. When the Canadian parent

corporation declares dividends to its owners, they pay personal income taxes on the dividends although at a reduced rate because of the dividend tax credit.

It is set up in such a way that we see this double dipping idea. Money can be borrowed, invested in a country, create income there and bring it back through the back door and pay a lower tax on it. At the same time hardworking Canadians are getting whipped through the EI system. It makes me wonder what priorities the government has.

I have to go back a few years and my colleague alluded to this when he proposed that there could be \$100 billion tax cut in Canada. That perked people's ears up. That is a lot of money. How could that be done? We showed how we could do that over a number of years. Lo and behold a few years later because it became such a popular idea, the government across the way thought it could do it as well. But the Liberals were going to do it in a vastly different way.

Taxes have continued to remain high, some of the highest in the world. We would have done it through cutting a little of the wasteful spending and there are quite a few places as is becoming more apparent every day. A lot of money is being spent on things in this country that I do not think taxpayers appreciate very much. It gets into the billions of dollars in some cases.

It gets into advertising contracts that were issued and a percentage of the contract was paid to the person who delivered the cheque. Are there not enough people working in government who could do that without having an outside firm make a percentage of every cheque that is delivered?

People hear about this and then they have to get up every morning and work hard, and in a lot of cases both mom and dad have to work just to get by. The country's cattle industry is on its knees and these things continue to go on. Canadians are fed up with what they are seeing and the only way they are going to have change is to change the government, in the next six or seven months. We are going to give them some options in the next three months which will make it pretty clear who the government should be instead of that bunch over there.

• (1130)

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, I am interested in the comments of the hon. member because I thought his party supported a rules based international trading system. I assumed that his party was one which believed in a simple taxation system. I assumed his party believed in transparency and predictability. Yet the position of his party seems to be that we should unilaterally cancel these tax treaties. The member mentioned that we had 79 around the world.

At the same time the member would suggest that we forget a rules based system, that we simply eliminate and terminate it which will have the effect of affecting 1,700 companies that do business in Barbados. As the member knows, we are continually reviewing these. We have been reviewing them since 1994, with the latest review in 2002.



How does the member reconcile the fact that on the one hand I believe his party supports a rules based system and on the other hand it would today, if that party were in power, simply terminate or abrogate the agreement?

• (1135)

**Mr. Rick Casson:** Mr. Speaker, another rules based system that we support is the rules based trade. We just saw the government at meetings in Cancun, Mexico with the WTO which utterly failed. It was an opportunity that the government had through a rules based system to make some headway and it went nowhere.

We heard about the EU, we heard about the U.S. and we heard about developing countries. Where was Canada? It could have been bridging the gap between some of those countries and doing what it was supposed to do?

I think the diminished position of Canada on the world stage created by the government is causing some of this lack of talk on our behalf.

Last year \$1.5 billion was returned to Canada through this double-dipping system tax free. We are not talking about eliminating all of it. We are talking about eliminating the double-dipping that allows this to go on. Two auditor generals have said that something needs to be done. It is ridiculous and it just keeps going on and on.

As we look at this and try to be realistic, it is too bad the Minister of National Revenue avoided a lot of the key issues in what the motion is presenting today and did not address them. It would have been good to hear her do that but she chose not to. I guess that is her choice.

However when will the government get serious about creating an atmosphere in which entrepreneurs, industry and risk takers can flourish? On the one hand we have a tax system that rewards a few at the top of the scale. On the other hand we have a tax system that gets in the way of initiative, productivity and people. They look at their tax returns at the end of the year, whether they are a mom and pop business or a mom and pop home trying to get by, who ask where all their money has gone. They have worked hard all year, done their part but where has their money gone. When they look at it, there are payroll deduction taxes, income taxes, gas taxes and tax and tax. It just gets to a point where it stifles creativity and hard work.

That is the underlying problem. Most people say to us, as politicians, "Just give me a chance". When they come into our offices, they are not looking for non-repayable grants. They just want a chance to use their initiative, to use the few dollars they have put together to create a business that they know will succeed if just given that small opportunity.

As I indicated, if we could just possibly do that as a country, then we could create this kind of initiative. However it will not happen. It is certainly will not happen over the next seven months until the next election. Hopefully it will happen after that next election with a new government that respects the individual people in the country who work hard, that respects the dollars in their pockets and will not take those dollars away from people when they need the money for themselves.

### Supply

[Translation]

**Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP):** Mr. Speaker, to start with, I would like to congratulate the Bloc members, especially the member for Joliette, for putting forward this motion and for this very important initiative.

It is astounding that we as members of Parliament have to debate this matter this year, at this point in our history. It is astounding that we need a motion to ask the government to put an end to our tax convention with Barbados, a tax haven that allows wealthy taxpayers and Canadian corporations to avoid their tax obligations.

• (1140)

[English]

It is incredible that we are here today debating a motion calling on the government to close tax havens. How is it possible in this day and age that such havens still exist? How is it possible, given all the rhetoric of this government, all that commitment about accountability, transparency and integrity, that such loopholes still exist in our society today? I want to address that today.

I want to indicate at the outset that I will be splitting my time with the member for Winnipeg Centre. We both have a lot to say about this issue, particularly since coming from Winnipeg we have had very close hand experience with a similar issue, and that is project loophole.

Members of the House may recall in fact that it was a Winnipegger by the name of George Harris with the support of an organization, a social justice coalition called Choices—

**Mr. Pat Martin:** A Canadian hero.

**Ms. Judy Wasylycia-Leis:** Yes, as my colleague from Winnipeg Centre said, a Canadian hero who took up the matter of a decision by the government of the day back in the early 1990s to allow a wealthy family in Canada to ship \$2 billion out of the country to avoid paying taxes. In fact that family, that corporation avoided paying taxes to the tune of \$700 million.

That was \$700 million lost to this country that could have been put to good use in terms of restoring important programs in the areas of health, education, social services, agriculture, urban infrastructure, the elimination of poverty and the list goes on and on. Yet this government permitted that loophole. Of course, typical Liberals in Canada today do nothing and organizations have to find the money to take these issues to court, to fight it all the way through, as George Harris did, to the Supreme Court.

I think it is interesting to note that on December 19, 2001, Judge Eleanor Dawson made a ruling and at that time she stated:

It is astonishing that senior officials at Revenue Canada failed to keep minutes of certain meetings where crucial decisions were being made. It is axiomatic that poor practices of this sort has the potential of compromising public accountability.

Here we are today in 2003 dealing with a blatant example of that kind of axiomatic practice, the kind of issue that causes Canadians to question the very purpose of elections and democracy in the country. This touches on a very important issue in terms of not just finances and fiscal policy and revenue, but in terms of confidence in this place, in Parliament, in the democratic process and in electoral procedures. We have to address this.

*Supply*

I hope that although it has taken a heck of a long time to get to the point where we are having a wide open debate on this issue the Liberals will once and for all try to resolve this issue, although it will be very difficult for them to do so because I think one of the reasons we are in this mess today is because the former finance minister, who is soon to become the next leader of the Liberal Party and possibly even the prime minister of this country, is really the mastermind behind this kind of unacceptable behaviour and practice.

**Mr. Pat Martin:** The architect.

**Ms. Judy Wasylycia-Leis:** As my colleague from Winnipeg Centre said, the architect of this absolutely despicable practice in our society today.

We are talking about tax havens. There is something wrong with tax havens, is there not? First, offshore tax havens provide a blank cheque to corporate business to avoid their fiscal and social responsibilities. We know that. It is money that is lost to us which could have been used for important services that we and the government have an obligation to provide the people of Canada. We are talking about a lot of money. The tax rate for corporations in Barbados is 2.5%. That is one-tenth of the Canadian rate.

• (1145)

It is not just New Democrats and other opposition members saying that. The Auditor General said that last fall in her report. She said that Canada loses hundreds of millions of dollars through tax havens. She cited at that time the Barbadian example. She said that the 1995 effort to close tax loopholes was insufficient.

That is one reason why we need to address this loss of revenue and this tendency on the part of some in our society to skirt the law, to find ways around the law, to look for loopholes.

The second reason is that tax havens also harm Canadian workers, not only are jobs shipped out of the country but labour standards and practices are out of line, much less stringent than Canadian standards. Union protection may be denied, workers work under lower safety standards and receive less pay and benefits than they would as Canadian workers. That is important.

Let us go back to the former minister of finance because he at one point recognized the negative aspects of tax havens. He actually stated:

What we've really got to do is go at these tax havens on a global basis.

Others have referenced this but let us remind folks that in his 1994 budget speech the former finance minister actually said:

Certain Canadian corporations are not paying an appropriate level of tax. Accordingly, we are taking measures to prevent companies from using foreign affiliates to avoid paying Canadian taxes which are otherwise due.

As New Democrats we certainly supported that initiative and, in fact, there was some tightening of the tax laws in 1994. However, as we know, the former finance minister, the member for LaSalle—Émard, did not shut down all the tax havens, did he? Across the Atlantic he kept Barbados open. Interestingly, that is exactly where CSL went.

I want to read an exchange that happened between representatives of CSL and members of the *Disclosure* program where many of these series of developments were exposed.

The question: "Why did you move your shell companies to Barbados in 1995?" The answer: "We moved them to Barbados because of the change in the Canadian tax rules".

The question: "Was [the former finance minister] aware of this—when you moved to Barbados in 1995?" The answer: "[The former finance minister's] assets are in a blind management trust".

The question: "Was he part of this decision to move to Barbados?" The answer: "This is a question that you should ask Mr. Wilson [Federal Ethics Counsellor]".

The question: "Was this discussed at any of your meetings?" The answer: "These are all questions that should be put to Mr. Wilson".

We put those questions to Howard Wilson but, interestingly, he could not reveal details of those meetings without permission from CSL and from, guess who, the former finance minister.

There were more exchanges between *Disclosure* and Mr. Wilson.

The question: "What was discussed at these meetings?" The answer: "Well I'm, I'm not really in a position to go and tell you. These are matters that are covered by the Privacy Act."

The question: "We're just asking what went on in those meetings. And what was discussed in those meetings". The answer: "Well, you've got my answer on that".

The question: "We're not going to know?" The answer: "No".

Canada Steamship Lines now has nine shell companies in Barbados, eight of them at a lawyer's office near Bridgetown. They share the same mailbox and the same tax rate, 2.5%.

I rest my case. It is absolutely clear that we have to once and for all deal with this issue of tax havens and send a message to Canadians about the kind of person they are getting in the name of the former finance minister.

If this is what he is like in terms of his business dealings, if this is how he treats pensioners, as we saw out on the front steps of the legislature today with Voyageur bus, what is he like in terms of protecting the interests of Canadians?

[*Translation*]

**Mr. Pierre Paquette:** Mr. Speaker, I wish to thank the hon. member for her very eloquent speech. She has introduced fresh facts on the issue concerning the former finance minister and future Prime Minister.

I would like to know if, like the Auditor General, the hon. member is concerned that tax havens are eroding the Canadian tax base, not to mention that of Quebec and all the provinces. Does she think that the companies and individuals who are currently taking advantage of tax havens are setting themselves apart from the people of Quebec and Canada as a whole?

*Supply*

• (1150)

**Ms. Judy Wasylycia-Leis:** Mr. Speaker, I totally agree with the hon. member for Joliette that they are setting themselves apart from all Canadians.

[*English*]

It is absolutely clear that through this kind of practice we have a double standard. On the one hand the government is saying that Canadians should abide by the laws of the land but if they are a little late in paying their taxes we can be sure they will be nailed immediately and forced to pay penalties. Yet big corporations and people with wealth and influence, like the former finance minister, are allowed to break the laws of this country and operate in an area that is clearly unethical if not illegal. This causes all kinds of problems in terms of people's beliefs and faith in a system that should be fair for all.

This issue is important in terms of lost revenue. We know that billions of dollars have been lost in these tax havens. We also know from project loophole that \$700 million was lost because of one deal alone. We also know that the last big initiative by the former minister of finance was a \$100 billion tax cut which largely benefited the wealthy and big corporations in Canada today.

If we put it all together we have a system that is skewed, a system that is biased and a system that does not restore people's confidence in it as an equitable, fair system. We also have a lot of lost revenue that destroys the government's ability to do its job of meeting the basic needs of Canadians to ensure that we have an equitable society where everyone in this country has access to health care when they need it, housing when they need it, where farmers can get the support they need in the event of a crisis like mad cow disease, and where cities can have the resources they need to provide basic services for Canadians who desperately want to contribute back to society.

The member for Joliette is absolutely right. We have to stand together and resolve this issue once and for all.

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, the member talks as if nothing has occurred since 1994. I would like to refresh her memory.

First, in 1995 the government took steps to deal with the anti-avoidance rules of shifting passive income to foreign jurisdictions.

Second, in 1996 foreign reporting requirements were implemented to provide better law enforcement.

In 1997 the transfer pricing rules were improved to counter the potential for cross-border shifting of income.

In 2002 revised rules relating to foreign investment entities and non-resident trusts were proposed to help protect the Canadian tax base.

As the member knows, there are 1,700 companies in Barbados. We have 79 tax treaties. I assume the NDP wants us to rip up all of those tax treaties. She knows that we believe in a fair taxation system. We make sure there is no avoidance.

However In this case the member is suggesting to the House that somehow the government has stood still. In fact, we continue to have

ongoing discussions with Barbados and other countries. I would ask the member to reply as to how she considers this to be standing still.

**Ms. Judy Wasylycia-Leis:** Mr. Speaker, it is obvious that we are dealing with a glaring loophole that has not been addressed by the government. Yes, some progress was made in 1994; yes, some of the loopholes were dealt with; and yes, some of the laws were tightened, but the question for us today is: Why does Canada continue to have a treaty with Barbados to permit and encourage such harmful activity? I have not heard an answer from the government to that question. What message does this send to the business community and to Canadians in general?

The Liberal government is opposed to tax havens—

• (1155)

**The Acting Speaker (Ms. Bakopanos):** Resuming debate, the hon. member for Winnipeg Centre.

**Mr. Pat Martin (Winnipeg Centre, NDP):** Madam Speaker, I would like to begin by thanking the member for Winnipeg North Centre, the NDP finance critic, for so generously sharing her time with me. I begged for an opportunity to participate in this debate because this particular issue makes my blood boil.

I also would like to take a moment to compliment the member for Joliette, who had the good sense to bring this issue before the House of Commons today, for giving us the opportunity to debate it and to recognize the tireless contribution he has made in his efforts to bring some semblance of reason and fairness to the Canadian taxation system as it pertains to these offshore tax havens.

I agree with the member for Joliette and the member for Winnipeg North Centre that these tax havens undermine Canada's tax system. It is as simple as that. When individuals and corporations can legally and by design avoid paying their fair share of taxation it puts an added burden onto the rest of us.

I will be concentrating mostly on the corporation side and touch briefly on individuals who take advantage of these outrageous tax loopholes. However I accuse both of them of nothing short of economic treason for taking steps to deliberately avoid paying their fair share of taxes in the very country that gave them the opportunity to prosper, to flourish and to achieve certain wealth.

I believe the convention with Barbados should be terminated, as simple as that, for the simple reason that this is not a reciprocity agreement among equals. It is not as though we are dealing with France, Germany, Italy or other G-7 countries where we are trying to avoid double taxation, which would be unfair, we all agree. It is not reciprocity at all when 99.9% of the business is flowing one way in the 1700 Canadian businesses that are seeking to avoid paying taxes in Barbados. How many Barbadian companies are setting up in Canada to participate in our tax regime and benefits? It is completely one-sided. It is completely an arrangement of convenience for those who would seek to avoid paying their fair share of taxes and shortchange the Canadian people and certainly our taxation system.

*Supply*

In 1994 and 1995 the rules were addressed somewhat. They started plugging some of the more egregious, offensive tax loopholes. For instance, one could no longer deduct a bribe. Believe it or not, up until 1994 bribes were tax deductible. Granted, the former minister of finance, our future prime minister, plugged that one, but he specifically left exemptions big enough to drive a truck through, big enough to drive a—

**Mr. Scott Brison:** A ship.

**Mr. Pat Martin:** A ship through or a tanker. I thank the member for Kings—Hants for—

**An hon. member:** Or a bus.

**Mr. Pat Martin:** Or we could drive a bus through. These specific exemptions were left in out of self-interest, out of conflict of interest I accuse.

It makes me furious to think that they can get away with this and then look Canadians in the eye and talk about fair taxation when they, out of self-interest, specifically left in these tax loopholes for which they can take advantage. The man has more gall than Caesar, and he had all gall.

Surely one would think a federal cabinet minister would be patriotic enough to do his business in this country. Surely one would think Canadians would want a future prime minister to fly a Canadian flag on the ships he owns. Would that not be sort of a prerequisite of patriotism for someone who would seek the highest office in the land? It is unbelievable.

This is not just some left wing lobby group that dislikes corporations. This is not the whinging of a frustrated NDPer. Successive auditors general have continuously pointed out that we are being shortchanged, that we are losing opportunity and revenue, by design, deliberately, to shovel these benefits into the hands of corporations.

Let me deal with the banks for a moment because I do not have much time.

Certain Canadian banks are operating in tax havens which are even blacklisted by the OECD. Charter banks means we give them the exclusive right to certain financial activities and privileges, very profitable privileges, for instance, credit card transactions, cheque processing transactions.

• (1200)

Surely those Canadian charter banks that we call our own have an obligation to pay their fair share of taxes and not actively seek out every possible way to avoid paying taxes in this country. It undermines our tax base and our tax system. It undermines the quality of life we enjoy because we do value quality of life. We do seek to elevate the standards of living conditions for all people and that does take a tax regime that is higher than that of Barbados and higher than some of the other tax shelter countries.

It undermines our tax base when it puts Canadian companies at a disadvantage. Those Canadian companies that stay here and pay their fair share find themselves at an economic disadvantage against those who go out and participate in this economic treason. It gives justification for the Canadian Alliance to stand and say that

Canadian businesses are at a disadvantage to other global competition because in that sense it is true. Well, we should plug that loophole. It is that simple.

I wish to thank the member for Joliette for giving us this opportunity to remind the government in the twilight days of this Parliament to do the honourable thing, do what is right and put an end to this outrageous rip-off. I cannot say how disappointed and angry I am at this entire stink.

There is another tax loophole that the government has selectively left unplugged, and that is the whole idea that business fines are still tax deductible. In 1994 the government revisited this issue and made it so that bribes were no longer tax deductible, but it did not plug the loophole so that business fines would not be allowed to be tax deductible. Well guess what? The former minister of finance, the future Prime Minister, got the largest single fine in Canadian history for polluting the Halifax harbour with offshore dumping of bilge water or sludge or whatever pollutant into the water.

Happily the laws have not been changed, even though the government was made aware of this in 1994, 1996, 1997, and by my private member's bill in 1998, 1999 and 2000. It has had ample opportunities to change this but it does not want to plug that loophole because it is to the advantage of certain cabinet ministers in the government, specifically the owner of Canada Steamship Lines. It is outrageous.

My colleague from Winnipeg North Centre read some comments from the CBC television show that exposed this outrageous shell company situation that Canada Steamship Lines and other Canadian companies enjoy in Barbados. She pointed out that Canada Steamship Lines has nine shell companies in Barbados. All they are is a post office box. They do not produce anything; they do not generate anything. They do not build widgets in Barbados. It is not as though they are engaged in any activity other than providing a post office mailbox for Canada Steamship Lines so that they can avoid paying their fair share of taxes.

We should not tolerate it. Canadians should be in the streets with pitchforks screaming about this issue. Canadians deserve to be outraged. Unfortunately, I think they are getting jaded. They are getting used to maybe the way Ottawa does business. Well, it is not the way it does business as long as we have anything to say about it and as long as we have breath to expose this kind of issue.

How can the revenue minister, of all people, stand in her place today and defend what amounts to organized tax evasion; systematic, institutionalized, organized tax evasion? It puts these companies in the company of biker gangs and organized crime and other people who use the absolute secrecy of these offshore banks to disclose all kinds of criminal activity. That is who seeks these things out, those who do not want their financial activities known to others. That is who engages in this offshore banking regime that exists internationally. It does not say much for the company that they choose to keep when it is rogues, crooks and certain Canadian corporations that choose to avail themselves of these outrageous tax loopholes.

Talk about ethics and values being the operative buzzwords of Ottawa these days. Where are the ethics? Where are the values demonstrated by a cabinet minister in the Canadian government, exercising rights under these rules as they exist today? Where is the morality of it? We know it is legal, but is it moral? Is it ethical? No, it stinks to high heaven, and I, like most Canadians, am outraged. I, like all Canadians, thank the member for Joliette for allowing us this opportunity to lambaste the government on this issue today.

•(1205)

**Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP):** Madam Speaker, I appreciate the words of my colleague from Winnipeg Centre.

I would ask the hon. member to reflect a bit on a similar situation that we both dealt with in Winnipeg. The situation was the uprising and the uproar from folks in our communities who reacted negatively to the thought of one wealthy family in this country shipping money outside to avoid paying taxes.

I think it is relevant here. We are talking specifically about a tax haven in Barbados. We know there are other issues of concern that must be addressed. It would be important to make the connections with project loophole and to hear from the member for Winnipeg Centre what his impressions were with that struggle and how it fits with the issue we are dealing with today.

**Mr. Pat Martin:** Madam Speaker, I thank my colleague from Winnipeg North Centre for giving me the opportunity to share with the House some of the work done by a man that I consider to be a Canadian hero. Mr. George Harris and a group of concerned citizens in Winnipeg tried to take this issue of tax avoidance to the highest level.

This occurred when a Canadian family moved \$2 billion out of the country in family trusts without paying any income tax on that money at all. This was in complete contrast and violation to the existing rules. Somehow that family got an exemption.

George Harris learned that the statute of limitations was running out to appeal this outrageous shift of money by a Canadian wealthy family so that it would not have to pay taxes on it. I believe there was \$750 million that the family avoided paying. Imagine the difference that could make in an inner city riding like Winnipeg North Centre or my own or anywhere in the country.

Revenue Canada turned a blind eye to it. The deduction was originally turned down by Revenue Canada because the honest people that process tax and follow the rules said this could not be done. However, the government let the family do it anyway. The government then fought it in the courts every step of the way, so that the statute of limitations would expire so that no one could appeal. That was project loophole.

I nominated George Harris for the Order of Canada for his work in project loophole. Mr. Harris is in Africa today working in AIDS relief to his great credit. He is a Canadian champion who had the guts in a David and Goliath situation to take on the Bronfman family and take on the Mulroney government that gave that money away. Mr. Harris took on the Liberal government that did not have the guts to reverse that ruling by Revenue Canada and tax that money to the

### Supply

same level that every Canadian pays taxes on income and capital gains. Instead, the government turned a blind eye.

It was outrageous and a black stain on the history and legacy of the government that it would not listen to a group of concerned citizens as they fought this through the Federal Court. The Liberal government put up 20 lawyers to every one lawyer that this citizen could bring forward in Federal Court to oppose and defend the actions of the government in foregoing the \$750 million of money that was rightfully ours. It was our money and we let it slip away out of the country. The government turned its back on it and it was a disgrace.

[Translation]

**Mr. Pierre Paquette:** Madam Speaker, I wish to thank the hon. member for Winnipeg Centre for his excellent remarks. I think he illustrated well how tax havens, and Barbados in particular, establish tax practices which are extremely prejudicial to our social programs.

I would like to ask him what he thinks of the fact that a brochure entitled, *Barbados: A Guide for Canadian Exporters* is available through the Department of Foreign Affairs and International Trade website. This brochure encourages Canadian investors to take advantage of Barbadian tax benefits. Is this consistent, in his opinion, with the approach of a responsible government, or is the government not promoting a tax haven at the expense of the interests of all Canadians and Quebeckers?

•(1210)

[English]

**Mr. Pat Martin:** Madam Speaker, I am absolutely shocked and appalled at what I have just learned from the member for Joliette. He shared with the House information to which all Canadians should be alerted this very moment. All Canadians should be made aware of what the member for Joliette has just brought to the attention of the House, that on the Canadian government's own Export Development Bank's website there is advice giving counsel to Canadian companies as to how to shelter themselves to avoid paying Canadian taxes.

Has the Canadian government lost its mind? What is wrong with this country? Has the world gone mad? No, not the world, perhaps, just the ruling party. The Liberals have lost their minds if they want to counsel and advise their buddies on how to avoid paying their fair share of taxes in this country. It is a travesty. It is shocking and appalling. I think this is worthy of a news conference immediately to tell Canadians.

Look what Revenue Canada does if ordinary Canadians fail to pay their taxes on time. It hounds them mercilessly. It garnishees their wages. It takes their homes. It literally hounds them to their graves to collect every \$50 in back taxes that some poor slob failed to remit to Revenue Canada. Yet it advises and counsels—

**The Acting Speaker (Ms. Bakopanos):** Resuming debate, the hon. member for Kings—Hants.

**Mr. Scott Brison (Kings—Hants, PC):** Madam Speaker, it is with pleasure today that I rise to speak to this motion. I think it is a very important issue that the member from the Bloc has raised. I want to point out some aspects of this issue that I do not think have been adequately addressed so far in the discussions today.

### *Supply*

Everyone recognizes that tax treaties exist to avoid double taxation. As such, the notion of tax treaties is not the issue here. The importance of us having tax treaties is unarguable.

The tax treaty with Barbados is a special case because of the fact that there is a disproportionate percentage of Canada's foreign direct investment in Barbados that does not make sense given the size of its economy and the nature of the investment.

I would argue that we should be talking about a multilateral effort, working particularly with the OECD, which has done a lot of work in this regard, and with our other trade and economic partners to eliminate this kind of negative use of tax levers to create tax havens which ultimately take from the Canadian economy and other industrialized economies significant wealth and ability to invest in some of the programs that are important to ourselves domestically.

I would argue that it would make more sense to renegotiate the tax treaty with Barbados rather than to unilaterally scrap it. I think we ought to do that with other countries, including the United States. One of the difficulties with simply scrapping the treaty is that companies that have made significant borrowing and investment commitments based on the current tax laws would only have six months' notice. I do not think that termination notice of six months would be adequate.

We also cannot ignore that as a country we do not live in a vacuum. Barbados has tax treaties with other jurisdictions, including the United States, so we need to work with those countries, the other countries with whom Barbados has tax treaties. I think unilateral action in this matter rather than a more multilateral effort could result in Canada losing a lot of its ability to work effectively.

The other thing that could happen as well with unilateral action is that we could see a lot of corporations in Canada that currently have relationships based on the tax treaty with Barbados conceivably moving operations from Canada to the United States, as an example. To pursue this unilaterally without discussion with other countries with whom Barbados has tax treaties I think would be folly. There is a lot of work that needs to be done beyond simply cancelling our tax treaty with Barbados. I think Canada has a very important role we can play, working with our trading partners. Pursuing this under the auspices of OECD and other international organizations, I think we could actually achieve a lot more in really addressing this issue.

I think it is also important when we are talking about tax treaties to consider tax policy in a more macro sense and thus consider the impact that tax policy has today on investment decisions. Twenty years ago, tax policy was not as important as it has become today as a lever to create investment, growth and prosperity. In the old days before more economic integration globally and in a time when there was less competition, high taxes tended to redistribute income. Today, high taxes can redistribute people, talent and capital.

● (1215)

People, particularly talented people, and capital have never been as mobile as they are today. If we look at the economic success stories of the last 10 to 15 years, it is hard to ignore the degree to which tax policy has played a critical role in shaping those successes. Ireland had a 92% growth in GDP per capita largely based on an innovative and aggressive tax strategy. Ireland is a relatively small

country on the edge of the second largest market in the world. Canada is a small country, by population and economic perspective, that is on the edge of the largest market in the world.

I believe that as a country we should stop simply talking about northern tiger when our tax policy means that we are likely to remain a northern kitten for a long time. It is time for us to actually become that northern tiger, to earn our stripes by presenting a bold, new, innovative tax strategy focused on making Canada a magnet for capital and talent, as opposed to a repellent, by having a tax system that rewards hard work and investment instead of attacking ambition and initiative.

The kinds of ideas I would like to see incorporated in that tax reform would be to eliminate the capital tax immediately, not phase it out over a period of time, and to eliminate capital gains taxes in Canada, which we did not have before 1971 when they were brought in to replace the inheritance tax. Bringing in the capital gains tax to replace the inheritance tax made Canada a good place to die but not a good place to live. The fact is there is no tax that does more to hurt investment and, as such, hurt productivity. Whenever anything is done to reduce levels of investment, it is an attack on productivity. Whenever we attack productivity, we attack the standard of living and the capacity to develop a better standard of living for Canadians and our capacity to afford the kinds of social programs that Canadians value.

I would also propose a significant overhauling of our corporate tax system. The government boasts that we have a lower corporate tax regime in Canada than many other countries. I have even heard the Minister of Finance claim we have lower corporate taxes than the U.S. That is patently false. The fact is that if we are only comparing statutory rates and ignoring effective rates, we are not actually talking in the real world. Our effective corporate tax rates are still among the highest in the OECD and need to be addressed if we are going to be serious about attracting levels of investment that can improve productivity and the standard of living of Canadians.

The dean of the Rotman School of Business at the University of Toronto, Roger Martin, has proposed, among other things, the idea of radically changing our capital cost allowance structure to in fact allow corporations to write off on a cash basis investments in new equipment and productivity enhancement immediately as opposed to more gradually over a period of time or amortizing the benefit over a period of time. It would be a radical step that would provide a huge advantage for Canadian companies and a tremendous incentive for Canadian companies to invest in productivity enhancement. That is one idea.

*Supply*

I propose that we eliminate corporate welfare in Canada, that we take the money currently going to Canadian companies through HRDC or Industry Canada or regional development programs, and use that money to reduce in a significant and broad based way corporate taxes in Canada. One example would be in Atlantic Canada, where the budget of ACOA, the regional development program, is \$447 million per year. The total federal corporate taxes for Atlantic Canada are \$380 million per year. The capacity exists without costing the federal treasury any money to actually eliminate federal corporate taxes in the region and at the same time have \$70 million left over to invest in important infrastructure.

• (1220)

We can ask ourselves the question, or more important, we can ask Atlantic Canadian business people in small, medium sized and, in some cases, large businesses. Which would be more beneficial in terms of increasing their capacity to create jobs, wealth and prosperity for Atlantic Canada: 500 ACOA bureaucrats telling people how to start small businesses or one of the lowest corporate tax regimes in North America and in fact in the world? If we were to leave just provincial corporate tax rates in Atlantic Canada, we would in fact have corporate tax rates in the 12% range, which would be very close to those of Ireland, just as an example.

It is self-evident that tax levers create greater opportunities for wealth, prosperity, growth and opportunity than direct subsidies, because businesses, business people and entrepreneurs will make the decisions where to put the money. It will not be politicians and bureaucrats. Politicians and bureaucrats do not do a very good job of selecting winners from losers. Actually, that is not completely fair. Usually they do a good job of picking losers. It is just on the winners' side of the ledger that they do not seem to do as well.

As someone who started his first small business in Atlantic Canada at the age of 19 renting compact mini-bar fridges to students and building a business with over 1,000 refrigerators, by the time I graduated from university I could have been called a fridge magnet. Nobody on the other side of the House got that; maybe I should explain it.

The fact is that we can create more growth and opportunity across Canada if we have the courage to reform our tax system. That cannot be done unless we, in lock step with that, address our regional development strategies and our strategy in terms of investments in business through Industry Canada and HRDC.

I would also propose on the personal side that we eliminate RRSP limits in Canada. That would create huge opportunities for tax deferred savings, not tax write-offs but tax deferred savings. It would create a situation whereby a lot of the tax revenue would be deferred to the future when there is a demographic issue, when Canada will need significant tax revenue at a time when there will be less people working, more people retiring and more burden on the health care system. Eliminating RRSP limits would shift a lot of the tax revenue to the future at a time when it is going to be extremely important.

It would also eliminate a lot of the incentive for young Canadians, talented Canadians and educated Canadians to move to other tax jurisdictions, including the United States, again without giving up tax revenue over their life cycle but simply deferring it to the future. I think we would do a lot to address the brain drain issue with that

kind of approach. It makes a great deal of sense when we consider the types of people we are losing to the United States. It is not just the numbers; it is the quality of the talent we are losing. Also, we are not just losing them for three or four years. We are losing people at middle and in a lot of cases higher income levels, who are going to the United States, starting off their careers and in many cases planting roots, becoming established and staying there.

I lived in New York between 1991 and 1996, when I returned to Canada. Many of my friends in New York were expatriate Canadians and most of them are still there. Sadly, I will inform the House that I do not believe they are coming back. They are now rooted there. In many cases they have established families and are enjoying a standard of living in the United States superior to that which they could afford here in Canada. Even when we talk in terms of the advantage of our health care system, these people, through their companies, have private health care insurance, so in many cases they have not just lower taxes but also a better health care system in terms of the degree to which the health care system exists for their own families and their own situations.

I think that we as a country have to become very strategic, not just in terms of our tax policy but in terms of our social investment policy. We have to be smarter about how we spend money.

• (1225)

We hear of the levels of waste that exist in the federal government. This week, just as a tip of the iceberg, one ministerial aid has spent something like \$30,000 on meals over a period. I am sure if the Canadian Restaurant and Foodservices Association had a political staffer of the year award, it would probably go to this individual. That is just tip of the iceberg stuff.

Anyone in the House who would deny that there is no waste in government is delusional. There is an opportunity for us to reduce waste, to target government activities in areas where there is a real reason for the government to be participating and there is an ability for government to play a constructive role in improving the lives of Canadians and to get out of the rest of those areas, to stop interfering with provincial jurisdictions, as a federal government, to help provide provinces with the fiscal tools they need and the fiscal capacity in taxing power that is required to provide the constitutionally mandated services of health care and education and to stop micromanaging as a federal government.

### Supply

There are a number of areas where not only on the expense side can we spend more wisely but on the tax side we can tax more wisely. Renegotiating tax treaties is one part of the equation. Again, we should be renegotiating tax treaties and working with our trading partners in a multilateral approach to Barbados and other tax havens. Beyond that I cannot over-emphasize the need, in lockstep with that approach, for Canada to introduce the kinds of tax reform that can truly revolutionize the Canadian economy and create the kind of growth, prosperity and opportunity Canadians deserve. To fail to do that and to simply go in a hyper-competitive billable economy where talent and capital have never been as mobile as they are right now would be folly.

I hope I have been able to bring a different approach to this debate and I hope that in consideration of this motion all members consider the need to reform Canada's antiquated tax system that is currently hurting opportunities for Canadians here. It is holding us back. Let us consider just for a moment the opportunity we have as legislators to make decisions today to reform Canada's tax system in a way that we can look back in 5, or 10 or 20 years at our having played an important role in making Canada truly a northern tiger instead of simply talking about Canada's desire to be a northern tiger.

• (1230)

**Mr. John O'Reilly (Haliburton—Victoria—Brock, Lib.):** Madam Speaker, I always enjoy listening to the member for Kings—Hants. He brings a whole different perspective into the fiscal reality of Canada. I know he calls himself a fridge magnet in a different sense of humour. As an entrepreneur in university, he invested in small fridges. Every student took him up on it and he made his first million or two there, and I congratulate him for that.

When he was talking about winners and losers, I hope he was not talking about the recent convention that he just went through. If he was, then he is suggesting that they picked a loser and that he was really the winner. I hope he will clarify that.

On the serious side of it, I hope he would take some time to expand on his theory on the elimination of capital gains because I believe that elimination would generate a lot of money and investment in the country. I wanted to give him an opportunity to expand on that.

**Mr. Scott Brison:** Madam Speaker, with regard to the first point, the Progressive Conservative Party won because we actually had a leadership race. Canadians won because they were glued to their television sets watching a contest as opposed to a party where the leadership candidates are limping to a finish.

Canadians are concerned because there is a stark realization that Canada is one heart beat away from having the current Minister of Canadian Heritage as prime minister. If the member for LaSalle—Émard were to step in front of one of his Voyageur buses as an example, I would be very afraid as would Canadians.

I was proud to participate in the leadership selection process that resulted in the Progressive Conservative Party selecting a new generation of leadership in my leader, the member for Pictou—Antigonish—Guysborough, under whom I am proud to serve in the House and on the hustings and doorsteps of Canadians.

On the second question, in terms of capital gains, the government has reduced capital gains inclusion rates somewhat but has only gone so far. The problem with tinkering is that in the hyper-competitive global economy and in the investment community, tinkering does not get noticed. What would get noticed and what would create a great deal of interest in Canada is if the government were to take the bold step that our party presented in the last federal election and eliminate federal capital gains tax completely thereby creating a huge unlocking of capital in Canada.

Capital gains tax results in people making decisions based on tax decisions, not on economic decisions, and it locks up capital. Whenever capital is locked up a static situation is created which prevents capital from going where it ought to, to create jobs and opportunities in the most productive place. We presented that in our last platform. In fact I was co-chair of that platform process. I urge the hon. member to read that platform because it was a great platform and well regarded by all four Canadians who read it. Perhaps he could be the fifth. If more Canadians had read it, they would have voted for us in the last election as well. Maybe he will join us in our fight for a more competitive tax system on this side of the House.

[*Translation*]

**Ms. Pauline Picard (Drummond, BQ):** Madam Speaker, I would like to thank my colleague from the Progressive Conservative Party for his remarks, and I would like to ask him the following question. Does he not find the role played by Canada on the international stage with regard to tax practices somewhat troubling? For example, on the Department of Foreign Affairs and International Trade web site one can read the following:

Canadian banks have long had a successful presence in Barbados, and its important offshore financial sector is led by Canadian banks and insurance companies. Canadians now account for 90% of Barbados' offshore banking.

In view of the fact that that country is a tax haven, does my colleague not find it somewhat shocking to find such propaganda on the DFAIT web site?

• (1235)

**Mr. Scott Brison:** I totally agree with my colleague. That is dishonest on the part of the Department of Foreign Affairs and International Trade.

[*English*]

If Canadian businesses want advice in that regard they can call their tax accountants. It should not be given by the federal government.

We have to do more than simply cancel one tax treaty. We should not only be renegotiating that tax treaty, but we should also working with other countries that have tax treaties with Barbados to ensure that we are not putting our own Canadian companies at a disadvantage.



The discussion today has been about one specific group of companies, those companies connected with the member for LaSalle—Énard. However the fact is that if we look at corporate Canada and the number of Canadian companies that have relations offshore with countries like Barbados, I would argue that we would find a lot of Canadian companies. This is a very broad based issue. If we simply arbitrarily close that loophole, we could be sending some of those Canadian companies to the U.S. which has a tax treaty. Anything we do has to be multilateral. We have to work with countries like the U.S. to ensure we do not put Canadian companies at a further disadvantage.

[*Translation*]

**Mr. Pierre Paquette (Joliette, BQ):** Madam Speaker, I heard the answer given by the member to the member for Drummond. I believe we all agree that we must act multilaterally. As a matter of fact, the second part of the motion proposes that Canada play a leadership role in the elimination of tax havens.

There is something a bit odd with regard to Barbados. Not only did the former finance minister, who has since transferred his assets to his sons, have an office there, but it is the only tax haven with which Canada has a tax convention.

Some 35 countries or territories are considered tax havens, and Barbados is the only one with which Canada has a tax convention. We do not have any with the other ones, be it Bermuda, the Bahamas—to name just a couple. What is really worrisome is that we chose to have a tax convention with only one country considered a tax haven. And it just happens to be the country of choice of the big Canadian banks and a number of corporations including Canada Steamship Lines.

I would simply like to ask the member whether he agrees with the Auditor General that it is a problem, that it erodes the tax base and that, as a result, people like him and me who pay their taxes have to pay higher taxes because others are avoiding their obligations.

I would like to know what the member's thoughts are on this.

[*English*]

**Mr. Scott Brison:** Madam Speaker, I agree that we are robbing the Canadian tax base in our ability to pay for the social investment and also to create a more competitive tax system in other areas of Canada with a tax haven. However we have to address it, working with other industrialized countries that have a tax treaty relationship with Barbados and other tax havens.

This is an area where Canada could play a leadership role. We have a Canadian who is head of the OECD. There is a real opportunity. In fact, I believe Don Johnston was a former minister of finance in Canada or was at least a minister on the fiscal side in the Trudeau government. We have a Canadian, a former cabinet minister of Canada, heading up the OECD. What better entree for Canada to play a leadership role in helping to shape this process?

I would like to see Canada playing that role, and I agree absolutely with the intention of the hon. member to create more tax fairness for all Canadians and to make sure that all Canadian companies are paying their fair share. However if we do that and ignore the realities of what other countries do in similar circumstances, we could have the law of unintended consequences which could lead us to losing an

### *Supply*

awful lot of our Canadian companies to other jurisdictions. That would not be in the interests of any of us.

• (1240)

[*Translation*]

**Ms. Pauline Picard (Drummond, BQ):** Madam Speaker, it is a pleasure to rise to speak to the Bloc Québécois motion moved by my colleague from Joliette. This motion states:

That, in the opinion of this House, in order to ensure tax equity, the government should terminate Canada's tax convention with Barbados, a tax haven, which enables wealthy Canadian taxpayers and companies to avoid their tax obligations, and should play a leadership role at the international level in activities to eliminate tax havens.

The timing is good because, only yesterday, we raised the problem of these tax havens and of tax evasion during oral question period and we did not get any meaningful answer from the Minister of Finance.

The use of tax havens is mentioned in what the media called "horror stories by the Auditor General" last year. The Liberal government is losing millions of dollars by allowing large businesses to transfer their profits to tax havens. This is what the Auditor General, Sheila Fraser, is denouncing. This is why the Bloc Québécois has decided to give parliamentarians an opportunity to express their concerns over a situation that is threatening the tax base. This is a significant issue, both ethically and economically.

Everybody pays taxes. It is not fair that the richest among us can get away with paying so little. There must be tax equity because all taxpayers have to bear the cost of tax evasion by some businesses, some banks and even some individuals.

The use of tax havens is an important phenomenon. Last year, the Canada Customs and Revenue Agency instigated an investigation on a scheme that allegedly enabled a dozen multinationals to hide \$1.1 billion from the taxman. Today, I had the impression that the minister responsible for the Canada Customs and Revenue Agency, who spoke on behalf of the government, did not remember that investigation; we heard that \$1.1 billion was sheltered from the tax system.

How did it work? It was brilliant. Large corporations simply put the Canadian subsidiaries into debt. The beauty of all this is that, on top of that, they obtained tax deductions from the federal government for their interest charges. The money that was borrowed was then invested in tax havens, depriving our economy of considerable revenues.

It is sad to think that 1.5 million children live in poverty in Canada, that we have no program to help them and that we allow large corporations to pocket \$1.1 billion.

The money that was borrowed was immediately invested in tax havens. These corporations did not have to pay taxes. It is unbelievable. This is not an isolated case. The Auditor General is concerned about the proliferation of these types of schemes, which are very lucrative for a handful of investors at the expense of the rest of taxpayers.

### Supply

What are the consequences of this little game? They are higher taxes for the rest of taxpayers or reduced public spending, which means cuts in social programs. The fact is that tax evasion is very costly for the majority of taxpayers.

I point to the findings of the Auditor General. Ottawa loses hundreds of millions of dollars in revenues because of tax evasion through tax havens. And it is not I or the Bloc Québécois that says so, but the Auditor General.

• (1245)

Therefore, our fellow citizens need to know that this problem, this threat to our economy, is growing.

Canadian investments in Barbados, a tax haven that the former finance minister and would-be prime minister knows well, have jumped by 3,600% since 1988, from \$628 million to \$23.3 billion.

**An hon. member:** That is incredible.

**Ms. Pauline Picard:** It is incredible. Besides “Paul the boatman” in Barbados, Canadian transfers to other tax havens such as the Netherlands, Bahamas, Bermuda and Ireland have also increased significantly since 1990, by leaps of 295 to 627%, according to figures from Ms. Fraser, the Auditor General.

Consequently, the tax convention between Canada and Barbados enables a number of businesses to avoid paying huge amounts of income tax. Barbados is a tax haven, according to the original definition by the OECD, the Organization for Economic Cooperation and Development. We are not inventing this: the OECD said it.

In my riding, I have heard people from the anglophone community say, when referring to the hon. member for LaSalle—Émard, “His mouth is in Ottawa but his cash is in Barbados.” That says a lot about what people think of him.

Some businesses avoid their tax obligations and do not even hide the fact. Each year in their annual reports, the banks boldly state the cumulative amount of tax they have saved.

In October 2001, the seven most industrialized countries—Germany, Canada, the U.S., France, Italy, Japan and the United Kingdom—decided to take on the networks that were financing terrorist organizations. As a result, the campaign against money laundering has become the leading edge of the efforts by member states of the OECD.

In the wake of the tragic events of September 11, 2001, the U.S. President changed his tune. Initially hostile to international cooperation against tax havens, he now is singing the praises of cooperation on all fronts.

Canada must also do its part. It must terminate its own tax convention with Barbados. It must strengthen the international component of Revenue Canada in order to discourage tax evasion through the use of tax havens. It must carry out a blanket reform of Canada's tax system in order to eliminate all tax loopholes that enable companies to get out of paying their fair share of taxes, while the average taxpayer bears the brunt of this. Finally, it must deal forcefully with both tax havens and money laundering.

At the international level, Canada is not playing a leadership role or even behaving properly, far from it. In fact, some of its fiscal practices were singled out by the OECD as being unacceptable. We want a change in attitude. Canada must make amends, admit to its mistakes and do everything it can to eliminate tax havens. Instead of having the definition of tax havens revisited, Canada must condemn harmful fiscal practices. Canada must fight against dirty money and grey money. To this end, it must know the clients of the banks in order to know what is shady. Here, unfortunately, it runs into the problem of bank secrecy, the main obstacle in the fight against the circuitous movement of dirty money and grey money.

The European Union is preparing to impose greater flexibility with respect to bank secrecy, an impenetrable secret that ensures the survival of tax havens. Would Canada be prepared to take the same route? I hope so. We are giving the House the opportunity to change its attitude. So I would urge the members to vote in favour of the motion put forward by the Bloc Québécois.

• (1250)

Globalization of trade and, consequently, competition among countries have led governments to make their tax systems more attractive to investors.

Quite apart from the lowering of global tax rates, a competitive environment can promote more effective public spending programs.

However, some fiscal practices and practices in related fields impede competition and can lower any gains generated by tax competition. This is the case of tax havens.

In February 2001, the Auditor General declared that the international activities of Canadian taxpayers, in particular the use of tax havens, constituted one of the most serious threats to Canada's tax base.

This statement contrasts with the fact that Canada is a signatory to a tax convention with Barbados, quite the paradise to begin with, and a tax haven too. It is strange that this convention encourages Canadians to use tax havens. In 1999, Canadian investors understood the government's message, put Barbados on their list to such an extent that it became the third most popular destination for Canadian investment abroad, after the United States and Great Britain.

In the same year, direct Canadian investments abroad totalled \$257 billion, with \$27.9 billion invested, so to speak, in Barbados, the Bahamas and Bermuda. This accounted for over 10% of the total of all investments Canada made abroad in 1999.

The OECD is critical of tax havens. It is recommending that its member countries terminate all tax conventions with tax havens. What is Canada's reaction? It seems reluctant to follow the OECD's recommendations.

Some may argue that in 2002 Barbados was removed from the OECD list of tax havens. It was indeed removed from the list, but that does not mean that it has changed its fiscal practices. They have remained unchanged, and Canada is encouraging these practices.

The Bloc Québécois continues to consider Barbados as a tax haven. It will take more than a change in criteria to convince us otherwise. Try as we may to change the definition of poverty to make the figures drop, there are just as many homeless sleeping on park benches.

Since 2000, the Financial Action Task Force on Money Laundering has been publishing a black list of countries deemed uncooperative in the fight against dirty money, while calling upon them to comply with international fiscal legislation or face sanctions.

This list includes 19 countries or territories, including the Bahamas and Bermuda, two of Canadian investors' favourites.

In June 2000, the OECD published a list of 35 jurisdictions that meet the tax haven criteria, and Barbados was included. Is it fair to consider Barbados as a financial subsidiary of Canada? After signing the 1980 tax convention, Canada suggested that amendments would be made to the existing treaty. This is 2003, and nothing has been done yet.

Since 1994, we in the Bloc Québécois have been putting forward several motions every year and asking questions to have this situation change. It will be 10 years in the fall, and nothing has changed.

Members can imagine how astonished we were when we visited the website for the Department of Foreign Affairs and International Trade and found out that it was possible to order a brochure entitled *Barbados: A Guide for Canadian Exporters*.

According to the brochure, the offshore sector is continuing to expand and playing an increasing role in the economy as a source of currency and employment.

This same Department of Foreign Affairs and International Trade did not hesitate to promote tax havens in 1999. In fact, in CanadExport, it published its calendar of events, which included a "Tax Havens Conference". This conference discussed tax havens and Canadian tax laws and information on how to use them properly.

•(1255)

The OECD is asking member countries to terminate tax treaties signed with tax havens. This request mirrors the one formulated by my colleague, the member for Joliette. Neither the Bloc Québécois nor the OECD have been able to influence the former Minister of Finance of Canada. Although the type of response that the current minister gave us yesterday hardly bodes well either.

The use of tax havens has been criticized by the Auditor General of Canada on numerous occasions. In 1998, he—it was a he at the time—criticized the fact that Canada was not allocating enough resources to fight tax avoidance. He alluded, among other things, to the increasing use of tax havens and to the growing number of bilateral income tax conventions. The Auditor General went even further by giving this serious warning to the government, and I quote:

Failure to take urgent action on these matters will severely limit Revenue Canada's ability to manage the risks to Canada's tax base that international transactions represent.

Canada, and particularly the Liberal government in office, are speaking from both sides of the mouth. In this issue, as in many

### Supply

others, the Canadian government does not hesitate to be heard on the international scene by supporting, for example, the OECD report asking that the treaties signed with tax havens be terminated. But in reality the Canadian government continues to promote and encourage the use of tax havens such as Barbados.

This debate is very timely. In a few days the Liberals will choose a new leader. By all accounts they are going to choose the former finance minister and member for LaSalle—Emard. How can he be trusted when, until the end of August 2003, he was the owner of many companies that have been transferred to his sons and have their head office in Barbados? His companies benefit from tax havens that provide benefits such as: no tax on capital gains, no deductions at the source and no surveillance or control over exchange transactions.

Such a tax system is regressive and totally contrary to Quebec and Canadian values.

The whole picture makes one wonder, to say the least. As an individual and investor, the Prime Minister in waiting benefits from tax havens even though he knows that such practices are harmful to the tax base in Canada and Quebec. While this may not be a conflict of interest, it can at least be said that he will have conflicting interests when he has to take action and discuss abuse of the financial system.

Finally, these organizations ask people to invest in companies or corporations whose names are strangely similar to those of well-known and well-established businesses, and they urge them to invest their money in faraway countries.

Shares are exchanged through a bogus stock market set up on the Internet. As new investors join in, the market fluctuates until it crashes.

The North American Securities Administrators Association, the oldest investor protection organization, issued a warning to investors to be especially wary of anyone encouraging them to shelter their money in tax havens.

•(1300)

I will conclude by reiterating the demands of the Bloc Québécois. They have not changed. On many occasions we have demanded that Canada do as the OECD requests and terminate its tax convention with Barbados immediately.

We have demanded and are still demanding that Revenue Canada beef up its international unit in order to discourage tax avoidance through tax havens.

Since 1996, we have been calling for a comprehensive reform of Canadian taxation and we are doing so again today. This reform should eliminate all the tax loopholes which allow certain companies to avoid paying their fair share of taxes, to the detriment of the average taxpayer.

*Supply*

[English]

**Mr. Roy Cullen (Etobicoke North, Lib.):** Madam Speaker, certainly the Bloc motion is not a motion that I will be supporting at all and for two important reasons. First, the motion says that Canada should play a lead at the international level in activities to eliminate tax havens. Of course, Canada is playing a lead in doing just that. In fact, Canada is very much a party to the OECD harmful tax competition exercise and Canada was at the forefront of this initiative.

While it is true that there is a worrisome flow of money or of funds of income around the developed world to tax havens, it is not true that Canada is not part of the exercise to combat that. In fact, the Government of Canada is playing a leadership role.

When I was Parliamentary Secretary to the Minister of Finance, I was at a number of sessions where Canada was at the forefront of putting our case forward that we needed to deal with tax evasion and funds that were finding their ways to tax havens.

The argument now has become more of increased transparency. When authorities in Europe, the United States and Canada have a suspicion that a Canadian taxpayer is evading Canadian tax, perhaps the tax haven would be more forthcoming with information so that the tax authorities can check that out. I must say that we are making progress on that front.

The second part of the motion that is faulty talks about a tax convention with Barbados. The reason for a tax convention is to avoid double taxation. We have many Canadian companies that work and operate in Barbados. If it is the case, and it is the case, that Barbados is a low tax environment, then if companies are paying low or limited taxes in Barbados, then they are not going to get much relief from that, but they are not going to be double taxed. That is the purpose of the convention.

The member for Drummond cited an example where a company would take out a loan and deduct the interest in Canada against tax payable. Of course, interest is a deductible expense in Canada and so it should be. However, if that company were to take the money and put it into a tax haven, that income would be taxable under Canadian tax laws.

In fact, that is why the government put in the reporting requirements, so that individuals and corporations would have to report world income in a more structured, cohesive and sounder way. That is why the government is pursuing that and being vigilant to ensure that Canadian taxpayers, whether they be corporations or individuals, report their world income and are taxed in Canada, irrespective of whether the income was derived in a tax haven.

I wonder why it is that the member would be concerned about a convention with Barbados when it is a low tax regime and that Canadian companies operating there would get very little relief from the taxes they pay in Barbados because they are not paying much there?

[Translation]

**Ms. Pauline Picard:** Madam Speaker, I will answer the hon. member's question as follows, using information and recommendations that came from the Auditor General of Canada between 1992 and 1999, Mr. Desautels, and from the current Auditor General,

Sheila Fraser. It is not me who says this. It is the auditors general who sounded the alarm over the use of tax havens by Canadian businesses and the impact of such practices on the tax burden of Canadians.

In 1998, the Auditor General returned to the problem of tax havens, pointing out that Canada was not allocating enough resources to fight tax avoidance. He alluded, among other things, to the increasing use of tax havens and to the growing number of bilateral income tax conventions.

The Auditor General gave this warning to the government:

Failure to take urgent action on these matters will severely limit Revenue Canada's ability to manage the risks to Canada's tax base that international transactions represent.

In 2001, the Auditor General, Sheila Fraser, identified Barbados in particular as a country where numerous schemes allowed tax evasion. She said:

The Agency has identified 53 examples of this scheme that have moved over \$800 million in capital gains to Barbados from Canada. It is currently examining this scheme to determine if it can be challenged successfully.

Nothing has changed. In another scheme, a company residing in a tax haven owned a Canadian company. When the shares of the Canadian company were sold, any capital gain realized would be subject to Canadian income tax. The company shifted its residence from the tax haven to Barbados and claimed a Canadian tax exemption on the capital gain.

During this audit, the Auditor General saw one transaction that the CCRA challenged successfully, recovering over \$50 million in tax, although the total owed was \$800 million.

In her report, she also stated:

Tax avoidance schemes may also take advantage of other treaties.

A number of years ago, the CCRA identified schemes involving other tax treaties to which Canada was signatory. The schemes allowed capital gains to escape Canadian tax under certain conditions.

The Auditor General also makes a recommendation to the minister responsible for the CCRA, stipulating that the agency should continue to be vigilant in ensuring that tax treaties are not used inappropriately to reduce Canadian tax and, if necessary, should seek legislative or treaty changes to protect Canada's tax base.

The Bloc Quebecois is not the only one saying this; the auditors general do too. They are transparent and demand the same transparency from the government in order to make major changes to tax treaties and tax havens, where the wealthiest companies do not pay tax.

There are two categories. The wealthiest, who can use tax loopholes and thereby deprive Canada of income, are in one category, and the poorest who, consequently, are victims of the government, which slashes social programs, are in the other. The former are better treated. A blind eye is turned, and people are told that Canada is doing its fair share and that this is not happening. Everyone denies that this kind of problem exists.

• (1305)

Today, we are once again speaking out against it; we want those opposite to realize that these are serious problems, that it is a serious threat, that there is no transparency and that the future Prime Minister will not be the one to change things, because he has greatly profited and continues to profit from interest that should go to the Canadian taxpayers.

**The Acting Speaker (Ms. Bakopanos):** I see that several members would like to ask questions, but there is only one and a half minutes left. It is impossible to recognize all those who want to speak because the questions and the answers are long. The member for Winnipeg Centre has the floor.

• (1310)

[English]

**Mr. Pat Martin (Winnipeg Centre, NDP):** Madam Speaker, one of the most galling things to me is that of the 1,700 expatriate companies in Canada that avoid paying their fair share of taxes in Canada, many of them are also eligible for and qualify for government contracts. In other words, the federal government patronizes these unpatriotic companies that seek to avoid paying their fair share of taxes.

Would my colleague from the Bloc agree with me that no Canadian company that takes steps to avoid paying their taxes in Canada should ever be given a public works contract, a supply contract or any contract from the federal government until they pay their fair share of taxes in this country?

[Translation]

**Ms. Pauline Picard:** Madam Speaker, I thank my colleague for his suggestion.

I think that it is a very good suggestion that should be passed on to the government so that we can have tax fairness, so that these people can no longer take advantage of such loopholes and so that all taxpayers pay taxes according to their income level.

[English]

**Mr. Paul Harold Macklin (Parliamentary Secretary to the Minister of Justice and Attorney General of Canada, Lib.):** Madam Speaker, I welcome the opportunity to speak to the motion put forth by the hon. member for Joliette. While I commend the hon. member for bringing this matter to the attention of the House, I am unable to support the motion.

Following my remarks I am confident that hon. members may well share my views. In the time allotted to me today I want to focus on two issues. First, I want to set the record straight about the government's commitment to tax fairness and tax equity. Second, I want to review with hon. members why Canada has a network of tax treaties or tax conventions, as they are often called, in place.

Let me begin with the tax fairness and tax equity. Since the beginning of our mandate back in 1993, two of the government's ongoing priority areas continue to be sound fiscal management and fairness in our tax system. The government is fully aware that better economic performance for Canada tomorrow requires a more productive, innovative and sustainable economy today.

### Supply

Our tax system plays an important role in creating a stronger, more productive economy.

An efficient tax structure can enhance incentives to work, save and invest. It can also support entrepreneurship and emergence and growth of small businesses.

In addition, a competitive tax system is critical in encouraging investment in Canada, which leads to greater economic growth and job creation. That is why, in the budget in 2000, the government introduced its five year \$100 billion tax reduction plan, which is the largest tax cut in history.

The tax reduction plan is putting in place a tax advantage for business in Canada as a basic part of the strategy for fostering a strong and productive economy. With the tax cuts implemented to date, the average federal-provincial corporate tax rate in Canada is now below the average U.S. rate.

The 2003 budget builds on that tax reduction plan to further improve the tax system and enhance incentives to work, save and invest.

Hon. members will recall that Bill C-28, the Budget Implementation Act of 2003, received royal assent in June. That bill contained several measures that improve the tax system. We will soon be debating Bill C-48 which introduces a new tax structure for the resource sector to make it more internationally competitive, again a measure that stems from that 2003 budget.

I can assure hon. members opposite that the government remains committed to a fair and equitable tax system, one that is reasonable and compassionate and that we will continue to introduce measures as appropriate to ensure that this commitment is met.

This brings me to the topic of today's motion, that is the tax treaties or conventions. Our tax treaties our tax treaties are there to assure us of how Canadians will be taxed abroad. At the same time, these treaties assure our treaty partners of how their residents will be treated in Canada.

Canada, as we have already heard today, has over 70 tax treaties in place. This speaks volumes to the work behind the scenes on behalf of the government to set up this extensive network.

Canada's tax treaties are all designed with two general aims in mind: first, to remove barriers to cross-border trade and investment; and second, to prevent unintended tax results by encouraging co-operation between Canada's tax authorities and those in other countries.

International trade and investment decisions can be influenced by the existence and terms of a tax treaty and their importance in this regard should not be overlooked. Tax treaties do not impose tax nor do they generally restrict countries from taxing their own residents as they see fit under their domestic tax laws. Among other things, however, tax treaties set out the rules under which one country can tax the income of a resident of another country. This is particularly important for traders, investors and others with international dealings who are interested in doing business in Canada. It is only natural that they would want certainty as to the tax implications associated with their activities here and reassurances that they will be treated fairly.

*Supply*

•(1315)

The importance of eliminating tax impediments to international trade and investment has grown even more important now that the world economy has become so intertwined. It should not, therefore, come as any surprise that it can be advantageous to have tax treaties in place with other countries.

One of the most disconcerting things to a taxpayer is unrelieved double taxation, in other words, to have income taxed twice when the taxpayer lives in one country and earns income in another. Without a tax treaty, both countries could claim tax on the income without providing the taxpayer with any measure of relief for the tax paid in the other country.

To alleviate the potential for double taxation, tax treaties resort to two general methods. In some cases, the exclusive right to tax particular income is granted to the country where the taxpayer resides. In other cases, the taxing right is shared but the state where the taxpayer resides is obliged to eliminate double taxation by providing relief for the tax paid in the other country.

Put another way, tax treaties reduce the frequency with which taxpayers of one country are burdened with the requirements to file returns and pay tax in another country when they are not meaningful participants in the economic life of that country or where it would be a nuisance for them to do so.

Withholding taxes are also a common and important feature in international taxation. In Canada's case they were applied on certain income, for example, interest dividends and royalty payments that Canadian residents make to non-residents. Withholding taxes are levied on the gross amounts paid to non-residents and generally represent their final obligations with respect to Canadian income tax. Without tax treaties, Canada usually taxes this income at the rate of 25%, which is the rate set out in our domestic law or, more precisely, under the Income Tax Act.

Our tax treaties specify the maximum amount of withholding tax that can be levied by Canada and its treaty partners on certain income. These rates are almost always lower than the 25% rate provided for in the Income Tax Act.

I now want to turn to the second objective of tax treaties, namely that of preventing the unintended tax results by encouraging co-operation between Canadian tax authorities and those in other countries.

The most obvious unintended result from a tax administrator's perspective is that of tax evasion or avoidance. Like their predecessors, tax treaties are also designed to encourage co-operation between tax authorities in Canada and in the treaty countries to prevent tax evasion or avoidance.

Treaties are an important tool in protecting Canada's tax base as they allow for consultations and the exchange of information between our revenue authorities and their counterparts in these eight countries.

Because of tax treaties, tax authorities are able to deal directly with each other to solve international transfer pricing issues, to reach satisfactory solutions to concerns raised by taxpayers, to complete

audits and to engage in other discussions aimed at improving tax administration.

But there are benefits. Many positive benefits ensue for taxpayers and businesses alike from tax treaties. For example, taxpayers benefit from knowing that a treaty rate of tax cannot be increased without substantial advance notice.

Investors and traders benefit from the atmosphere of certainty and stability that the mere existence of tax treaties will foster.

•(1320)

Our tax system works more effectively with the introduction of mechanisms to settle disputes. Our expanded tax treaty network generates more international activity which impacts favourably on the economy. Of course, assurances against unrelieved double taxation are always applauded by taxpayers.

In concluding my remarks, Canada's network of tax treaties with other countries is one of the most extensive of any country in the world. Canada's exports now account for about 40% of our annual GDP. Further, our economic wealth also depends on direct foreign investment as well as inflows of information, capital and technology.

Clearly the impact of tax treaties on the Canadian economy is significant. Without these international agreements, double taxation can adversely affect economic relationships between countries, mainly because tax treaties are directly related to international trade in goods and services and therefore impact directly on our domestic economic performance.

Let me reiterate: The passage of tax treaties results in many meaningful benefits for taxpayers, benefits that include a more simplified tax treaty system, a more stable environment for investors and traders and most important, the elimination of double taxation that might otherwise result in harmful international transactions.

Given the success of the existing tax treaty system and its contribution to creating fairness and equity in the tax system, I feel that the premise of today's motion is not relevant and I am unable to support it.

**Mr. Pat Martin (Winnipeg Centre, NDP):** Madam Speaker, the U.S. is also seized of this issue somewhat. I think it is helpful to look at what the Americans are doing and saying.

George Bush said about six months ago when this issue was raised that Americans had to look at people who try to avoid U.S. taxes and that they had to be looked at as a problem. He started by looking at his own vice-president. I raise this as an example on which I would like the hon. member from the Liberal Party to comment.

When Vice-President Cheney was the CEO of Haliburton, the number of offshore tax shelters rose for that company from nine in 1995 to 44 in 1999. The drop in federal taxes that the company paid went from \$302 million a year to a rebate of \$85 million a year, in other words, minus \$85 million a year. In other words Haliburton, led by CEO Cheney who is now the vice-president, undertook deliberate tax evasion to such a point where it is no longer paying any taxes in the home country. In fact it is getting a rebate every year of \$85 million. At the same time it got \$2.3 billion in government contracts and \$1.5 billion in government loans during that period.

The same thing is happening here. I hope to have the specifics before the end of the day and the debate concludes. Of the 1,700 Canadian companies which are deliberately avoiding paying Canadian taxes by creating these tax loophole shelters off shore in the Cayman Islands, Barbados and Bermuda, many of them are getting government contracts at the same time and paying no taxes in this country.

Would the hon. member agree that it is fundamentally wrong and that the Department of Public Works, in the acquisitions or department of procured services, should review every one of those 1,700 companies? If they are avoiding Canadian taxes they should never get another contract from the government, ever, because what they are doing is economic treason and we should not be supporting them.

• (1325)

**Mr. Paul Harold Macklin:** Madam Speaker, needless to say, I certainly do not support any company that would evade taxes, and clearly that is so.

I think the question that is being brought forward today is whether the tax treaties that are in place are beneficial for international trade generally and Canada's role within that.

There seems to be a mixed perspective being suggested today as to the difference between lawful avoidance and unlawful evasion. Clearly, we are trying our very best to make sure that unlawful evasion of taxes does not happen.

The corporations within this country are taxed on their world income. In that process if they are in some way carrying on business through a subsidiary within a country, as is suggested here today, what the tax treaty merely does is in effect it gives either a level of comfort in terms of tax rate or in other ways may allow for us to give credit to them for the tax paid in another jurisdiction.

Clearly there is no question that we are all out to stop those who would evade paying taxes. I think that is clear and I think every Canadian supports that.

In the overall economic scheme of things, we must work together to make sure that Canada remains a viable economic force working in the international community, with positive tax treaties.

**Mr. Gurmant Grewal (Surrey Central, Canadian Alliance):** Madam Speaker, I appreciate the comments made by the parliamentary secretary. Although I do not agree with everything, certainly I agree with the comment that the tax treaty rules are very complex and there are loopholes. Maybe because of that, and in addition because of unfair competition and tax havens, they

### *Supply*

undermine the Canadian economy. They have an adverse economic impact on Canada's economy.

Tax treaty rules are so complex and have so many loopholes that some people, including the leader of this country and probably the future prime minister of the country, when he and his family had a business, took advantage and probably abused the system to some extent.

We also know that the underground economy in Canada is huge. Tax evasion continues. Money laundering and other things also continue. We are all familiar with the various frauds that have been taking place with regard to the GST and other areas.

The question is not about longstanding friendship with Barbados. The question is, does the member not agree to plugging the holes that undermine Canadian tax laws and the Canadian economy?

**Mr. Paul Harold Macklin:** Madam Speaker, if the hon. member was present today and heard the minister speak to this issue, the minister clearly stated that this particular tax convention is under review and that the department continues to review tax treaties around the world on an annual basis. This is not something that goes unnoticed. As imperfections within the rules are found, there is the opportunity for the department to examine and then bring forward to the House changes that ought to be made within our tax rules.

Although today there have been suggestions that tax treaties are a means of evasion, I would suggest that they actually form the basis of a rules process where we are allowed to work within the international community.

We have seen lately with some of the other issues with our trading partners that it is so important to have rules based trading that actually makes sense and which we can rely upon. In this process I think that working with tax treaties establishes rules for inter-country exchanges, as we said for example, people who might attempt to evade taxes. A tax treaty encourages the other country to work with our country to seek out and get the information that we need in order to properly prosecute those who would evade taxes and defeat our Canadian tax system.

From a treaty point of view, I believe that they are very beneficial. I think they are positive, but yes, we must always be vigilant in order to make sure that those rules are effective.

• (1330)

**Mr. Pat Martin:** Madam Speaker, I would like the hon. member's views on an aspect of this tax haven loophole system.

Thanks to regulatory loopholes companies can transfer profits earned in Canada to a paper company in Barbados or Luxembourg or the Cayman Islands which, through an accounting sleight of hand, allows them to transform those taxable profits into expenses they can then deduct on their Canadian tax returns because they are subject to a global view of their economic activities. What is the hon. member's view of that particular aspect of what we consider to be outrageous tax loopholes, that the companies can transfer profits earned in this country to their shell companies?

*Supply*

We know that CSL has nine shell companies in Barbados. Enron had 881 shell companies in Barbados. It is a common practice among corporations. This is one of the tricks that Canadians are not aware of, that companies can take profits earned here and write them off as expenses in that shell company through current loopholes that exist today.

Is the member aware of that? Does he also condone and champion that kind of cheating the Canadian public out of its tax revenues?

**Mr. Paul Harold Macklin:** Madam Speaker, without receiving the details of the transaction and being able to actually analyze what is occurring, it is extraordinarily difficult for one to give an opinion on the process that is being alleged by the hon. member.

Clearly our Canadian tax laws have been designed to minimize the possibilities of individuals defeating the system. The process of treaties is really just a process that builds upon the Canadian tax law and allows its application to be part of the international community that tries to achieve equity and fairness in the taxation of Canadian taxpayers as individuals and also as corporate entities.

With regard to the rules that the hon. member talks of, I am certain that if one examines those rules, in many cases we are permitted to have certain corporate deductions within this country, but in fact when that corporation does declare its world income, it is expected to include a full and complete declaration of all its world income. In the way that we have set up our tax system it should capture all the appropriate income for taxation within this country.

[*Translation*]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Madam Speaker, I am pleased to take part in this debate that was made possible by the motion brought forward by my friend and colleague from the Bloc Québécois, the member for Joliette.

Since 1994, the Bloc Québécois has been speaking out against those tax treaties that should not exist and not those that make sense. I was listening earlier to the minister responsible for the Canada Customs and Revenue Agency who was saying that the purpose was to avoid double taxation of profits, capital gains, etc.

We agree, but that is not what this is about. There is no problem in signing a tax agreement with a country that has essentially the same taxation level as Canada. We understand that profits made by a foreign subsidiary of a Canadian company that are taxed at a reasonable rate in the other country should not be taxed again in Canada.

Everyone understands that, but it is not where the problem lies. Where things get ridiculous, dangerous and bad for the taxpayers of Quebec and Canada is when treaties are signed with countries that are considered tax havens and have tax rates that are either non-existent or ridiculously low, for example: 2.5% or a set amount of \$350 annually regardless of the individual's or company's income, as is the case in Liberia for instance. Then there is a problem.

Tax havens are a problem. We in the Bloc Québécois are not the only ones to acknowledge this; the OECD does as well. The havens listed by it are home to about 1.2% of the world's population, yet 26% of the world's capital is found there. A population of 1.2%, yet 26% of the world's capital, attracted by harmful taxation practices that have been denounced by the international community.

In addition, 31% of the profits of multinationals are hidden in what are termed "offshore accounts". These are accounts located in financial institutions, often branches of Canadian banks, that are located in countries considered to be tax havens.

Then there is all the secrecy surrounding how these profits are deposited. One-third of all world multinationals' profits are in such accounts. How these profits are deposited and by whom is shrouded in secrecy. The depositors are often numbered companies whose identity is known only to the institutions themselves. There is a lack of transparency surrounding these tax havens which we have been speaking out about since 1994, and others, particularly the OECD, since 1998.

One-third of the wealth of the world's wealthiest families is also in secret accounts in tax haven countries. Can you imagine what this amounts to? Some \$6,000 billion. In other words, \$6,000 billion in secret accounts, sheltered from taxes, has been deposited by the wealthiest families in the world, including some Canadian families—one of which we know was able to take advantage of an advance decision by Finance Canada some years ago in order to transfer two \$2 billion dollar trust funds, first of all to the U.S. and then later to tax haven countries—all without paying a cent in taxes.

As mentioned before, the motion is aimed at Barbados but there are many other tax havens. There are still around 50 of them in spite of a change in their definition, and I will get back to that later on.

Direct investments in Barbados by Canadians total \$23.3 billion. This is more than our direct investments in Japan, France and Mexico put together. This is really incredible. A country of 270,000 inhabitants has become some kind of big bank for the richest Canadian investors who want to avoid Canadian taxation and keep secret their financial transactions as well as transactions among subsidiaries of Canadian corporations.

Often these foreign subsidiaries, in countries considered tax havens, are what is commonly called fronts, that is empty shells with a mailing address, an office, a chair and a telephone—quite often there is not even a desk—to conduct transactions, strategies as they are called, that will benefit major Canadian corporations by allowing them to avoid paying a lot of taxes, especially to Revenue Canada.

Earlier somebody said that the tax base in Canada and Quebec was being threatened by the existence of tax havens.

• (1335)

The Auditor General pointed it out recently, but over the past 10 years auditors general have consistently pointed it out and warned the government about the erosion of the tax base.

However, that is not the only problem associated with tax havens. There are others which are not so obvious. However, if one digs a bit deeper one realizes that the cause of many a woe can be found in tax havens. I will give a few examples.



In 1997-98, one of the world's worst monetary crises happened. It started in Asia. I think everybody remembers it. The Canadian dollar was no longer worth the paper it was printed on. The international monetary system was shaken to its roots.

How did it start? Very simply. A big Japanese bank, Daiwa, as well as Yamaichi Securities, at some point had dealings with a corporation using secret accounts in tax havens to hide losses on the currency market.

When the word got out, the whole system was shaken and not only Daiwa and the other Japanese company suffered, but also all of Asia, that is Thailand, Laos and Cambodia. Everything had stopped and there was a general recession that lasted almost a year and a half because of wrongdoing by two Japanese companies in the banking and financial sector.

There was a domino effect all the way to Brazil and here. The Canadian dollar was affected and was worth about 64 cents. This caused the loss of millions of jobs.

There was the Enron scandal. The same thing happened. To show an incredible bottom line, the company was hiding losses, was hiding bad investments.

How can one do this? By opening branches in countries that are considered tax havens and by hiding these losses in these branches that are empty shells. At some point, when the cat gets out of the bag, when the system is shaken enough, millions of jobs are lost and economic and financial activity is shaken. Not only the company itself, but the whole financial system suffers.

With regard to the market crash, my colleague from Trois-Rivières was telling me about pensioners. The Enron bankruptcy did not affect only the directors. In fact, they fared well, except for some who are before the courts. Hundreds of millions of dollars were lost in pension funds, precisely because a company used a tax haven, used schemes and hid its real financial situation. This shook the entire financial system.

Once again, it was the employees and pensioners who suffered from the bad decisions, from these schemes associated with tax havens. This is a serious issue. This cannot be taken lightly, one cannot be irresponsible, as we heard this morning.

The bank crash that occurred in Russia in 1998 had a similar impact. The world system was shaken up. Why, do you think? Because some crooked businessmen in Russia opened branches in countries known to be tax havens, branches that consisted of nothing more than a postal address, a chair and a desk. Money was lent to this business that only had a chair and a desk and not even a telephone. Hundreds of millions if not billions of dollars were loaned. And then suddenly the business that had set up shop in a tax haven went bankrupt and the Russian banking system was badly shaken up. What people were not told is that the branch was owned by crooked businessmen who were loaning money to a shell company set up in a tax haven, with all the attendant secrecy and lack of transparency. That is what tax havens are all about.

Let us talk about developing countries. Because of the existence of tax havens, to attract investors, developing countries now have to apply the exact same tax rates that are already in effect in better tax

### *Supply*

havens, Barbados, for instance, where the rate stands between 0 and 2.5%.

Oxfam International made an estimate of the losses incurred in Africa alone. Because of tax havens, Africa is losing \$50 billion a year.

Just for the fun of it, I compared this figure to what is needed for international assistance. It is six times what developing countries, especially in Africa, need to provide elementary education programs. Six times.

• (1340)

It is three times the amount Africa would need to deliver basic health care to children and other people. If we take this lightly, I do not understand what we are doing here. If we claim we are protecting the public interest, we certainly have a problem with our definition of public interest.

Tax havens exist because we encourage them. We certainly do not discourage them. As we speak, there are 1,700 branches of Canadian companies in Barbados alone. This means 1,700 branches of Canadian companies which are encouraging such a system. This system deals not only with legal money, but also with the money of drug traffickers. In tax havens, it is hard to distinguish between legal money and dirty money. We have known that for a long time.

We have here a system shrouded in complete secrecy, with a total lack of transparency. These companies are just empty shells with no substance. This system could not exist without support. There are 1,700 branches of Canadian companies in Barbados alone.

What about Canadian banks? Since 1994, I have been asking Canadian bankers why they have 50 branches in the Caribbean. Just for the fun of having branches or flying the Canadian flag? Certainly not. They have branches there because they stand to benefit from it. Maybe people do not realize this, but since it is impossible to tell legal money from dirty money, these branches of Canadian banks are in a situation where they can use dirty money, launder it and put it back into the official and legal monetary circuit.

We should get that into our head. This is not a minor issue, and Canada is encouraging the existence of tax havens with these branches of banks and other Canadian companies.

That is not the only way Canada encourages the existence of tax havens. The Department of Foreign Affairs has a Web site where it invites Canadian investors to invest in tax havens. Imagine that. It invites investors to avoid taxes. And in the meantime, cuts are being made right and left. The former finance minister and future Prime Minister, the hon. member for LaSalle—Émard—we will get back to him in a few minutes—made cuts in federal-provincial transfers for education, health and social assistance. In the meantime, things like this were allowed to go on.

Speaking of Canada, besides the Web site of the foreign affairs department, there is a hypocritical attitude toward these tax havens.

I would like to quote what the former finance minister said in 1994. I was there and I heard him. This is what he said:

### Supply

Certain Canadian corporations are not paying an appropriate level of tax. Accordingly, we are taking measures to prevent companies from using foreign affiliates to avoid paying Canadian taxes which are otherwise due. We are taking steps to ensure that the income of financial institutions is measured appropriately for tax purposes.

End of quote from the former finance minister and future Prime Minister, the hon. member for LaSalle—Émard.

In the meantime, he allowed the foreign affairs department to encourage tax evasion. He refused to terminate the tax convention with Barbados, although the OECD asked him to. In fact, not only has the Bloc Québécois been asking since 1994 for the termination of the tax convention with Barbados; so has the OECD. He refused.

I remember that the hon. member for LaSalle—Émard, future prime minister and former finance minister was in Toronto with OAS finance ministers a few years ago. I asked him publicly, since they were discussing taxation practices that were harmful internationally, if he would terminate the tax convention with Barbados. He refused.

There has also been hypocrisy on the part of the government, on the part of the former finance minister and future Prime Minister, the hon. member for LaSalle—Émard. Do you know why? Because he was acting as the judge in his own case. He owns, directly or indirectly, 13 subsidiaries operating in Barbados. Why would he want to shoot himself in the foot? Why would he terminate the present situation, the tax convention with Barbados, when he benefits personally from the existence of this system?

One more point, my final one, about the hon. member for LaSalle—Émard: need I remind the House that the OECD not only listed 35 countries as tax havens, it also listed 47 other countries as having tax practices similar to those of tax havens? Canada was one of these countries.

• (1345)

For certain sectors. Canada's practices are considered to be similar to those of tax havens. Does anyone know what sector was singled out by the OECD? It was international shipping, the very activity in which the hon. member for LaSalle—Émard and future Prime Minister owns companies that he is supposed to transfer to his children in the next few weeks.

We cannot be naive either. When the former finance minister, the hon. member for LaSalle—Émard, says that he is transferring his companies to his children, they will remain in the family. We will not blindly believe that he will not have any influence or that he will not have an interest, if a policy relates to international shipping or any other tax matter related to shipping.

I want the hon. member for LaSalle—Émard and future Prime Minister to make public the bill of sale or transfer deed to his sons. Although it was a private transaction, it is in the public's interest to know the possible ties between the hon. member for LaSalle—Émard, future Prime Minister, and Canada Steamship Lines. He did not want to make it public on the grounds that it was private. I think that it is in the public's interest to know how this company was transferred to his sons and what ties might still exist between the future Prime Minister and Canada Steamship Lines.

Yesterday we received an amendment from the NDP about the next ethics counsellor, who will be accountable to Parliament. If the

future Prime Minister does not want the transfer of Canada Steamship Line to his sons to be made public, it might be a good idea to formally ask the next ethics counsellor, who will be accountable to Parliament, to make all the documents related to these transfers public.

Rest assured that my colleagues and I are going to ask the next ethics counsellor to monitor the future Prime Minister very closely in his decisions and his involvement in discussions that could directly or indirectly affect international shipping companies.

Again, we implore the government to stop turning a blind eye to the existence of tax havens and to terminate the tax treaty with Barbados. We have been asking this for years, but now it is urgent. Corporate taxation also needs to be changed to plug all the loopholes that have been detected over the years and to keep Canada's tax base intact.

Like my hon. colleagues from Joliette and Drummond, I believe it would be a great idea if, as part of the negotiation of the Free Trade Area of the Americas, all the countries involved condemned all harmful fiscal practices in either developed or developing countries. The time has come to stop turning a blind eye to tax havens and their huge impact on the economy and the tax base, as taxpayers have to make up the shortfall in the tax base year after year.

It is incredible that, while he has cut \$45 billion in transfers to the provinces for education, health and social assistance since taking office, the former Minister of Finance and future Prime Minister has turned a blind eye to such tax conventions and refused to terminate them, and also to conduct a special investigation into family trusts.

That is another matter. He has allowed the wealthiest family in Canada to transfer two family trusts totalling \$2 billion without paying any income tax. How many more of these trusts are there? How many times did the government turn a blind eye to similar situations, which jeopardize Canada's tax base?

We must urge the government to act now. I also believe that Canada should assume international leadership to put an end to such international practices as tax havens.

• (1350)

**The Acting Speaker (Ms. Bakopanos):** Since the hon. member for Champlain has been trying over and over again to ask a question, I will give him the floor. We will be slightly short on time, but we will resume after question period.

**Mr. Marcel Gagnon (Champlain, BQ):** Madam Speaker, just like you, I am listening today to a captivating debate on tax havens. We are learning some very interesting, albeit sometimes distressing things.

For example, we have learned from the members for Joliette, Saint-Hyacinthe—Bagot and Drummond that, while some of the richest families in the country are sending their fortunes to tax havens, here in Canada, 1.5 million children are living in poverty.

I would like to ask those members if there is a link between, for example, the tax dodging of the former finance minister with his corporations in Barbados and the \$45 billion taken from the employment insurance fund and being used to run the country, and the \$3 billion taken from seniors who did not receive the guaranteed income supplement they were entitled to?

We must also add to that the fact that a large shipping company like Canada Steamship Lines is contributing to the destruction of the shores of the St. Lawrence and is refusing to repair the damage, when the shores have been damaged because of its operations. Meanwhile, instead of paying taxes as it should, it is sending its profits to tax havens.

I would like to hear what the hon. member for Saint-Hyacinthe—Bagot has to say about this.

• (1355)

**Mr. Yvan Loubier:** Mr. Speaker, I thank my colleague for his broad question. I will try to give him an answer that is more limited in scope.

It is obvious that the government tolerates quasi fraudulent practices such as these and just turns a blind eye.

This morning I heard the Minister of National Revenue, who is responsible for the Canada Customs and Revenue Agency, say that is was legal. Of course it is legal; it is this government that makes the laws allowing this kind of tax evasion. It is this government that does not amend our laws, allowing these harmful fiscal practices to go on. Yes, it is legal. This government makes laws promoting tax evasion. Not only does it promote tax evasion, but it encourages investors, through the Department of Foreign Affairs website, to use tax havens. These are harmful practices that have been denounced by the OECD.

The level of hypocrisy is such that Canada has signed the OECD report on the need to eliminate fraudulent fiscal practices on an international scale, saying that tax havens are unacceptable, but it still refuses to terminate a tax agreement with Barbados, the worst tax haven.

My colleagues have referred to the change in the definition of tax havens, which consisted in removing one criterion. Countries were listed as tax havens if they had little or no taxation, an absence of transparency, and an acceptance of shell companies that were merely fronts with a mailing address. That last criterion was removed, reportedly in response to pressure from Canada and 12 other countries. Its existence worked against Canadian investors or Canadian corporations with branch operations which were nothing but fronts and made these kinds of questionable transaction possible.

Once this criterion is removed, obviously only five or six tax havens are left, but in reality the number is closer to fifty. They are all still there. The definition was just changed to please countries that in fact benefited from the existence of tax havens.

Reference has been made to Canadian banks but there are 1,700 companies, branches of Canadian companies, in Barbados and other countries considered tax havens.

By allowing capital to escape in this way, by turning a blind eye to these strategies, which allow major corporations and multinationals

with numerous foreign subsidiaries to make transfers, we are depriving ourselves of tax revenue. This money could be invested in education, health, social assistance, highways, or used to help seniors.

Is it not shameful to owe \$3 billion to seniors for the last five years and refuse to pay it, to have kept it from them that they might be eligible for the guaranteed income supplement, while we watch hundreds of millions, if not billions, of dollars going off to countries considered tax havens? It is scandalous.

**The Acting Speaker (Ms. Bakopanos):** There will be five minutes and thirty-two seconds left after oral question period, at which time we will resume the debate with questions and comments.

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## STATEMENTS BY MEMBERS

[*Translation*]

### SIMONE SANTERRE

**Ms. Raymonde Folco (Laval West, Lib.):** Madam Speaker, after more than 24 years defending the rights of the most disadvantaged members of our community, Simone Santerre, who has been with the legal aid office since first becoming a lawyer in 1979, is about to retire.

With her strong commitment to social causes, Ms. Santerre has made it possible for those who lacked funds, and even sometimes those who lacked intellectual abilities, to have their rights recognized and respected.

I join with all residents of Laval in congratulating this big-hearted woman and thanking her for her many years of loyal service to our community.

\* \* \*

[*English*]

### GOVERNMENT OF CANADA

**Mr. Larry Spencer (Regina—Lumsden—Lake Centre, Canadian Alliance):** Madam Speaker, one of the basic ingredients required in a civil society is the element of trust. One must place a certain degree of trust in the driver of an oncoming car to stay on the right side of the road or to stop at a red light. We place a certain trust in our neighbours. We place an even greater trust in our families and in our spouses.

Canadians trusted the Liberals in the 2000 election when in 1999 they voted to preserve the traditional definition of marriage. Their refusal to uphold this commitment betrays the trust of Canadians. The Liberals cannot be trusted.

Canadians trusted the wannabe Prime Minister when he promised to scrap the GST. He broke his promise. The Liberals cannot be trusted.

Canadians trusted the former finance minister with their EI funds. That minister used their money to pay his bills. The Liberals cannot be trusted.

The Canadian people have been betrayed. Liberals cannot be trusted.

*S. O. 31*

• (1400)

[Translation]

#### CENTRE DE GOLF LE VERSANT

**Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.):** Madam Speaker, on July 4 I had the great pleasure of attending a celebration for the 15th anniversary of the Centre de Golf Le Versant.

This golf centre has three magnificent regulation 18-hole courses, an 18-hole executive course, a practice range and an impressive clubhouse. From a modest beginning in 1988, it has grown rapidly to become one of the most highly regarded golf clubs in Canada, and certainly the most popular in the greater Montreal area.

This accomplishment has been the work of a team of brothers, Pascal, Angelo, Frank and Guy Di Menna. These businessmen with a vision have been able to count on the support of their family.

Today I want to recognize them, congratulate them for their community involvement, and offer them my best wishes for continuing success.

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#### KATIVIK REGIONAL GOVERNMENT

**Mr. Guy St-Julien (Abitibi—Baie-James—Nunavik, Lib.):** Madam Speaker, the National Assembly of Quebec passed legislation on the northern villages and Kativik regional government on June 23, 1978.

This legislation created the Kativik regional government, which has jurisdiction over many areas, namely municipal and regional affairs, public works, police services, transportation, communications, employment, training, daycare, land-use planning and parks.

The KRG council consists of elected representatives for each of the fourteen northern villages in Nunavik and one from the Naskapi community.

Johnny N. Adams has been the KRG chairman since 1998. This week, KRG is celebrating its 25th anniversary.

Over the past 25 years, KRG has built relationships with the two levels of government founded on mutual respect. KRG has been remarkably successful at managing government programs and administering public funds. It has won the respect of the provincial and federal governments.

Happy 25th anniversary to the people of Nunavik.

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[English]

#### ROBERT SAWYER

**Mr. Mauril Bélanger (Ottawa—Vanier, Lib.):** Madam Speaker, I wish to pay tribute today to yet another Canadian citizen who has won an international literary distinction.

I wish to congratulate Robert J. Sawyer who recently won the world's most prestigious prize in science fiction, the Hugo Award, for his novel *Hominids*. His growing body of work—he had written 12 novels before this one—is recognized as distinctively Canadian in

the way he tackles difficult questions as he does in *Factoring Humanity* and *Calculating God*, and in his choice of locations such as the ROM and the Sudbury Neutrino Observatory.

The award was given to him during the 61st World Science Fiction Convention held in Toronto at the end of August and early September.

On behalf of my colleagues, myself and my wife, I wish to offer Robert and his wife, Carolyn Clink, our most sincere congratulations and our best wishes for continued success and fulfillment.

\* \* \*

#### B.C. FOREST FIRES

**Mr. Stockwell Day (Okanagan—Coquihalla, Canadian Alliance):** Madam Speaker, watching last month's news, all Canadians witnessed the carnage of monstrous fires raging through the Okanagan Valley, destroying tens of thousands of acres of forest, almost 250 homes and resulting in one of the largest mass evacuations in Canadian history.

On today's news we see the first family members who have begun to rebuild their home from the ashes where it once stood. This reflects the spirit of every man, woman and child in the Okanagan who reached out to help one another in their time of need.

The entire region, though on the road to recovery, is now in need of the federal funding which followed other disasters such as the Manitoba floods and the Quebec ice storms. The Prime Minister well knows that many British Columbians feel they are not treated as well by the federal government as others are. Now the Prime Minister has the opportunity to prove the questioners wrong.

Mr. Prime Minister, please do not wait until the eve of the next election to come waltzing into our burned out areas with the much needed funding. Prove to us now that we are not second class citizens. People and businesses are hurting now. Please tell us, sir, when will you stand and deliver?

\* \* \*

#### AGRICULTURE

**Ms. Judy Sgro (York West, Lib.):** Madam Speaker, I rise today as a member of the Liberal rural caucus to commend our Minister of Agriculture for his commitment to Canadian farmers.

Since a single case of BSE was found in Canada, our minister has worked tirelessly to ensure the safety of Canadian consumers and livestock through a comprehensive investigation and by taking all necessary steps to control the situation. The minister has effectively demonstrated to our trading partners that Canada is a reliable and responsible supplier of safe beef. In fact Canada is the only country with a confirmed case of BSE to have resumed trade with BSE-free countries.

I ask the House to join me in commending the minister for his hard work and ongoing efforts to support our agricultural industry.

• (1405)

[*Translation*]

#### TRANSPORTATION WEEK

**Mr. Michel Guimond (Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, BQ):** Mr. Speaker, during public and alternative transportation week, which runs until September 21, the Comité régional des usagers du transport en commun have organized a series of activities in the Quebec region to encourage public awareness of the numerous socio-economic and environmental advantages of public and alternative transportation.

With the ratification of the Kyoto protocol, public awareness of the importance of viable transportation is more necessary than ever. The transportation sector is responsible for 38% of all greenhouse gas emissions in Quebec; consequently, more must be done to promote alternatives to travelling by car.

Over the course of this week, seminars, information kiosks, the Enviro-Course and a bike ride will be held to increase awareness in the Quebec region of the benefits of public and alternative transportation.

I want to congratulate the organizers and the volunteers, without whom this week would not be possible.

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[*English*]

#### HARVEST JAZZ AND BLUES FESTIVAL

**Hon. Andy Scott (Fredericton, Lib.):** Mr. Speaker, congratulations to those involved with the 13th annual Harvest Jazz and Blues Festival.

The five day event attracted over 70,000 people who enjoyed more than 150 shows last week in Fredericton. It keeps getting bigger and better every year with larger crowds and more impressive performers visiting New Brunswick from across the country and the United States. The headline acts this year were Canadian blues and rock veterans Colin James and David Wilcox.

This hugely successful festival would not be possible without the tremendous support of 700 dedicated volunteers and an enthusiastically engaged corporate community.

The Government of Canada has been a major contributor to this event. We provided close to \$200,000 from the sponsorship program, Heritage Canada, the Canada Council for the Arts and the summer career placement program in the last 10 years; this year almost \$50,000 to Harvest Jazz and Blues.

Congratulations to everybody associated with it and we will see you again next year.

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#### GOVERNMENT APPOINTMENTS

**Mr. Ken Epp (Elk Island, Canadian Alliance):** Well, Mr. Speaker, it is payback time. As the Prime Minister ends his 10 year exit strategy, he is looking after his friends. Patronage abounds.

*S. O. 31*

Mac Harb is off to the Senate. His credentials? He helped the Prime Minister with the Liberal leadership 13 years ago and has stuck by his man ever since.

We all remember Georgette Sheridan, the Liberal MP whom the Prime Minister appointed as a Liberal candidate. Well, she lost her seat in 1997 and now is on the tax court at a cool \$200,000 per year.

How about defeated Liberal cabinet minister David Dingwall? He collects \$250,000 a year from the Mint. Hey, what is a quarter million between friends?

The prime minister in waiting keeps hinting at fixing the democratic deficit, but I will not hold my breath waiting. If I were a betting man, I would wager that he will do the same. That is, if Canadian voters let him.

\* \* \*

[*Translation*]

#### PIERRE ELLIOTT TRUDEAU AIRPORT

**Mr. Clifford Lincoln (Lac-Saint-Louis, Lib.):** Mr. Speaker, on September 9, the Government of Canada renamed Dorval Airport in honour of Pierre Elliott Trudeau. The airport's new name will come into effect on January 1, 2004.

Even those who opposed the move must admit that Pierre Elliott Trudeau was a distinguished Canadian, Quebecker and Montrealer who left his mark on our country's history. A tireless advocate of human rights, he gave us the Charter of Rights, promoted official languages, and was dedicated to the development of the have-not countries of the world and the well-being of their citizens.

That is why it is appropriate that the name of this illustrious Canadian and Quebecker should symbolize Montreal as an international point of entry and link to the citizens of the world.

\* \* \*

[*English*]

#### ATLANTIC CANADA

**Mr. Bill Casey (Cumberland—Colchester, PC):** Mr. Speaker, it is shameful that the Government of Canada has not responded to the request of the Atlantic Canadian provinces for compensation for the costs incurred during the September 11 terrorist attacks. There was no hesitation when the government directed those planes to the airports in Atlantic Canada to avoid putting the citizens in central Canada at risk.

It is incredible that the government has paid \$100 million to air operators but will not pay the provinces. It is clear that the federal emergency measures system is in chaos. When I asked the minister in charge of emergency measures questions about the emergency, he said it is the responsibility of the Privy Council. However when I put a question on the Order Paper, the Minister of Transport answers.

I am told by officials there is no agreement on who pays. Meanwhile, the government continues to stall the provinces despite the fact that they made the greatest contributions during this terrible tragedy.

*S. O. 31*

•(1410)

[*Translation*]

### THE MÉTRO

**Ms. Caroline St-Hilaire (Longueuil, BQ):** Mr. Speaker, I am very pleased to announce in this House today, the recent appointment of Corinne Sorin as chief editor of the *Métro*.

She has extensive journalism experience and is a strong-willed woman of letters who will certainly meet this new challenge brilliantly and bring a particular flare to the paper, especially since she is the only woman on the board of directors.

I would also like to congratulate Sébastien St-Hilaire who was promoted to director of sales and marketing. His reputation for being a clever strategist in market development will undoubtedly bring him much success.

Founded in 2001, the *Métro* brought together a most dynamic group of people, making it the third largest French-speaking daily paper in Montreal. This free tabloid, which is distributed in all the metro stations, provides quality information that is diversified and accessible to everyone.

On behalf of the Bloc Québécois, I applaud this leader of the free press in Quebec and offer my sincerest congratulations to Ms. Sorin and Mr. St-Hilaire.

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### JEWISH WAR VETERANS

**Mrs. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.):** Mr. Speaker, last Sunday, in a ceremony attended by several hundred people, the Montreal Jewish community unveiled a monument to Canadian Jews who fought in the two world wars.

[*English*]

Members of the Jewish War Veterans of Canada, Branch 97 of the Royal Canadian Legion and the Combined Jewish Appeal, presented the memorial located outside Cummings House in Montreal. It is the first such monument open to the public in Canada. As a symbol of the important role of Jews in our Canadian Montreal history, the monument is engraved in French, English and Hebrew.

Some 17,000 Jews fought in World War II alone; 430 of them died for this country. Always we shall remember all Canadians, including our Jewish Canadians, who fought protecting our country's interests overseas.

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### CANADIAN ALLIANCE

**Mr. Svend Robinson (Burnaby—Douglas, NDP):** Mr. Speaker, I rise today to do something that I have never done before in the House, and that is to congratulate the Canadian Alliance on a remarkable new power that we discovered that it had yesterday. At four o'clock yesterday afternoon, the Canadian Alliance website announced that my private member's bill, Bill C-250, had passed and their amendments had been defeated. This was two hours before the vote actually took place.

Now we know that the Leader of the Opposition has remarkable powers. He has discovered a secret conspiracy between the Prime

Minister, the judiciary and Martians to ram through same sex marriage. Now we know that the Canadian Alliance can also predict the results of future votes in this House.

I look forward to the next federal election two weeks beforehand, Canadian Alliance website "Stunning upset; Prime Minister Jack Layton; Canadian Alliance wiped out in the election due to its narrow intolerant agenda".

\* \* \*

### LEADER OF THE OPPOSITION

**Mr. John Harvard (Charleswood—St. James—Assiniboia, Lib.):** Mr. Speaker, last night when other members of the House were free to vote according to their beliefs on a matter of conscience, the Alliance Party, which up until now prided itself on being a populace party, was forced into a whipped vote.

What is worse is in this morning's newspapers I read that the Alliance leader was warning that there would be consequences for members who did not explain their whereabouts. In fact he is publicly criticizing members, including one on his own side, who chose to abstain from the vote.

One of the fundamental tenets of a free vote is the freedom to choose to vote yea or nay, or in fact to make the choice to abstain from voting. While I do not support abstentions, MPs are obliged to make choices, I think.

What is truly appalling is the apparent decision taken by the leader of the official opposition to force his members, without due regard to conscience, to vote no on issues as fundamental as human rights. That perhaps explains the one no show. Whatever the case, the action taken by the leader of the Canadian Alliance is to be condemned.

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### ALZHEIMER'S

**Mr. Darrel Stinson (Okanagan—Shuswap, Canadian Alliance):** Mr. Speaker, approximately 10,000 coffee breaks will be held across the country this week to support the 364,000 Canadians with Alzheimer's disease and related dementias in Canada.

Alzheimer's disease is a progressive, degenerative brain disorder with no known cause or cure. Alzheimer's disease and related dementias currently affect one in 13 Canadians over the age of 65. With the aging of the baby boom population, it is estimated that more than three-quarters of a million Canadians will be diagnosed with Alzheimer's disease or related dementia by the year 2031 if a cure is not found.

What is needed are more dollars for research on Alzheimer's disease, tax relief for caregivers and a national home care program including standards and funding.

## ORAL QUESTION PERIOD

•(1415)

[English]

### VOYAGEUR COLONIAL PENSION FUNDS

**Mr. Stephen Harper (Leader of the Opposition, Canadian Alliance):** Mr. Speaker, this morning past employees of the former finance minister gathered on Parliament Hill. These are Voyageur pensioners, people who lost up to 30% of their pensions at the hands of the former finance minister. To quote one of them, the former finance minister stiffed them.

Will the government allow a full, independent inquiry into how these people lost their pensions?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, the OSFI is a completely independent organization of the government that supervises the activities of the pension plans of different companies. There was in that case no complaint of any intervention by anybody. I do not know why the opposition keeps trying to throw mud rather than respect the normal operations of the government.

**Mr. Stephen Harper (Leader of the Opposition, Canadian Alliance):** Mr. Speaker, the Prime Minister should read the Financial Administration Act. OSFI is a schedule I agency under the complete control of the minister, and the minister's fingerprints are all over this decision.

The finance minister was not prepared to answer questions on this yesterday. The government has had 24 hours to reflect, so I ask the Prime Minister, does he know, why did OSFI, an agency under the direct control of the former finance minister, allow the former finance minister to shortchange his own retired bus drivers?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, this file had been delegated by the then minister of finance to the minister for financial institutions. He had already delegated the authority to make decisions to the secretary of state.

**Mr. Stephen Harper (Leader of the Opposition, Canadian Alliance):** Mr. Speaker, I will remind the Prime Minister that the minister's senior staff were involved in this decision. We know that for a fact. For this Prime Minister to defend the former finance minister is a bit hypocritical. He is the one who fired him in the first place.

[Translation]

Perhaps the government does not give a hoot about pensioners. Yesterday, the Minister of Finance described our questions as sound and fury signifying nothing.

Is the minister, or the government, prepared to sit down with Voyageur pensioners and tell them that losing 30% of their pension fund means nothing?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, the problem has been looked at by public servants who are responsible for an organization that did not come directly under the administration of the Minister of Finance. He had delegated this to his secretary of state. All applicable rules were followed. Moreover, inquiries were made of the ethics commissioner, whose response was that he had not been able to identify any conflict of interest.

## Oral Questions

[English]

### AGRICULTURE

**Mr. Rick Casson (Lethbridge, Canadian Alliance):** Mr. Speaker, on Tuesday the parliamentary secretary indicated the BSE issue was solved and said the job is done, the border is open. That is absolutely absurd. We cannot run a multi-billion dollar industry through a two foot gate on a 3,500 mile fence. It just will not work.

We have asked for four months, and I am asking again, what conditions is the United States Department of Agriculture demanding of Canada before the border really opens?

**Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.):** Mr. Speaker, I remind the hon. member he should be thanking this government and thanking the United States for opening their border to the extent that they have. It is the first time in history that any non-BSE country has accepted beef products from a country that has BSE. They have opened it for boneless beef and they are expediting the process, as the secretary of agriculture in the United States said to the press yesterday, in order to move forward to allow the movement of live cattle under 30 months going direct to slaughter. Now they are expediting that process.

•(1420)

**Mr. Rick Casson (Lethbridge, Canadian Alliance):** Mr. Speaker, this summer I was in Washington with my leader fighting for the Canadian cattle industry and one issue was very clear. Until the Canadian border opens to year round access to U.S. feeder cattle, their border will remain closed to ours.

This has been a hang-up to the Canadian cattle industry for 10 years. We know this is the single issue that is keeping that border closed. Will the government listen to Canadian producers, reverse its position, get that border open and get it open now?

**Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.):** Mr. Speaker, the single issue that has closed that border was unfortunately the fact that we had one single animal. It is a health issue and that is what we have to deal with. We are going by the guidelines of the Office International des Épizooties. They are following those guidelines. They have even moved past those to recognize the system that we have and the quality of beef we have in Canada. For that initial movement we are very thankful and we look forward to further opening of the border.

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[Translation]

### CANADIAN GRAND PRIX

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, the minister responsible for Quebec in this government stated that no stone would be left unturned to save the 2004 Montreal Grand Prix.

Given that time is of the essence, that amending the Tobacco Act is out of the question and that the government has not come up with any options, will the minister seriously consider the Bloc Québécois' suggestion to set up, for a maximum of two years, a transitional fund into which both the public and private sectors would pay in order to save the Montreal Grand Prix?

*Oral Questions*

**Hon. Martin Cauchon (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, first, the Canadian government has already taken positive steps on the issue of the Grand Prix. It will be remembered that, a few years ago, at the time when implementation of section 24 of the act was being discussed, a report was prepared specifically on this matter of sponsorship.

As we speak, I have already rejected on a number of occasions in this House the idea of public funding.

If everyone in the private sector wants to contribute, I think we would be prepared to sit down and see how far they are prepared to go. But once again, the level of funding required to have a race without brand names is extremely high.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, if the minister is serious about wanting to save the Grand Prix without amending the Tobacco Act—and we agree with him on that—or spending any public funds, we have a suggestion for him.

Could the federal government, which spends 75% of the Canada Day budget in Quebec, set its obsession with visibility aside for two years only, and use the \$5 million annual budget to establish the transitional fund and preserve the \$80 million a year in spinoffs from the Montreal Grand Prix for another two years only?

**Hon. Martin Cauchon (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, I think that we are all very proud to celebrate Canada Day, not only in Quebec but also across Canada, the same way we are proud of celebrating Quebec's national holiday on June 24. A great deal of money goes into such events.

We must respect that. But that having been said, we cannot say no to a good thing.

If the private sector, which shares our view that the F1 Grand Prix is a vital economic activity, is prepared to invest in it, it is more than welcome to do so.

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, the government says it wants to save the Grand Prix, but no one in the government has so far come up with the tiniest idea that would bring this about.

How can the federal government simply dismiss the idea of creating a temporary fund, lasting just two years, by using the \$5 million or so it spends on celebrating Canada in Quebec?

It would be money well spent.

**Hon. Martin Cauchon (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, this government recognizes the importance of the Grand Prix, not only for Montreal, but also for Quebec and Canada.

This government, and the previous one, were able to obtain a delay in the implementation of section 24 of the act. That came from members of the Liberal caucus.

That being said, we are not going to commit public funds. But, as I mentioned just now, if the private sector is prepared to invest money and wants to meet with us, we will be pleased to sit down with them.

Of course, we cannot say no to a good thing. I think it is an interesting idea which has already been raised.

•(1425)

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, does the Minister of Justice seriously think that Canada would be a lot worse off if, instead of spending \$5 million on pins, flags, t-shirts and fireworks, it put that \$5 million into saving the Montreal Grand Prix, investing the taxpayers' money wisely and saving the \$80 million in economic spinoffs and all the related jobs?

**Hon. Martin Cauchon (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, first, I said we are proud to celebrate Canada Day, and we are also proud to celebrate Quebec's national day. There are investments in both cases but there is no need for demagoguery.

The fundamental question is that some people want to shut down the Montreal Grand Prix because of the issue of the use of tobacco products. That is because of a contractual clause. The Canadian government has made a social choice in the name of public health. Are we to go back on our principles and our public health objectives?

As I said, it had already been delayed for several years. Still, we have to be serious about enforcing the law. Once again, if the private sector could contribute—

**The Speaker:** The hon. member for Pictou—Antigonish—Guysborough.

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[English]

**GOVERNMENT CONTRACTS**

**Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC):** Mr. Speaker, the Minister of Public Works must know that a senior procurement officer in his department invited a Royal LePage vice-president on a Caribbean cruise.

Will the minister also confirm that the RCMP is investigating allegations that public works employees accepted gifts from that same company that won a \$1.4 billion contract?

Will the minister finally assure Canadians that his department's cruise for contracts procedure practice has ended?

**Ms. Judy Sgro (Parliamentary Secretary to the Minister of Public Works and Government Services, Lib.):** Mr. Speaker, I thank the hon. member for the question, but I am certain he knows from the many years he has sat in the House that we do not comment on RCMP investigations.

**Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC):** That is not the question, Mr. Speaker. I am asking about an internal audit. Scandal, corruption and conflict of interest have become synonymous with the way this government handles the country's business.

These serious allegations of misconduct in awarding a \$1.4 billion contract for employment relocation to Royal LePage have sparked an investigation that resulted in the contract's cancellation.



*Oral Questions*

My question for the minister is this. Will public works table the internal investigation outlining these allegations of wrongdoing, the most recent wrongdoings in this department?

**Ms. Judy Sgro (Parliamentary Secretary to the Minister of Public Works and Government Services, Lib.):** Mr. Speaker, as the hon. member knows there were issues related to possible conflict of interest on the file. The minister and the department have decided to retender that contract.

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**GOVERNMENT PROGRAMS**

**Mr. Bill Blaikie (Winnipeg—Transcona, NDP):** Mr. Speaker, the Minister of Health and others in the camp of the member for LaSalle—Émard have suggested that the next Liberal prime minister might not be as committed to progressive aspects of the Prime Minister's legacy as we in the NDP are, for instance.

My question is for the Prime Minister. How does he intend to ensure that these progressive aspects of his legacy, the things that he has accomplished on human rights, on Kyoto, on Iraq and on electoral reform, are not undermined by his successor?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, the member is saying that the NDP are so impressed with the Liberal Party that I am afraid they will want to join us very soon.

**Mr. Bill Blaikie (Winnipeg—Transcona, NDP):** Mr. Speaker, I thought it was the Prime Minister who had secretly taken out an NDP membership.

I would like to ask him about another aspect of his emerging progressive legacy and that of course has to do with the decriminalization of marijuana. I wonder if he could tell us whether or not he thinks this aspect of his legacy is safe. Will we have this legislation passed before his successor takes office?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, everybody knows that this element is part of the program of the government. It is that we want to make sure that the laws are modernized. We will proceed in due course. It is part of the agenda that is in front of the House of Commons.

I am not interested in becoming the leader of that party because it changes leaders too often.

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● (1430)

**VOYAGEUR COLONIAL PENSION FUNDS**

**Mr. Monte Solberg (Medicine Hat, Canadian Alliance):** Mr. Speaker, here are the facts. Those bus drivers paid into the Voyageur pension plan and were promised a certain level of benefits. Then there were a bunch of backroom shenanigans involving the former finance minister's political staff, the former finance minister's company pension trustees, and the former finance minister's employees at OSFI. Talk about covering your bases.

Then all of a sudden we find out that the Voyageur employees get stiffed 30% on their pension plan. The minister is not fulfilling his obligations. When are we going to get a full inquiry into this mess and when are we going to get some justice for those bus drivers?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, the accusation is without any foundation because the minister of finance at that time was not in charge of the file. It was the secretary of state attached to his department.

**Mr. Monte Solberg (Medicine Hat, Canadian Alliance):** Mr. Speaker, the Prime Minister should know better. OSFI is a schedule one, a full departmental agency. The finance minister has direct control over it.

Today I sent a letter to OSFI requesting a complete review and a fully independent audit of the Voyageur Colonial pension plan. The act says OSFI is under the direction of the minister.

Will the Prime Minister direct his finance minister to get OSFI to hold a truly independent audit of the Voyageur Colonial pension plan?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, the hon. member said that he wrote a letter to the organization so he should wait for the answer.

\* \* \*

[Translation]

**TAXATION**

**Mr. Pierre Paquette (Joliette, BQ):** Mr. Speaker, yesterday the Minister of Finance said there was no need to go after tax havens because Ottawa had been able to cut taxes.

In the year 2000 alone, companies like Canada Steamship Lines—owned by the member for LaSalle—Émard at the time—that transferred money from Barbados without paying a cent in taxes, would have paid the federal and provincial governments over half a billion dollars, were it not for the infamous tax convention the former Minister of Finance himself negotiated.

Will the government explain why it insists on taking from the general public to give to the rich?

[English]

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, the hon. member well knows that the government believes in taxation which is fair, that we believe in people paying taxes and that we have over 70 tax treaties with other countries.

The member also knows that there are 1,700 companies working in Barbados and we have updated our tax treaties.

In 1995 we dealt with the anti-avoidance issue. We dealt in 1996 with foreign reporting requirements. In 1997 we dealt with the transfer cross-border issue. In 2002 we were dealing with foreign investment issues.

I find it interesting that this is a tiresome question which we have heard over and over again and the answer stays the same.

*Oral Questions*

[Translation]

**Mr. Pierre Paquette (Joliette, BQ):** Mr. Speaker, the parliamentary secretary seems to be the only one who thinks so. The Auditor General and the OECD have said that Canada must not sign tax conventions with tax havens like Barbados.

Since the government's position is contrary to public interest, whose interests is this government serving?

[English]

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, as the hon. member knows, we work through the OECD with regard to the administration of these issues.

The member also knows that the government has been very vigilant in terms of dealing with tax treaties. When they do come into effect they are monitored all the time, including the tax treaties with Barbados.

I might point out to the hon. member that we are continuing to review, so to suggest somehow that we have been sitting on our hands is utter nonsense.

\* \* \*

[Translation]

**VOYAGEUR COLONIAL PENSION FUND**

**Mr. Rahim Jaffer (Edmonton—Strathcona, Canadian Alliance):** Mr. Speaker, yesterday, the Minister of Finance said that his boss, the member for LaSalle—Émard, had done nothing wrong. The Voyageur bus drivers lost up to 30% of their pension fund. The Minister of Finance did not say much when we confronted him yesterday.

Is that not enough to suggest a conflict of interest?

[English]

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Again, Mr. Speaker, I do not care how often this question is raised, the answer is still the same.

The superintendent of OSFI is independent. It has been reviewed. The book is closed.

If in fact hon. members want to make these allegations, they should make them outside. We will deal with them out there.

**Mr. Rahim Jaffer (Edmonton—Strathcona, Canadian Alliance):** Mr. Speaker, maybe the hon. member should know that the allegations have been made outside. In fact we are waiting for information from that side.

[Translation]

The former finance minister left his mark on this issue. Once he is the Prime Minister, will he protect the interests of Canadians or his own? How much political pressure did the former Minister of Finance exert?

• (1435)

[English]

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, I realize why the hon. member is

worried about the member for LaSalle—Émard. We can all understand that on this side of the House.

However, as far as this issue is concerned, we already heard from one member over there who suggested that he had written to OSFI. Let us hear what the response is, because at the moment, all we have is a question that has been apparently written, but we do not have the answer.

Those people want to be the judge and jury before we get the answers apparently.

\* \* \*

[Translation]

**MUNICIPALITIES**

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, yesterday, the Minister of Intergovernmental Affairs stated that the federal government never overstepped its jurisdiction. However, the Privy Council is currently considering the possibility of direct federal intervention in municipalities, which are creatures of the provincial governments and are answerable directly to them.

Will the Minister of Intergovernmental Affairs admit that, if the municipalities have problems and the federal government, which has benefited from the fiscal imbalance, has a surplus of funds to assist them, then help should be provided via Quebec and the provinces, to which these municipalities are answerable?

**Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.):** Mr. Speaker, the Bloc Québécois is like a broken record. It is always talking about the threat that is yet to come. I challenged the Bloc to identify the federal government initiatives outside its jurisdiction. The Bloc is forced to talk about the future, saying that there is no intrusion but that there will be.

The Government of Canada was able to assist the municipalities by implementing urban policies within its jurisdiction, with the full cooperation of the provinces.

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, today the former finance minister and the future Liberal leader told the Montreal chamber of commerce that he hoped to directly assist the municipalities, thereby bypassing the provincial governments.

How else can the Privy Council's current review be interpreted than as an indication of the federal government's desire, once again—this is neither the first nor last time—at the request of the future Prime Minister, to overstep its jurisdiction and infringe on that of Quebec and the provinces?

**Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.):** Mr. Speaker, once again, the Government of Canada has not gone beyond its jurisdiction but has assumed its responsibilities very successfully. I invite the hon. member to come and see what the government has done in my town of Saint-Laurent. If this municipality is an economic mainstay for Quebec and the rest of Canada, it is largely due to what the Government of Canada did within its jurisdiction.

[English]

### IMMIGRATION

**Mr. Kevin Sorenson (Crowfoot, Canadian Alliance):** Mr. Speaker, organized criminals, including dangerous Asian gangs, are entering Canada because the RCMP deliberately failed to properly investigate allegations of widespread corruption at the Canadian high commission in Hong Kong.

I ask the Solicitor General what political pressure was exerted on the RCMP that forced it to abandon its investigation?

**Hon. Wayne Easter (Solicitor General of Canada, Lib.):** Mr. Speaker, as is typical of the party opposite, it looks at the latest headline as if it was a fact. No political pressure is exerted on the RCMP on any matters, as the member full well knows. The RCMP operations are controlled by the commissioner of the RCMP.

The fact of the matter is that in the case he raised, it would be improper for me to comment. The internal disciplinary process is still ongoing and I would not want to jeopardize either side by making comments.

**Mr. Kevin Sorenson (Crowfoot, Canadian Alliance):** Mr. Speaker, I am simply echoing the very report from the words of the RCMP internal review committee. That very same committee found evidence that the Department of Foreign Affairs pressured the RCMP into curtailing the probe because "it did not want the force to know what truly happened".

This is a very serious allegation of Liberal political interference. Why is a federal department interfering and influencing an RCMP investigation?

**Hon. Wayne Easter (Solicitor General of Canada, Lib.):** Mr. Speaker, the member is drawing conclusions that ought not to be drawn from a press report. There was no political influence in this matter and there is an internal disciplinary process ongoing.

Give that process time and the results will be seen in the full light of day. That will be the time to do the analysis.

\* \* \*

### AGRICULTURE

**Mr. Peter Adams (Peterborough, Lib.):** Mr. Speaker, my question is for the Minister of Agriculture and Agri-Food. The minister has worked valiantly to help farmers affected by the BSE crisis, which now affects the entire country.

In my riding the export of live animals is of particular concern. Can the minister bring the House up to date on this? Has there been progress for the beef, sheep, goat and other farmers whose livelihoods have been hit by this crisis?

• (1440)

**Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.):** Mr. Speaker, as the Prime Minister and all of us are informed, we know that the opening of the border to meat as far as we have at the present time by Mexico and the United States is a precedent. It has never happened before in this type of situation to accept product from a BSE country.

I met again last week with the secretary of the United States and the secretary of Mexico. They both promised me that they would

### Oral Questions

expedite the process in order to move live animals into their respective countries. I am confident that they will do that. When that happens that will apply to all ruminants at that time.

\* \* \*

### GOVERNMENT POLICIES

**Mr. Norman Doyle (St. John's East, PC):** Mr. Speaker, the drawn-out Liberal leadership race will waste millions of dollars because we continue to hear from his supporters that the new Liberal leader will be changing legislation on the marijuana bill, same sex marriage, aboriginal governance and heaven knows what else. That being the case, the current work of this Parliament and even the Supreme Court could all be a waste of time and money.

Why are the Liberals showing such contempt for public funds and due process?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, bills have been passed here on many issues. They are on the books and they will be there. But it is normal that in future years, for example, in 30 years from now the Conservative Party might form a government, they might change a few bills. I would not be surprised.

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### INTERGOVERNMENTAL AFFAIRS

**Mr. Bill Casey (Cumberland—Colchester, PC):** Mr. Speaker, I put a question on the order paper a little while ago to try to find out why the government has not paid the provinces in Atlantic Canada that experienced extra costs because of September 11. Instead of getting that answer, I got back a list of money that was paid to airlines. The government budgeted a total of \$158 million. It has already paid out over \$99 million to the airlines.

If the government could pay \$99 million to the airlines, why can it not pay a couple of million dollars to the provinces?

**Hon. Stéphane Dion (President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.):** Mr. Speaker, in fact the Government of Canada has an agreement with all the provinces and territories involved and the details will be released pretty soon.

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### TAXATION

**Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP):** Mr. Speaker, my question is for the industry minister.

Today we have been talking about tax havens. I would like to ask about floating tax havens, the ones created when shipping magnates put foreign flags on their ships, like the shipping magnate that the minister is supporting for Liberal leader, the one who ran foreign flags up the poles so he could exploit foreign workers and evade Canadian taxes, even as he was finance minister.

*Oral Questions*

Can the industry minister tell Canadians whether he condones shipping companies evading Canadian taxes by flying foreign flags instead of our own?

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, rhetoric aside, the hon. member knows the government believes very strongly in comprehensive rules when it comes to taxation of foreign income. The member knows that. She should be honest about that. Even members in her own party have said that they support that.

The fact is the government continues to ensure that those rules work effectively. We did that yesterday, we are doing that today and we will be doing that in the future.

**Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP):** Mr. Speaker, the Liberals think they are so smart crowning the former finance minister as leader. I have just two words for them: John Turner.

The former finance minister thinks it is fine to tell lesbian and gay people to get to the back of the bus. He is fine with taking away the bus drivers' pension too. Today we have all heard from workers who lost their pensions, thanks to the corporate greed of the former finance minister.

Given how much money he saved evading Canadian taxes by flying foreign flags, does the Prime Minister think it is only fair that he give that money to the bus drivers?

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, I am not sure if there was a question and if there was a question, I do not think it is relevant to the Department of Finance.

I will tell the hon. member that at least she is up on some of the past Liberal leaders. It is nice to know that. Maybe she is going to join the Liberal Party.

\* \* \*

**IMMIGRATION**

**Mrs. Diane Ablonczy (Calgary—Nose Hill, Canadian Alliance):** Mr. Speaker, today the immigration minister gave up trying to bar the door to skilled immigrants, but a new report shows his door may be open to international criminals.

An independent commission found evidence of widespread fraud at a Canadian embassy. It says Triad members have likely been allowed to immigrate, with criminal backgrounds scrubbed from our government computers.

A court found the minister misled Parliament about his unfairness to skilled immigrants.

Are the Liberals also hiding the truth about the criminals getting into Canada?

● (1445)

**Hon. Denis Coderre (Minister of Citizenship and Immigration, Lib.):** Mr. Speaker, today we celebrate equity. We celebrate flexibility. The government made some changes. We announced an adjustment to the passports for the federal skilled workers applicants. From now on with the new grid, instead of needing 75 points, one needs 67 points. I think that is good news.

On this side of the House we do not perceive immigrants as potential terrorists or criminals. We take every allegation very seriously. We are doing our homework. I can assure members that security is also a priority for the government.

**Mrs. Diane Ablonczy (Calgary—Nose Hill, Canadian Alliance):** Mr. Speaker, the minister did not take an investigation seriously. In fact they tried to suppress the results of the investigation, even though an immigration applicant blew the whistle when employees offered to fast-track her visa for \$10,000, when embassy personnel were seen depositing large sums of cash, when fake visa stamps were found in an embassy desk, when an officer reported that Triads had infiltrated the computer system. And all this was confirmed by an RCMP investigator who was then fired.

Today's report says political pressure kept everything under wraps. So what else is going on at Immigration Canada that the Liberal government is hiding from Canadians?

**Hon. Denis Coderre (Minister of Citizenship and Immigration, Lib.):** Mr. Speaker, that is the same question again.

Our government is pretty keen on security. We are doing what it takes. Every time there is an inquiry we are now participating in that inquiry. We have the RCMP, our people from our department doing their jobs. We are not interfering. Every time there is a serious allegation we react and we act.

\* \* \*

[*Translation*]

**SAME SEX COUPLES**

**Mr. Richard Marceau (Charlesbourg—Jacques-Cartier, BQ):** Mr. Speaker, yesterday we had yet another example of this government's inconsistency. Right after the Liberal caucus meeting, the Minister of Health said that a future government would not feel bound by the current government's draft bill on same sex couples.

In light of such contradictory positions on the government side, could the Minister of Justice tell us where exactly the Liberal Party of Canada stands on this issue?

**Hon. Martin Cauchon (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, I think that my position is well known, not only in this House, but also across Canada. As a government, we have decided to implement a process that is respectful of the courts, of the public at large and of all parliamentarians, who will get to participate in a free vote.

We are also talking about an established public policy recognizing marriage between persons of the same sex and the principle of equality. At the same time, this policy recognizes freedom of religion, which is also protected under the Canadian Constitution. This is a rather well-balanced draft bill.

*Oral Questions*

That having been said, what is true for this government will also be true, I would say, for future governments.

**Mr. Richard Marceau (Charlesbourg—Jacques-Cartier, BQ):** Mr. Speaker, the Minister of Justice knows where to stand on the issue of same sex couples. The future Prime Minister, that is the hon. member for LaSalle—Émard, reiterated today his preference for a civil union.

Does the Minister of Justice plan to amend his draft bill on marriage between persons of the same sex to please his future boss?

**Hon. Martin Cauchon (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, this government has made a clear and unequivocal decision. We are talking about a Liberal Party policy of recognizing marriage between persons of the same sex. This is a generous policy in that it complies with two fundamental principles that underlie our Constitution.

That having been said, prospective questions are hypothetical questions. I will repeat once again, however, that the reality of this government will also be the reality of the next.

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[English]

**GOVERNMENT ASSISTANCE**

**Mrs. Betty Hinton (Kamloops, Thompson and Highland Valleys, Canadian Alliance):** Mr. Speaker, the defence minister stated that federal aid to offset the costs of this summer's forest fires will come from the disaster financial assistance program. Unfortunately, that program does not apply to loss of income or the full cost of fighting the fires, and it takes years to deliver the funds.

Instead of making vague reference to a review, will the minister simply commit to giving real and timely assistance to B.C. fire victims?

**Mr. Dominic LeBlanc (Parliamentary Secretary to the Minister of National Defence, Lib.):** Mr. Speaker, on this side of the House we are very proud of the commitment that members of the Canadian Forces made. Over 2,600 military personnel and reservists were fighting with civilian workers.

We are also very proud of civilian employers who gave reservists a chance to participate in this important effort.

The minister has made it very clear that the government has received a request from the province of British Columbia and we will do whatever we can to assist the Government of British Columbia.

• (1450)

**Mrs. Betty Hinton (Kamloops, Thompson and Highland Valleys, Canadian Alliance):** Mr. Speaker, I am very proud too of our marvellous military and I am not questioning them for one moment.

This government likes to talk about giving full co-operation for disaster victims but talk is cheap. On August 21 I wrote letters to nine ministers regarding specific proposals to rebuild the North Thompson but so far not one minister has replied.

When will the federal government stop blowing smoke and start giving me answers for people whose lives are in ashes?

**Mr. Dominic LeBlanc (Parliamentary Secretary to the Minister of National Defence, Lib.):** Mr. Speaker, the member knows very well that the government was not blowing smoke, it was fighting fires. That is exactly what the Canadian Forces have done.

The minister has made it very clear, as have other ministers of the government, that at all times when a request is received from a provincial authority for disaster relief assistance the request will be studied. I have every reason to think that the Government of Canada will be generous with the province of British Columbia.

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**FOREIGN AFFAIRS**

**Hon. Charles Caccia (Davenport, Lib.):** Mr. Speaker, given the fact that the Department of Foreign Affairs has just announced the opening of seven consulates in the United States, could the Minister of Foreign Affairs inform the House as to when a consulate is likely to be opened in Strasbourg, France.

Strasbourg is the seat of the Council of Europe, the European Parliament, the European Court of Human Rights, the International Human Rights Institute and the Assembly of European Regions.

**Hon. Bill Graham (Minister of Foreign Affairs, Lib.):** Mr. Speaker, I thank the hon. member for Davenport, not only for his question but for the tremendous interest that he has in Europe and in making sure Canada is properly represented in the European Parliament. He has had a distinguished career.

I am glad he drew the House's attention to our opening of seven consulates in the United States because this is very important. We have also opened an embassy recently in Kabul, which is equally important for Canada.

We will look at the issue of Strasbourg. My department is, in fact, currently undertaking a full review of our representation abroad. I will be taking that to cabinet later this year.

I recognize the importance of Strasbourg but we must look at the way in which we are represented abroad to make sure that Canada and its interests are fully and properly represented in a global sense.

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**CANADIAN HERITAGE**

**Mr. John Williams (St. Albert, Canadian Alliance):** Mr. Speaker, champagne Charlie Boyer knew how to live the good life at taxpayers' expense. The assistant to the Minister of Canadian Heritage also had the minister's blessing because she signed each and every expense claim: dinner meetings on New Year's Eve; two dinners in one night; sushi at seven; steak at nine. She signed them all. Now she says that she will do a line by line examination.

Why did the minister not do a line by line examination when she signed the reports instead of after the scandal has broken?

*Oral Questions*

[Translation]

**Ms. Carole-Marie Allard (Parliamentary Secretary to the Minister of Canadian Heritage, Lib.):** Mr. Speaker, I am told that all the reimbursements were made in accordance with Treasury Board guidelines. I have nothing more to say.

[English]

**Mr. John Williams (St. Albert, Canadian Alliance):** Mr. Speaker, I have something more to add.

First the minister spends \$180,000 with no receipts and now her high dining assistant spends \$30,000 with receipts but with no information. Treasury Board guidelines are a mile wide and anybody could drive a catering truck through there. While the people in her department are dining in style, the taxpayers are choking on the bill.

My question is for the minister. Is there anybody else over at the Department of Canadian Heritage who is doing the same thing and treating their expense accounts like a private dinner club?

**Ms. Carole-Marie Allard (Parliamentary Secretary to the Minister of Canadian Heritage, Lib.):** Mr. Speaker, obviously the hon. member does not understand. I will try it in the other official language.

All reimbursements were done according to Treasury Board guidelines.

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[Translation]

**FOREIGN AFFAIRS**

**Ms. Diane Bourgeois (Terrebonne—Blainville, BQ):** Mr. Speaker, on July 10, Iranian-born Montreal photojournalist Zahra Kazemi died in prison after being interrogated under the direction of Tehran's prosecutor general. People close to President Khatami described the death as a murder.

Does the Prime Minister intend to follow up on the requests of Ms. Kazemi's son and the coalition of 19 organizations that support him and are demanding an immediate plan of action?

• (1455)

**Hon. Bill Graham (Minister of Foreign Affairs, Lib.):** Mr. Speaker, this sad case has been raised in the House repeatedly. We deeply regret Ms. Kazemi's death.

It is tragic. She was a journalist who was doing her job. I made promises to her family and to the Canadian public. I am working with all our partners around the world to ensure that Iran protects journalists who go to that country.

We have a plan of action that is multilateral and bilateral, and we will follow it.

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[English]

**FISHERIES AND OCEANS**

**Mr. Loyola Hearn (St. John's West, PC):** Mr. Speaker, the Department of Fisheries and Oceans has just instituted an experimental crab fishery in Newfoundland. A laudable move. Fishermen are participating. A laudable move. However when fishermen go to put their name in the draw, licensed fishermen are

being told that unless they are paid up, not just a member, but a paid up member of the union or a member of a co-op they are not qualified to participate.

Participants should be legitimate licence holders. Is the minister going to ensure that happens?

**Hon. Robert Thibault (Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, the member is absolutely right. Fishermen have to be licensed members and that should be the only criteria. I thank the member for bringing that to my attention and I will be taking the appropriate action.

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**WORKERS' COMPENSATION**

**Mr. Peter Stoffer (Sackville—Musquodoboit Valley—Eastern Shore, NDP):** Mr. Speaker, last November the Prime Minister met with dockyard workers in Saint John, New Brunswick, and promised them fair severances and retraining packages for any deal with the Irvings. We now find that this deal is contingent on the fact that the Irvings get their way and de-certify this union. It is incredible that the Prime Minister would allocate \$55 million of taxpayer money to destroy the representation of workers.

Will the Prime Minister now stop this deal and go back to the workers and show them the respect that they deserve?

**Hon. Andy Mitchell (Secretary of State (Rural Development) (Federal Economic Development Initiative for Northern Ontario), Lib.):** Mr. Speaker, the reality is that the government is working with the employees, with Saint John and with the community to help it recover, to create new economic activities and to create new jobs.

That is what the government is committed to do and that is what the government is in the process of doing.

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**VETERANS AFFAIRS**

**Mr. Roy Bailey (Souris—Moose Mountain, Canadian Alliance):** Mr. Speaker, two veterans' widows living in the same town and on the same block both have lost their husbands; some 14 months difference in the deaths. One widow will receive benefits under the VIP for the rest of her life while the other widow has been cut off those benefits.

Could anyone on the other side explain this obvious injustice?

**Mr. Ivan Grose (Parliamentary Secretary to the Minister of Veterans Affairs, Lib.):** Mr. Speaker, in the programs announced this morning by the veterans affairs minister, the enhancement of those programs was done with money from within the budget.

We rearranged our priorities, as any good business or government department should do, but there was only so much money. There had to be a cut-off date for the VIP for widows. I agree, it is a regrettable instance that the member quoted, but it has to be. We only have so much money.

*Points of Order*

[Translation]

**BIOCHEM PHARMA**

**Mr. Stéphane Bergeron (Verchères—Les-Patriotes, BQ):** Mr. Speaker, the former finance minister and, in all likelihood, the future leader of the Liberal Party has just made a statement in Montreal to the effect that the government should disclose the conditions of the agreement with Shire, with respect to its obligation to maintain activities at BioChem Pharma's Laval laboratory.

Does the Minister of Industry intend to carry out the wishes of the man who, in all likelihood, will be the next Prime Minister and reveal these conditions, as he is legally entitled to?

**Hon. Allan Rock (Minister of Industry, Lib.):** Mr. Speaker, I intend to do my job, which is to ensure that all commitments made by Shire at the time of the takeover are honoured.

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[English]

**GOVERNMENT CONTRACTS**

**Mr. Leon Benoit (Lakeland, Canadian Alliance):** Mr. Speaker, earlier in question period the parliamentary secretary said that she does not comment on RCMP investigations such as the one that is currently going on regarding the Royal LePage contract being cancelled.

Would the parliamentary secretary in fact confirm that there is an RCMP investigation going on regarding the cancelled Royal LePage contract and, if so, who initiated that investigation?

**Hon. Wayne Easter (Solicitor General of Canada, Lib.):** Mr. Speaker, the hon. member knows full well that that is an operational matter of the RCMP.

As the Solicitor General or as any other minister we do not get involved in those operational matters.

\* \* \*

● (1500)

**PRESENCE IN GALLERY**

**The Speaker:** I would like to draw the attention of hon. members to the presence in the gallery of His Excellency Nguyen Dy Nien, Minister of Foreign Affairs of the Socialist Republic of Vietnam.

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

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**BUSINESS OF THE HOUSE**

**The Speaker:** It being Thursday, we have one additional question from the hon. House leader for the official opposition.

**Mr. John Reynolds (West Vancouver—Sunshine Coast, Canadian Alliance):** Mr. Speaker, as we have returned from summer vacation and are stumbling toward the rumour of prorogation of the House, I wonder if the government House leader could tell us what business he has on for the rest of this week and next week, and any other time he has planned for the future.

**Hon. Don Boudria (Minister of State and Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, I will be pleased over the following weeks to continue to elaborate on the

program from now until December 12 for the benefit of the hon. member and for anyone else. More specifically, about the following week, I wish to express the following by way of the business statement.

[Translation]

This afternoon, we will continue with the debate on the opposition motion.

Tomorrow, the House will return to the motion to refer Bill C-49, the electoral boundaries bill, to committee before second reading. This will be followed by Bill C-45, the corporate liability bill, or Westray bill if you like, and Bill C-34, the ethics commissioner bill.

On Monday, we will begin with bills not completed this week, Friday in particular. We will then proceed to Bill C-46, respecting market fraud, Bill C-50 respecting veterans, Bill C-17, the public safety bill, and finally Bill C-36, the Library and Archives of Canada bill.

Tuesday will be an allotted day.

On Wednesday and Thursday, the House will begin consideration of Bill C-48, respecting resource taxation, and will then return to any of the business just listed that has not been completed.

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[English]

**POINTS OF ORDER**

## ORAL QUESTION PERIOD

**Mr. Leon Benoit (Lakeland, Canadian Alliance):** Mr. Speaker, I rise on a point of order.

In question period, the parliamentary secretary to the public works minister, the member for York West, said that she could not respond to a question because there was an RCMP investigation going on. I then asked a question and gave her an opportunity to confirm that in fact there was an RCMP investigation going on, and she refused to do that.

How can we have a parliamentary secretary to a minister hiding behind an RCMP investigation and then not confirming that in fact there is one taking place?

**Hon. Don Boudria (Minister of State and Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, one can check the blues. I do not believe the sequence of events is actually as has just been described. I believe the sequence of events was roughly as follows.

Someone asked about an RCMP investigation. The parliamentary secretary replied that she did not comment on RCMP investigations. To subsequently ask about that does not constitute the parliamentary secretary confirming that there was an RCMP investigation because, as we know, parliamentary secretaries nor ministers neither confirm nor deny that there are or that there are not RCMP investigations.

**The Speaker:** We are not going to get into a debate on the answers and questions in question period.

**An hon. member:** That is a shame.

### Supply

**The Speaker:** It is a shame, but there it is. Question period is question period. Now we are moving on to other items of House business and jolly as it is to continue these debates after, that is not a point of order.

If the hon. member for Lakeland believes the answers were confusing or, heavens, possibly even inaccurate, he will have ample opportunity tomorrow. We have a question period tomorrow and Monday and Tuesday, and at least until Thursday next week from what the government House leader has said in the answer we have just heard. He will have plenty of opportunities to straighten the whole thing out by asking his questions again possibly of different ministers and maybe getting somebody else to answer. Anything can happen as we know in question period. So we will leave the matter for another day.

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## GOVERNMENT ORDERS

•(1505)

[Translation]

### SUPPLY

#### ALLOTTED DAY—TAX CONVENTIONS

The House resumed consideration of the motion.

**Ms. Jocelyne Girard-Bujold (Jonquière, BQ):** Mr. Speaker, I will be sharing my time with my colleague, the member for Argenteuil—Papineau—Mirabel.

This is a most important day for the Bloc Québécois. Through this motion, the Bloc Québécois is saying to all those who are watching us and to all Quebecers and Canadians that:

In order to ensure tax equity, the government should terminate Canada's tax convention with Barbados, a tax haven, which enables wealthy Canadian taxpayers and companies to avoid their tax obligations, and should play a leadership role at the international level in activities to eliminate tax havens.

This motion allows parliamentarians to express their concerns, because it is important to have fairness in our tax system. Everybody pays taxes. It is not fair that the richest among us can get away with paying so little.

There must be tax equity, because all taxpayers have to bear the cost of tax evasion by some businesses, some banks and even some individuals.

As mentioned in the motion, we will be talking about the tax agreement between Canada and Barbados, a tax haven according to the original definition established by the Organization for Economic Co-operation and Development, or OECD.

Tax havens are countries with a very low or nonexistent tax rate. Their lack of fiscal rigour encourages wealthy taxpayers to discreetly transfer a portion of their fortunes there, and many businesses to set up subsidiaries there, in order to shelter part of their income from the tax collector.

In 1998, the OECD drew up a list of tax havens, based on four criteria. Tax havens are places with no taxes or nominal taxes, a lack of effective exchange of tax information, a lack of transparency,

and no substantial activities or performance obligations for businesses in the country.

The OECD found 35 countries that met all these criteria and pointed to 47 others which, although not tax havens, had some harmful fiscal practices similar to those in tax havens.

Given all these facts about tax havens, it is also important for people to know what a tax convention is. It is an agreement between two countries. There have been tax conventions in the past. Some people get tax conventions confused with tax havens.

A tax convention is an agreement between two countries enabling them to exchange tax information concerning taxpayers with income in these countries. It also prevents taxpayers from having to pay income tax in both countries. There is an agreement: it is called a tax convention. A clear distinction has to be made between a tax convention and a tax haven, otherwise, these two goals will be completely misunderstood.

Let us take Barbados as an example. We know that the member for LaSalle—Émard knows Barbados very well. It is a country with which Canada has a tax convention. Since we are all family here, let us imagine a Canadian company, say, for example, the company owned by the former minister of finance and current member for LaSalle—Émard, Canada Steamship Lines, which has a subsidiary in Barbados. The subsidiary in Barbados, which need be nothing more than an empty shell, can declare enormous profits. Its tax rate in Barbados will be ridiculously low, perhaps 2.5%.

•(1510)

Imagine the situation when we realize all the profits they make. It was in the papers over the summer, but being summer I am certain not many saw it. Their companies recorded \$82 million in profit—scandalous.

There are also a number of Canadian banks with direct foreign investments. These investments total \$389 billion. We are not talking millions, but billions. Of that total, \$38.7 billion was invested in Barbados, the Bahamas and Bermuda, three tax havens according to the OECD. That is what tax havens are all about.

What is more, the Canadian government is encouraging these havens right now. I would like to give those listening some examples, since we all do business with banks.

In 2002, the total saved in taxes through the use of foreign subsidiaries was: Royal Bank, \$841 million, or \$61.9 million more than in 2001; Bank of Montreal, \$530 million, or \$29 million more than in 2001; Scotiabank, \$463 million. For the Toronto Dominion, it was \$235 million, \$5 million more than in 2001, and for the CIBC it was \$92 million, a tax saving of \$8 million over the 2001 figure. In all, that makes 2 billion, 161 million dollars.

I had thought that the present finance minister would adopt a different approach than the former one. But no, he sanctions the same situation and makes no changes, claiming that Canadians have nothing to complain about, because of their \$1 billion tax decrease over five years.



*Supply*

If I were not taking this so seriously, I would die laughing at that one. But what is going on here is too serious. They are really taking us for fools. They must think we just fell off the turnip truck.

The \$2 billion the federal government is letting the banks have represents, for example, the amount that has been committed in transfer payments to Quebec for health. Now they are backtracking because there is no longer any certainty of a budget surplus.

If the banks were taxed, we would have that money for health. We know how important that is, but no. The former finance minister, the member for LaSalle—Émard—as everyone in Quebec and in Canada knows, we hear it everywhere—owns several companies operating out of Barbados.

It should be noted that the taxation system in Barbados has the following characteristics and that is why it wants so many companies to have their head offices there. In Barbados, the tax rate is 1% for profits over \$15 million US and 2.5% for profits under \$5 million. There is no tax on capital gains, no deductions at source and no surveillance or control over exchanges.

We know that the current member for LaSalle—Émard is in love with Barbados. I can understand, considering all the money he makes there.

I have run out of time, but if the people who are listening to us would like to have statistics and be truly aware of everything that is going on with the current member for LaSalle—Émard, who will soon be Prime Minister of Canada, all they have to do is call the Bloc Québécois. It would be our pleasure to provide them with information. The Bloc Québécois, with its motion, is telling this government to refuse to have tax agreements with countries that are tax havens.

• (1515)

[*English*]

**Ms. Marlene Catterall (Ottawa West—Nepean, Lib.):** Mr. Speaker, I rise on a point of order. There have been discussions among the parties and I believe you would find consent for the following motion. I move:

That at the conclusion of the present debate on the Opposition Motion, all questions necessary to dispose of this motion be deemed put, a recorded division deemed requested and deferred until the end of government orders on Tuesday, September 23, 2003.

**The 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.

(Motion agreed to)

[*Translation*]

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Mr. Speaker, I will ask the following question of the member for Jonquière. Considering the enormous revenues lost through tax evasion, I would like the member to relate that to the hardships that some people in her riding and throughout the province of Quebec are facing, to tell us about the good that this money could do if it were recovered. It could be used, among other things, to help the softwood lumber industry, where hundreds and even thousands of workers are having trouble getting their jobs back.

**Ms. Jocelyne Girard-Bujold:** Mr. Speaker, I want to thank my colleague, the hon. member for Argenteuil—Papineau—Mirabel, for his excellent question.

He just put his finger on the problem. We know what has been happening on the softwood lumber issue over the past two or three years. All that money could have helped our workers. The region I represent is among the hardest hit by the crisis in the softwood lumber industry. There are currently 3,000 workers receiving EI benefits. Sometimes, when they are no longer eligible for EI benefits, they go on welfare and then stop showing up in the statistics.

There is also mad cow disease. No cases of the disease were found in Quebec, but still our producers have been unable to export their products for months now. We could also talk about health care or the underprivileged.

Last night, the House voted. Members of Parliament wanted a discretionary envelope to be able to provide assistance to organizations that need help. The government said no. They could hand this \$2 billion to members of Parliament who could, in turn, distribute it among the poor in their regions. I could give the House thousands of examples. What we have here is a heartless government that would rather help the rich than the poor. They keep on taxing us, but where does the money go? To their friends, that is where.

That is why it is important for the Bloc Québécois to use this allotted day to raise this issue and tell Canada about what the government is doing for the rich but not doing for the poor.

[*English*]

**Mr. Roy Cullen (Etobicoke North, Lib.):** Mr. Speaker, I think it is scandalous that the member for Jonquière and previously the member for Saint-Hyacinthe—Bagot would attack the member for LaSalle—Émard when he is not here to defend himself. It is one thing to attack the policy of the government but it is another thing to attack someone personally and they should be ashamed of themselves. However we know why they are attacking him.

The member for LaSalle—Émard is one of the most scrupulous members of the House. What the members opposite do not seem to understand at all is that there is a difference between tax avoidance and tax evasion. They do not seem to understand at all that the former minister of finance was the lead on the OECD initiative on harmful tax competition, which is designed to deal with those tax havens to make them more transparent and to ensure that they share information. If there are companies or individuals in Canada trying to evade taxes, those jurisdictions will share information and allow a thorough examination so the Canadian authorities can take the necessary action.

I thought it was quite ironic that the member for Drummond earlier talked about a case of a capital gain that ended up in a certain situation perhaps not taxable. The Canadian Customs and Revenue Agency launched an investigation and it reversed the tax treatment of that company or individual. It seems to me that this is an example of a success story where the revenue agency has taken the right action.

Could the member discuss what the views are of the various tax havens around the world? Barbados is just one.

*Supply*

• (1520)

[*Translation*]

**Ms. Jocelyne Girard-Bujold:** Mr. Speaker, it is sad to hear such things from a member I used to hold in high esteem. I think he is kowtowing to the future Prime Minister. He wants to be one of his lackeys, to be by his side. For my part, the only role I want to play here is to inform my constituents and tell them the truth about what is going on in Ottawa.

The amount that Revenue Canada will not get from these rich shipowners who fly the flag of Barbados or Panama, where there are also banks, is \$2 billion a year. The member tells me we are engaging in demagoguery. No, actually we are educating people. It is quite different.

I believe it is time that in Canada, in this Parliament, we start telling things as they are to the real people who are listening to us. The members across the way are not listening.

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Mr. Speaker, I am pleased to rise after my colleague for Jonquière, who so eloquently stood up for Quebeckers and the men and women of her riding. Too often we do not do that in this House. We should be careful when we make statements such as the last speaker for the Liberal party did when he said that we were attacking someone who was not in the House. We are attacking the former finance minister, who signed the last treaty with Barbados, not just anybody. It is he who negotiated the treaty for the Canadian government to sign.

Of course, if he had wanted to defend himself all he had to do was to show up today. The Bloc Québécois announced a long time ago that its opposition day would be dealing with this matter. So if the member has decided not to be here today, it is his choice.

I will use the time I have to deal with only one aspect of the issue, namely banks. My colleague from Jonquière did a good job of presenting the whole issue, but I would like to spend a bit more time on it as we are talking about millions of dollars in tax savings for the big Canadian banks.

The Royal Bank: \$841 million up to 2002; the Bank of Montreal: \$530 million up to 2002; Scotiabank: \$460 million up to 2002; the Toronto Dominion Bank: \$235 million up to 2002; CIBC: \$92 million in savings up to 2002. That is a total of \$2.161 billion in taxes they did not have to pay in Canada.

Why? There is the rub. If these banks had such astronomical savings, then should the fees that our constituents paid with their hard-earned cash not have been greatly reduced. That is not what happened.

Over the past three years, user fees have increased. So, where are these profits going? To lower credit card interest rates? While the Bank of Canada interest rate dropped and has never been lower, these banks have managed to increase the ordinary credit card rate by 1% annually for three years. That is the reality.

Once again, agreements allowed the five major banks in Canada to save \$2 billion, and Quebec and Canadian taxpayers are not the ones profiting. This has not translated into reduced bank account user fees nor lower interest rates.

What has changed? The dividends paid quarterly to the shareholders of these banks. These shareholders are friends of the former finance minister. That is the hard truth of the matter. They are the ones putting \$9 million into his bank account so he can win the Liberal leadership race and scare all his Liberal opponents across the way.

That is what happened. It is that money, the dividends paid quarterly, that allowed his friends to benefit from the agreement with Barbados. Let us not be mistaken. For the benefit of those listening to us, there are more than 80,000 voters in my riding, and only a few hundred of them can afford to buy shares of any of these five major banks and collect, every three months, dividends authorized by the management of these banks.

Once again, this is what the Bloc Québécois is denouncing today and what we must put a stop to. It has been condemned by the OECD and the Auditor General. We must stop providing incentives for tax evasion to big corporations.

Today, I heard the Minister of National Revenue say that it was legal. We are the lawmakers in this Parliament. This government is the one that authorized the Minister of Finance to negotiate the last convention with Barbados. Worse yet, this government is the one allowing the promotion of tax havens.

• (1525)

On July 16, 1999, the Department of Foreign Affairs and International Trade of Canada—not that of another country—released, through CanadExport, its calendar of events, which included a conference entitled “Demystifying Tax Havens”. The topics covered were: the origin of tax havens; their use as a financial strategy; the criteria for selecting a good tax haven; tax havens and the Canadian taxation system; and how to get the most out of tax havens.

Do not tell us today that the government wants to counter tax avoidance and evasion. This Liberal government has been promoting tax havens, hosting conferences and telling businesses, “Here is how you can avoid paying taxes in Canada”. That is the reality.

The brochure published through CanadExport on July 16, 1999, and entitled “Demystifying Tax Havens”, was produced by us. That is the reality.

Once again, to the detriment of whom? To the detriment of Quebeckers, those hard workers who seldom have a chance to watch us in the afternoon, to know what we are saying on an issue like Barbados, this tax evasion and tax haven disaster.

The Bloc Québécois is simply asking that this be stopped. And we are not alone. The Auditor General and the OECD have also asked that we stop encouraging countries that do not collect taxes and companies that use those countries to avoid paying the necessary taxes at home. That is the reality.

To summarize what my colleague from Jonquière said earlier and what I reiterated, the big five Canadian banks alone, that is the Royal Bank, the Bank of Montreal, Scotiabank, Toronto Dominion Bank and the CIBC, avoided paying \$2.161 billion in taxes up to 2002. As I tried to explain, they could at least have lowered bank fees accordingly.

And yet, bank fees have never been higher than in the past five years. The big banks could have lowered the interest on their credit cards. And yet, rates have increased 1% a year on regular cards for the past three years, even though the Bank of Canada rate has never been lower.

Once again, they are allowing institutions like banks to make money off the taxpayers of Quebec and Canada, so that they can pay quarterly dividends to shareholders, that handful of wealthy people who can afford to buy bank stock, then pick up their quarterly dividend cheques and go off to cocktail parties organized by the hon. member for LaSalle—Émard.

That is the reality, no more and no less. We cannot let this go without comment.

I am getting the two minute signal, so I will conclude by saying that I will not list all the other companies and corporations. My colleagues have already done so, and will continue to do to. They will try to denounce them all.

The sector that bothers me the most, however, is the banking sector, because of their huge profits. In the last quarter, bank profits rose close to 300%. Depending on which major bank it is, the figure ranges between 100% and 300%. Once again, this does not reduce banking charges to the people of Quebec and of Canada, the customers who use their services. Of course not. Instead, those charges go up, and the government does not bring in any legislation to this House to limit those charges. Of course not. They talk of tax havens and even help out with them by renegotiating the agreements with Barbados.

There has been no legislation introduced in this House to limit the interest rates the major banks charge on their regular credit cards. Of course not. This was talked about in 1999, and an agreement was signed with Barbados to allow the banks, once again, to make greater profits to share with their shareholders every three months. As long as we have breath left to defend the interests of Quebecers, of the people in our ridings, we have a duty to speak out about this, as my colleague for Jonquière has done. We cannot allow the capitalist system to impoverish the population, especially openly through legislation passed in this Parliament which makes it possible for big business in this country to get away with making profit elsewhere and avoiding taxes. They do not deserve to represent us, to carry on business. Let someone else do so.

• (1530)

## Supply

### ROUTINE PROCEEDINGS

[English]

#### COMMITTEES OF THE HOUSE

MODERNIZATION AND IMPROVEMENT OF THE PROCEDURES OF THE HOUSE OF COMMONS

**Hon. Don Boudria (Minister of State and Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, there have been consultations among all House leaders about the following item and, further to that, consultation and agreement. I wish to seek unanimous consent to move that the fourth report of the Special Committee on the Modernization and Improvement of Procedures of the House of Commons be concurred in.

**The Deputy Speaker:** The House has heard the terms of the motion. Does the House give its consent to the motion?

**Some hon. members:** Agreed.

(Motion agreed to)

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### GOVERNMENT ORDERS

[English]

#### SUPPLY

ALLOTTED DAY—TAX CONVENTIONS

The House resumed consideration of the motion.

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, it is interesting to hear the Bloc talk about taxes. I guess they know a lot about it since their buddies, the PQ, created the most highly taxed jurisdiction in North America. I guess they have some experience with high taxes.

What the Bloc fails to remind the House about, and I am a bit surprised, is that the Bloc really does not seem so concerned about the public interest. Their approach is clearly inconsistent. I have said we have 79 different tax treaties around the world. We have tax treaties with Barbados. We also have tax treaties with Luxembourg, but it is interesting to note that in the case of Luxembourg, the sovereignists in fact turned to Luxembourg for inspiration at one time because they felt that it might be something they would like to do if there were an independent Quebec.

Part of their plan was to create a major overhaul of existing tax legislation. It was for the creation of an offshore for companies for non-resources. It was to deal with encouraging the creation of management centres, similar to the coordinated centres operating in Brussels, to strengthen the insurance and underwriting sector, to attract capital investment from corporations associated with major companies. I could go on, but there seems to be some inconsistency here: they do not like Barbados but they seem to be in love with Luxembourg.

I would like the member to try to explain the apparent inconsistency between Barbados and the sovereignists' love for Luxembourg, on which they wanted to model a so-called sovereign Quebec.

*Supply*

• (1535)

[*Translation*]

**Mr. Mario Laframboise:** Mr. Speaker, I would remind the Parliamentary Secretary to the Minister of Finance that it was not us who allowed the Department of Foreign Affairs and International Trade to publish, through CanadExport, a schedule of events where was announced a Tax Havens Conference. And the conference was not about tax treaties.

The literature dealt with tax havens. As I said, topics included the origin of tax havens, their use as a financial strategy, how to choose a tax haven that's right for you, tax havens and Canada's tax laws, and how to get the most out of your tax havens.

I have a problem with that. The Parliamentary Secretary to the Minister of Finance would do well to read the brochures published by the Department of Foreign Affairs and International Trade. It would help him understand that he is not signing tax treaties but rather doing business with tax havens.

[*English*]

**Mr. Loyola Hearn (St. John's West, PC):** Mr. Speaker, I wonder if the hon. gentleman would make a comparison between the provinces or within our country when, because of the wish of government to help its own people, we create mechanisms to try to lessen the tax burden where possible, all of which benefits the people of our country, fully realizing, however, that it is through taxes we collect the money to do what has to be done in our country.

I have no problems with that. However, the other side of that is for residents of our country, because they are big business operators or international operators, to find and seek out ways of avoiding paying taxes to their own country, which in turn would benefit the country. This, I presume, is what the member is talking about trying to close down.

I would like the member to compare the honest efforts of provincial governments to help their people versus the deceiving methods of certain characters to avoid paying taxes in the country in which they live and should be contributing to.

[*Translation*]

**Mr. Mario Laframboise:** Mr. Speaker, I thank my hon. colleague for his brilliant question.

That is very true and that is where we have a problem. Quite often, Canadian corporations and banks belonging to us make money out of their business dealings with Quebecers and Canadians. It happens. They rake in huge profits.

The problem is that their profits increase when they do not have taxes to pay. The end result is that the chartered banks, instead of lowering their user fees and the interest rates on credit cards, pay dividends to the wealthiest people in our society.

Everything is planned so that the grassroots do not benefit from any of this. And that is where my hon. colleague is quite right.

[*English*]

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, it is my pleasure to speak on this issue today. It would appear that some of my colleagues on the other side

need a bit of an education when it comes to the issue of Canada's tax treaty with Barbados and I am prepared to be their teacher this afternoon.

The integrity of our tax system depends on ensuring that the businesses that are involved in international activities pay a fair amount of tax and that taxes are paid to the appropriate jurisdiction.

Tax treaties signed between Canada and other countries help to facilitate trade, investment and other activities between Canada and its tax partners. They are principally aimed at achieving two main objectives: first, they aim to encourage cooperation between tax authorities in Canada and the treaty countries through the exchange of information related to taxes; and second, they set rules to prevent double taxation while limiting tax evasion, thereby providing taxpayers with more certain and equitable tax results in their cross-border dealings.

Canada and other members of the Organization of Economic Co-operation Development have long recognized the importance of relieving double taxation and protecting against fiscal evasion, and their collective efforts have resulted in the model double taxation convention prepared by the OECD.

Our tax treaties, while they are tailored to address our particular needs, are generally patterned on this OECD document and are in accord with international norms. Canada negotiates tax treaties with as many jurisdictions as possible. As a matter of fact, and as I have said over and over again, we have tax treaties in force with over 70 countries. We signed a tax treaty with Barbados in 1980.

Canadian businesses are increasingly competitive on a worldwide basis. Everyone has recognized for decades now that the success of this country's multi-national cooperation benefits all Canadians. I am sure, in fact, that if I went around asking Canadians if they want Canadian businesses to be more important players in the international market, I would hear a resounding yes.

Which brings me to this point. Sound tax policy is a key component of business success. For many years it has been part of Canada's tax policy not to subject the earnings of Canadian corporations and their subsidiaries in foreign countries to double taxation. We avoid double taxation in different ways, including by not subjecting to Canadian tax the active business earnings that a Canadian company's foreign subsidiaries earn in a country with which we have a tax treaty.

The issues surrounding the taxation of foreign affiliates are not new. Indeed, they have been dealt with in the House on a number of occasions in the past.

In 1992 the Auditor General raised questions relating to the possibility of tax avoidance by foreign affiliates of some Canadian companies. In response to these questions, the government proposed a number of amendments to its existing foreign affiliate rules. These modifications were first announced in the 1994 federal budget and affected the definition of active business income, the deduction of business losses in computing foreign accrual property income, and the list of countries where foreign subsidiaries can earn exempt active business earnings from which dividends might be received tax free in Canada.

These modifications were proposed after extensive consultations with stakeholders both in and out of government. Yet even now, almost 10 years after the fact, questions remain about whether the exemption was left in place for a particular kind of Barbados company that may enjoy a relatively favourable tax rate under Barbados law. The government has already provided a logical explanation which I am pleased to revisit.

First, it was never established that abruptly curtailing the exemption would have benefited Canada. In a world of tax planning opportunities, there is no assurance that corporate groups would not simply move the functions performed by the Barbados subsidiary to another jurisdiction where similar results could be obtained. In that eventuality, the corporations would not pay any more Canadian tax.

● (1540)

Indeed, forcing businesses out of Barbados could actually be counterproductive. With Barbados as a tax treaty partner, Canada's tax authorities have the ability to seek more information and assistance from Barbados than they do with many other jurisdictions.

Second, Canadian businesses are understandably interested in maintaining Canada's international competitiveness. We live in an era of globalization. Decisions that disrupt the operations of Canadian operations abroad can have severe repercussions on their competitiveness as well as on the country's economic bottom line.

As hon. members know, Canada's relations with Barbados are close, long standing and encompass banking, migration, development, cooperation, manufacturing and financial services.

The tax treaty that formed the basis of giving this exemption to corporations in Barbados has been in place since 1980, well before the majority of other tax treaties Canada enjoys with other countries.

In addition to having a double taxation agreement with Canada, Barbados also has a social security agreement and a foreign investment protection agreement with Canada.

As well, Barbados has long been a strong ally in international efforts to combat the creation of tax havens around the world. In February 2002 the Organization for Economic Cooperation and Development, OECD, concluded its consultations with Barbados and stated that the country had a transparent tax and regulatory system.

At that time Barbados agreed to increase its information sharing efforts on tax matters with other OECD members, including those with which it had not already concluded tax treaties.

Barbados is a member of the Caribbean financial action task force and has played a key role in efforts to combat money laundering and terrorist financing in the Caribbean region.

The Barbadian parliament passed anti-money laundering legislation in 1998 and updated these measures in 2000 and 2001. Under the legislation, assets from criminal activities are subject to freezing orders and financial institutions are required to report suspicious transactions and to maintain records on transactions above a certain financial level.

As well, an anti-money laundering and financial intelligence unit has been established in Barbados and it is providing active

### Supply

information to its counterparts around the world. Based on these actions, it is clear that the choice to leave in place the long standing exemption for income from these corporations in Barbados was, and remains, more than reasonable.

I emphasize that it does not however mean that the government is standing still. Canada is known internationally for its ongoing efforts to modernize and expand its network of tax treaties with other countries.

The government is currently reviewing both our tax treaty with Barbados and the relevant income tax regulations to ensure this still fits our tax policy goals. Changes may well be considered but let me make it clear that any changes to these regulations would be the result of careful and thorough analysis. The government will not be rushed into making hasty decisions that could be costly both for Canada and for our tax treaties.

● (1545)

[Translation]

**Mr. Gilles-A. Perron (Rivière-des-Mille-Îles, BQ):** Mr. Speaker, I would like to read to the Parliamentary Secretary to the Minister of Finance an article that was published in the fall 2001 edition of *Offshore Finance Canada*. I would also point out to him that *Offshore Finance Canada* is not a sovereigntist, independentist or separatist magazine. The article said:

Several Canadian businesses have brilliantly set up maritime divisions in Barbados that are managed from Canada, enabling them to pay no taxes on profits.

That is what the article said.

I will submit to him the following problem. I would remind him that Barbados has a taxation rate of 1% on profits in excess of \$15 million U.S.—and I said U.S.—and of 2.5% on profits under \$5 million U.S. It has no taxes on capital gains, no withholding tax, no surveillance or control of exchange transactions. If that is not a tax haven, I do not know what is.

If the Parliamentary Secretary to the Minister of Finance had a business and could make \$15 or \$20 million in profits, would he not be tempted to open subsidiaries in Barbados? I would.

● (1550)

[English]

**Mr. Bryon Wilfert:** Mr. Speaker, I am assuming the hon. member is suggesting the 1,700 corporations that exist in Barbados should not be there. He is suggesting that because we have a tax treaty with Barbados, and full transparency and accountability, that somehow we should ignore that.

We have it, as I said, with other states, including Luxembourg, which was a favourite of course of the Bloc. We know that the Bloc was trying to model its approach on the so-called tax havens in Luxembourg. It was okay for Luxembourg but apparently it was not okay for Barbados.

Really, the government took action in 1992 as soon as the Auditor General dealt with the issue of avoidance by foreign affiliates of Canadian companies. I outlined very clearly in my remarks the steps that the government has taken with regard to Barbados.

*Supply*

If the Bloc would like us to eliminate the treaty with Barbados, as I assume it does with Luxembourg and all the other states with which we have treaties, then we will have very interesting implications for Canadian corporations around the world. Maybe the Bloc does not believe in globalization. Maybe it does not believe in ensuring that Canadian jobs are here. Maybe it does not believe that things are good for this economy if we have this international competitiveness. If it does, that is probably why it has the seats that it has today.

**The Deputy Speaker:** Just before questions and comments, I wonder if I might get the attention of the hon. member who just spoke. I want to be sure that in fact there is not a division of the speaking time here because, of course, it has an impact on the amount of time for questions or comments.

The member has taken his full allotment by himself, as he is indicating now, therefore we will continue with questions or comments. The hon. member for Argenteuil—Papineau—Mirabel.

[*Translation*]

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Mr. Speaker, I would like to mention to the Parliamentary Secretary to the Minister of Finance that in 2001, the Auditor General indicated in her report that she had identified 53 cases of tax evasion schemes for a total of \$800 million. This was not just after what happened in 1992 or because of the statements of the Auditor General.

They should stop claiming that the government has decided to straighten things up since 1992. In 2001, the Auditor General recommended to the Canada Customs and Revenue Agency that it remain vigilant so as to ensure that tax treaties were not being used inappropriately.

The parliamentary secretary has been talking about tax treaties for a while. Indeed, he said he was pleased with the treaty with Barbados, that it was probably useful to uncover tax dodgers. Transactions can be checked. We do not have any problem. If our five major banks are managing not to pay \$2 billion in taxes, we do not have to be concerned that they are tax dodgers. They are simply taking advantage of the system. It is as simple as that. They are taking advantage of a system that was brought in by the Liberal government. That is the reality.

So, the Parliamentary Secretary to the Minister of Finance should realize we are in 2003 and listen to the recommendations of the Auditor General. When will we abolish this treaty that allows big corporations and Canadian banks to avoid paying their share of taxes at the expense of the public?

[*English*]

**Mr. Bryon Wilfert:** Again, Mr. Speaker, first let me reiterate to the hon. member that protecting Canada's tax base is an ongoing process and taxpayer activity is therefore very important. It is monitored. The fact is that these tax treaties are not simply dry documents; they are in fact reviewed constantly. We are doing that, not only with Barbados but with other states.

As the member would then suggest, why simply Barbados? According to the member it would seem that we should simply eliminate the issues on double taxation et cetera for everybody. Therefore, what would happen of course is that we would be at a

tremendous disadvantage. There would be no benefit if, according to the member, it were closed and companies moved to another jurisdiction where they would get better treatment. It would not result in more dollars coming into this country.

The fact is that we work very closely with other countries to make sure that transparency and openness are there. We do that to protect Canadian taxpayers and that is what we are concerned about, whether they live in the province of Quebec, British Columbia, Newfoundland or anywhere else.

I think it is very important to again emphasize that this is an ongoing issue and that we also are dealing with the OECD in terms of scrutiny. We are following all the international rules. As I said in question period, we have revisited this issue at least five times and have again updated. As far as the Auditor General is concerned, we are continuing to look at all these issues. But we will respond appropriately. We will not rush into things. We will do it in a manner which in fact will be done right.

• (1555)

**Mr. Charlie Penson (Peace River, Canadian Alliance):** Mr. Speaker, the parliamentary secretary talked about the fact that they are going to take time to look at these issues. I note, though, that the Minister of Finance, when he was asked here over a year ago about progress, basically stonewalled the House. Maybe the parliamentary secretary could tell us what kind of progress is being made, especially on the dividend scheme, which essentially meant that in the year 2000 there was \$1.5 billion of money returned to Canada from corporations that was subject to no Canadian tax at all on dividends with the scheme that has been developed.

If there is a review, why is it taking so long before we get some action on it? He will note that two auditors general have asked serious questions about this. The Minister of Finance said he is going to consider it, but several years later there is still no action.

**Mr. Bryon Wilfert:** First, Mr. Speaker, I would reject the characterization that the Minister of Finance was stonewalling anyone.

Second, it is not customary, at least not for this government, to negotiate in public, so as for the details which the hon. member suggests, when we are negotiating, particularly with other countries, I am not likely to divulge them here.

Third, as for the auditors general, the previous one and the current one, we responded on several occasions, as I said, in 1995, 1996, 1997 and 2002. The departmental officials and others are currently reviewing.

We would rather get it right than simply rush in. I know the Alliance likes to do a lot of rushing. Unfortunately, the problem is that is not how we get it done. We get it done by being very methodical. We make sure that all the *i*'s are dotted and all the *t*'s are crossed.

The member will get his answer in due course and I am sure the member will be very interested to hear that answer.

## Supply

[Translation]

**Mr. Bernard Bigras (Rosemont—Petite-Patrie, BQ):** Mr. Speaker, I take great pleasure in speaking in today's debate. As I begin, I would like to inform you that I will be sharing my time with the hon. member for Trois-Rivières.

I am please to take part in this debate whose purpose is to shed some light on a number of facts I think are important if we believe Canada's tax system should be transparent.

The motion brought forward by the hon. member for Joliette reads as follows:

That, in the opinion of this House, in order to ensure tax equity, the government should terminate Canada's tax convention with Barbados, a tax haven, which enables wealthy Canadian taxpayers and companies to avoid their tax obligations, and should play a leadership role at the international level in activities to eliminate tax havens.

In my opinion, this debate, initiated by the hon. member for Joliette on behalf of the Bloc Québécois, should be seen as part of a pattern demonstrating that we believe that social solidarity is an important value in a country that calls itself democratic and in a society where people believe in fair taxation. Such a society ought not to have a regressive tax system.

What is more normal than making corporations pay their taxes on Canadian and foreign profits. What is more fundamental, in a fair and just society, than making corporations abide by tax regulations as strictly as Quebecers and Canadians must.

We have always believed in the need to take a stand against tax evasion by Quebecers and Canadians. Why are we continuing to implement a tax system with double standards? Whether it is a big company, a bank or a shipping company, why do we adopt tax regulations and a tax system, through tax treaties, as with Barbados, that impose taxes of 2% on profits and avoid double taxation? On the flip side, individuals earning \$30,000, \$40,000 and \$50,000 annually are treated quite differently.

In my opinion, this debate must be held in terms of social solidarity, fiscal equity and a fair tax equity policy.

Everyone agrees that the Canadian tax base must be preserved in order to provide public services. In our particular social context, the Canadian health and education system needs additional financial resources. Through these tax treaties and their endorsement, we are creating a tax invasion or rather evasion that is unacceptable to the public.

**Ms. Girard-Bujold:** This is not *Les Invasions barbares*.

**Mr. Bernard Bigras:** No, this is not *Les Invasions barbares*, but it sure seems like it. The barbarian invasion might seem like an evasion in Barbados. There is an interesting play on the words barbarian invasion and evasion in Barbados.

This government endorsed it and on three occasions refused to believe it, despite the Auditor General's guidelines and statements. The rules of social solidarity must apply. If this is not a barbarian invasion, then it is certainly an evasion in Barbados or Bermuda.

What are tax havens? As my hon. colleague from Jonquière said, it is important to understand this.

• (1600)

We, in this House, have a mandate to educate. We are not indulging in demagoguery, but simply trying to tell the public about the shell games some business people might be playing to erode Canada's tax base, which can only lead to a reduction in services being provided to the public.

Tax havens are nothing more than countries where the tax rate is low or nonexistent. Also, since there is total secrecy surrounding the financial sector in several of these countries, it is hard to put an exact figure on the amounts involved.

Back in 1998, the OECD set four criteria to identify tax havens. These include first, levying little or no income tax; second, refusing to exchange information concerning taxation; third, lack of transparency in their legislation; and fourth, lack of substantial activities. At the time, the OECD had identified 35 countries meeting these criteria.

Since the motion deals with tax treaties, it is important to define what they are. Let us take as an example the treaty Canada signed with Barbados.

Basically, the purpose of tax treaties, like the one Canada signed with Barbados, is to avoid double taxation. Barbados then becomes a very telling example, one that the former finance minister knows quite well. In fact, when I went over the organization chart of the Canada Steamship Lines and the assets of the hon. member for LaSalle—Émard, I identified close to 10 businesses that have set up their headquarters in one tax haven alone, Barbados.

Let us forget about all the other tax havens. He has ten businesses in Barbados alone.

**An hon. member:** There is Bermuda.

**Mr. Bernard Bigras:** Yes, we could add Bermuda. However, let us stick to the tax treaty. In a very shameless, irresponsible and surreptitious way, the former finance minister used the terms of this agreement to circumvent social solidarity. One cannot preach about social solidarity to anyone who is ready to listen and then try to erode Canada's tax base in a roundabout way.

Social solidarity is—

• (1605)

**The Deputy Speaker:** The hon. Parliamentary Secretary to the Minister of the Environment, on a point of order.

[English]

**Mr. Alan Tonks:** Mr. Speaker, with great respect, I rise on a point of order. I have been listening not only to this speaker but to previous speakers and it seems to me that they cross the boundary of fairness. Natural justice demands that when people are talking about someone in an incriminating fashion that person has the right to defend themselves. What we have—

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

*Supply*

**The Deputy Speaker:** Order. First let me respond by reminding members that when the Chair occupant, the Speaker, whoever that might be at any given time, rises in his or her place here, other members who have the floor would do well to sit down because, first and foremost, when the Speaker rises all other microphones are closed. I have listened to the extent that I am satisfied the hon. parliamentary secretary was engaging in debate and there was not a point of order consistent with the rules and practices of the House.

[*Translation*]

**Mr. Bernard Bigras:** Mr. Speaker, as I said, these tax conventions with Barbados are inconsistent with the principles of social solidarity to which I am sure we, on this side of the House, all adhere.

It is fascinating to know about the workings of the Barbadian tax system, of which big corporations like Canada Steamship Lines and the major Canadian banks take advantage. These corporations and banks operate and do business within a tax system with a rate of between 1% and 2.5%, no withholding tax, and no financial surveillance or control of exchange transactions.

One cannot claim to be a good corporate citizen and at the same time shamelessly take advantage of these tax systems, which ultimately have an impact on people's daily life. There is hardly any leeway. As far as I am concerned, these major banks and big corporations have a duty to act responsibly.

When it realizes that these businesses are not acting like good corporate citizens, the government has a duty to step in. It must make it clear that fiscal responsibility cannot be demanded of average citizens while big corporations play under a different set of rules.

I hope the government will support the motion put forward by my colleague from Joliette.

• (1610)

**Mr. Roy Cullen (Etobicoke North, Lib.):** Mr. Speaker, I recently saw the excellent movie by filmmaker Denys Arcand, *Les Invasions barbares*. It may well have been about the Bloc's barbarian invasions.

[*English*]

I listened to the hypocrisy of the member opposite, especially the part where he talked about the special tax treatment for banks. I find it ironic that the OECD, in its review of all the OECD countries—

**The Deputy Speaker:** The hon. member for Verchères—Les-Patriotes.

[*Translation*]

**Mr. Stéphane Bergeron:** I rise on a point of order, Mr. Speaker. I would just like you to enlighten me on whether it is in order for members to use the word hypocrisy in the House, as my hon. colleague just did.

**The Deputy Speaker:** The hon. member for Verchères—Les-Patriotes has raised a point that may be interpreted in different ways from time to time. I will try to explain as best as I can.

I would say that the word as such is not unparliamentary, when reference is made to hypocrisy in general.

However, if one member calls another—I am reluctant to use the term—a hypocrite, I would say that things are really getting serious. Then, one might certainly expect the Chair to intervene.

I thank the hon. member for his point of order. I take this opportunity to remind members to choose their words carefully.

The hon. member for Etobicoke North.

**Mr. Roy Cullen:** Mr. Speaker, the hon. member for Rosemont—Petite-Patrie is talking about special tax systems for banks.

[*English*]

I find that especially difficult to understand because when the OECD did its review of all the OECD countries in terms of any harmful tax policies, it singled out the international banking centres and the tax treatment of those here in Canada. Those apply to the international banking centres in Montreal and Vancouver.

I will tell everyone the history of those centres. Those centres were set up because of lobbying pressure from the province of Quebec, and probably the deputies opposite and the Parti Québécois, to set up an international banking centre regime in Montreal and, likewise, some pressure to set up an international banking centre in Vancouver because they could not effectively compete with the strength of the banking centre in the city of Toronto. The government, perhaps in its wisdom, decided to give Montreal and Vancouver a chance. Does anyone know what Montreal did? It did not use it very effectively. It hardly used it at all, so it was a wasted effort.

On the one hand they talk about the special tax treatment for banks and, on the other hand, this is the very treatment to which the OECD objects. I wonder if the member for Rosemont—Petite-Patrie is aware of that provision, and if he would come clean to the House.

[*Translation*]

**Mr. Bernard Bigras:** Mr. Speaker, it takes quite some nerve to compare these centres to big banks. Must I remind the House that big banks make astronomical profits, while the cost of banking services is not going down, far from it?

We can look at the subsidiaries of big banks that are located in tax havens. I will remind the House that there are 21 subsidiaries of Canadian banks in Barbados, 10 in the Cayman Islands, nine in the Bahamas, three in Bermuda, two in Jersey.

In fact, I invite my colleague to say this in his riding and to ask his constituents for their opinion, to find out if they consider it normal for big banks, which make astronomical profits and do not hesitate to increase banking fees, to be protected by tax conventions that benefit them and their senior executives, to the detriment of Quebecers and Canadians?

So I am turning the question around and inviting him to ask it to his constituents.

• (1615)

**The Deputy Speaker:** There is a little less than two minutes left. I would therefore ask that the question be quite brief.

The hon. member for Argenteuil—Papineau—Mirabel.



*Supply*

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Mr. Speaker, I only want to ask one question of my colleague for Rosemont—Petite-Patrie.

Given that he looked at the organization chart showing the investments of the member for LaSalle—Émard in tax havens, what does he think about the fact that it was the member for LaSalle—Émard himself, when he was the Minister of Finance, who negotiated the agreement with Barbados? Now that my colleague has looked at these investments, does he understand better why the member for LaSalle—Émard negotiated this agreement?

**Mr. Bernard Bigras:** Mr. Speaker, the least we can say is that when the member for LaSalle—Émard negotiated this agreement, he apparently was both judge and jury. When we actually look at the subsidiaries that I mentioned a while ago, we realize that a tax treaty was negotiated with Barbados while the member had assets in that very jurisdiction.

Therefore, and this is important, the member for LaSalle—Émard should not necessarily turn this over to his son, as he did. I would point out that the ethics counsellor, who is independent, set out some safeguards on July 28, 2003. He recommended to the member for LaSalle—Émard that he take care with regard to future policies.

**Mr. Yves Rocheleau (Trois-Rivières, BQ):** Mr. Speaker, I too am very pleased to participate in this crucial debate brought about by my colleague, the member for Joliette. It is in line with a issue of concern to the Bloc Québécois ever since we came to the House in 1993, the issue of tax havens.

Let me read the motion for the benefit of the House:

That, in the opinion of the House, to ensure tax equity, the government should terminate Canada's tax convention with Barbados, a tax haven, which enables wealthy Canadian taxpayers and companies to avoid their tax obligations, and should play a leadership role at the international level in activities to eliminate tax havens.

This is a major issue. Personally, I think this is one of the ugliest aspects of international capitalism, which involves great fortunes and the most important stakeholders of this world. Approximately 250 large corporations secretly control the universe using all the possible means and pulling all the strings available to them.

These corporations manipulate governments through election funds. We have to know that there is a direct link between the attitudes of western governments, the complacency with which they treat large corporations, and their electoral funds. Those people are all good friends. This colours the whole debate.

Yet, organizations have examined this phenomenon, which, one must also realize, is about impoverishing societies.

The Organization for Economic Co-operation and Development, better known by its acronym OECD, worked on this issue and in 1998, set out parameters for identifying tax havens. It is good, for our purposes, to repeat them here.

There are four major criteria for identifying a tax haven. First, it is a place where taxes are non-existent or insignificant. Second, there is no real exchange of tax information; things are done in secret. The most legendary example of that is Switzerland. Third, there is a lack of transparency in the laws or taxation. Fourth, there are no substantial activities or obligations for a corporation to truly operate

in the country. In many places it is just a mailing address or a desk with a phone, but likely no secretary to answer it.

At the time, 35 countries met these criteria and could be called tax havens. If we broadened the parameters slightly, 12 more countries would be added for a total of 47, including Canada. In the eyes of the OECD, our tax policy is linked to international freight transportation.

In Canada, there are very few entities that transport freight internationally in a serious and institutional manner. The former finance minister has always developed his talents not only here, on the backs of the provinces and the unemployed, but also with his financial advisers.

For instance, in 1992, he created four subsidiaries to his Canada Steamship Lines group in Liberia. Liberia is sure to be on the list of 35 tax havens. Every company, no matter what their profits are, pays Liberia a maximum of \$350 a year in taxes. Companies benefit from tax conventions with countries like that.

That is another element of the debate. There have to be tax conventions between countries, in all honesty, in order for taxes to be paid. If a Canadian or Quebec company invested in Germany, for example, tax rules and laws would ensure that taxes would have to be paid either in Canada or in Germany.

But when one does business in Barbados, things are not quite the same. The tax rate is 2.5% in that country, compared to 30% here, which means that one would pay ten times less taxes under an advantageous tax agreement with Barbados. This means that the economy of Quebec and of Canada is deprived of all these revenues that would normally be used to develop new services.

A law-abiding and socially responsible corporation pays its taxes.

• (1620)

When people do not pay their taxes in a society like ours—and this is not a phony debate, far from it, it is a question of public morality—when people do not pay their taxes, either they do not have access to public services or other people pay taxes for them.

That is what is happening in Quebec and in Canada. Other people pay the taxes that the banks and Canada Steamship Lines do not pay. That is what is immoral.

This is why Canadians and Quebecers may complain about the high tax rate. The federal government is not dealing with this issue, which the Bloc Québécois has been raising for 10 years. It has dealt with the unemployed, though. It made sure that in Trois-Rivières, for example, where there may have been some abuse under the old act—but that is another issue—employment insurance benefits are no longer available to 85% of those who lose their job, as used to be the case, but to a much smaller percentage of people.

It is well known that \$45 billion has been taken from the EI fund, first to eliminate the deficit and then to pay down the national debt. Instead of making the rich people pay, we are forcing the poor and less fortunate people to do so.

### Supply

Let us take, for instance, the guaranteed income supplement. The Canadian government has, in an underhanded and despicable manner, pocketed \$3 billion in the last five years by attacking those who are most vulnerable in society. In the meantime, the five major banks in Canada have deprived the tax man of \$5 billion in the last five years, if I am not mistaken.

Some of the communicating vessels seem to be blocked up. That has not happened as if by magic. They are blocked up because there is a lack of political will to do take action, or rather a political will to maintain the status quo.

It might be that the campaign fund is ever-present in people's minds. It might be because good friends have agreed to pay \$500, \$1,000, \$1,500 or even \$3,000 a ticket to attend a cocktail party, for a total of \$9 million—and you know just how fast that was collected—to help someone become the next prime minister. We know that.

All that is related. The Canadian government is not doing anything to straighten out this mess. To the contrary, it part of the problem. People should know that there is an Internet site called Barbados International Business Centre, where Canadian exporters are invited to invest in Barbados. It is the Department of Foreign Affairs and International Trade that is inviting people to invest in Barbados, where they pay practically no income tax. These Internet sites are harmful to the Canadian economy.

This is nothing short of outrageous. The more I think of it, the more outrageous it seems. I am convinced that what we are experiencing as citizens of the world is almost anarchy. There is a total disregard for the citizens and the taxpayers. We urgently need an international mechanism to try, with limited means, given the clout these people have, to find something like the Tobin tax that will make the rich pay, as the CSN used to say in its heyday. By levying a modest tax of 0.5% on the \$1,500 billion in daily transactions, we could create a fund of a few billion dollars each year. It could help provide drinking water in Africa, for example, and thus help alleviate problems that should not even exist in this day and age.

There are places in Africa where they do not yet have drinking water. They do not have clothes. They do not have a shelter where they can sleep. They still have just the bare minimum required for community living and human dignity. And people opposite tolerate and indeed condone this kind of scheme. When you accept tax rates of 2.5%, how could a developing country assess rates of 30%?

• (1625)

This is institutionalized underdevelopment. Not a single developing country will be able to make it, if the international community is not willing to bring these people into line. At a minimum, they should redistribute wealth in a decent way. The fact that this is not being done is a daily scandal.

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Madam Speaker, I would first like to thank my hon. colleague for his brilliant presentation. I think he made a very good point that the people pay when big business does not.

I would just like him to say something more about the fact that in 2002 the banks did not pay their fair share to the provincial or federal governments. We are talking about \$2.1 billion. I would ask the hon. member to tell us more about the fact that, through these tax

conventions with Barbados alone, the banks have not paid, or were able to avoid paying, \$2.1 billion in taxes.

**Mr. Yves Rocheleau:** Madam Speaker, that is a good question. We need to get some sense of proportion. The banks are said to have deprived Canada of \$2 billion in tax revenue. I have read that this figure represents the budget of the University of Montreal until 2009. These are extraordinary figures, and they are easier to understand when transposed to some other area.

I would also like to add this clarification. We have referred to Barbados, but there are the three Bs: the Bahamas, Bermuda and Barbados. Moreover, in 2001, Canadian investors just happen to have invested \$34 billion in Barbados, Bermuda and the Bahamas. During that same period, we invested \$24 billion in all of Latin America. So, it just so happens that these three tiny countries, with a total population of 270,000, got \$34 billion of investments, while all of Latin America, with a population of 10 million, many times over, got \$24 billion.

As for Africa, our Prime Minister's favourite place—and this shows the political will and influence this government has, and how it puts its money where its mouth is—investments totalled \$2.8 billion, compared to \$34 billion for the 3 Bs.

This shows the hypocrisy of this government. There is an huge gap between words and actions. This is an area where the just society really comes into play. They used to be so big on the just society and social justice, but no more. There is no political will there. The debates that have initiated by the Bloc Québécois these past 10 years prove quite clearly that there is no such political will on that side, none at all.

• (1630)

**Mr. Marcel Gagnon (Champlain, BQ):** Madam Speaker, I, too, want to congratulate the member for Trois-Rivières for his excellent speech that showed the human side of this issue. The member showed us to what extent the pursuit of wealth can create an incredible imbalance in the world. He himself has worked closely with African countries. When he talks about this, he does it with conviction and great knowledge.

He also showed us how people in this country are treated unfairly. He mentioned the amounts of money that have been taken from the poorest in our society, and I am thinking of course about the elderly. There is always hope for those who are poor and young, but hope fades fast for those who are poor, old and sick.

We have a finance minister who, for the last five years, has deprived the poorest seniors of the guaranteed income supplement. I would like my colleague to elaborate on that. He probably knows that 270,000 Canadians, including 68,000 Quebecers, among the poorest and the neediest, have been deprived of essential benefits from the guaranteed income supplement while other people have deprived the government of essential revenues through the use of tax havens. I would like my colleague from Trois-Rivières to elaborate on that.

**Mr. Yves Rocheleau:** Madam Speaker, the statements by my hon. colleague from Champlain illustrate quite eloquently just how unfair this is to the poorest and most vulnerable in our society. These people are often living on their own, and their children are often far away. So they are completely vulnerable in such circumstances. This illustrates how horrible this situation is.

**Mr. Roy Cullen (Etobicoke North, Lib.):** Madam Speaker, it is a pleasure for me to take part in the debate on the motion by the Bloc Québécois.

[English]

It is unfortunate because we could have had a very good debate about tax havens and tax evasion. These are important issues and are of concern to members of the OECD, the developed economies. There may be income that is finding its way into tax havens in these low tax or no tax jurisdictions. In some cases it constitutes tax evasion. In other cases it constitutes tax avoidance. In any case, it takes away revenues from the federal Government of Canada and other governments and that is a serious matter.

First, unfortunately the debate today has been personalized. The former finance minister has been spoken about in his absence with no opportunity to rebut.

Second, if we look at the revenue losses that the Bloc Québécois is concerned about, all we have to do is look at the province of Quebec and the separatist policies. These policies have driven investment and economic activity out of the province of Quebec, thereby diminishing the revenue sources of the government.

Until recently we also had a government in the province of Quebec that spent beyond its means. Of course government revenues in the province of Quebec are an issue. That is why the Bloc in its usual fashion would like to lay this problem at the feet of the federal government.

While it is a serious issue and while the government I am sure is seized with tax evasion, I would hope that we could have a more constructive debate and discussion on this important topic.

Tax treaties are signed with countries. Canada has a number of tax treaties. They are designed to facilitate trade and investment. They are designed to facilitate the exchange of information. They are designed to avoid double taxation. Therefore, if we have companies and individuals of Canadian citizenship doing business in these other countries, they will not be double taxed. This is the reason for these tax treaties.

• (1635)

[Translation]

As my hon. colleague already said, Canada and the other members of the Organization for Economic Cooperation and Development, the OECD, have long been aware of the importance of eliminating instances of double taxation and protecting against tax evasion.

[English]

The model of double taxation, the convention, is designed by the OECD. Essentially all the tax treaties that Canada has negotiated, while they are designed to meet our particular needs, are in conformity with the model that was developed by the OECD.

### Supply

International taxation is a highly complex matter. There are some countries, like Canada, that tax income based largely on residency. There are other countries, like the United States, that tax largely on citizenship. There are yet other countries that tax largely on source of income. That makes for quite a complex quilt. For imaginative minds, tax lawyers, tax accountants and others, it is somewhat of a smorgasbord, especially given our global economy, the amount of interrelatedness of companies around the world, and the way that they operate globally.

Tax evasion and tax avoidance are challenges. I want to clarify at least my understanding of the difference. Tax avoidance means that companies or individuals take advantage of the provisions of, let us say, the Income Tax Act of Canada, within the rules. In other words, they take advantage of rules, or perhaps loopholes, in the income tax system that Canada has evolved.

It is then incumbent upon the Government of Canada, if those activities are contrary to the spirit of the Income Tax Act, to fix those loopholes. That is an ongoing exercise. As we close loopholes, creative people think of other schemes. This will never end in any type of developed society. There will be creative tax accountants and tax lawyers who will look at how to avoid taxes and governments will look for ways to close loopholes if they are outside the spirit of the legislation.

Tax evasion is a totally different thing. This involves evading taxes that clearly are otherwise payable. Essentially there are a number of ways to do this: not to report income that should be subject to Canadian income tax, or to claim expenses against income that clearly are outside the scope of what was intended. Tax evasion is a serious problem, as is tax avoidance, but they are problems that require different types of solutions.

Canada has been at the absolute forefront of the initiative by the OECD to deal with what is referred to as harmful tax competition. It was our former finance minister in particular who was leading the charge on that. In doing so, the exercise started out initially looking at tax havens and offshore operations, where there are essentially low-tax or no-tax regimes, and looking at how the OECD countries could examine those particular jurisdictions and try to deal with them.

The second part had to do with transparency and the wish of the developed economies to entertain those situations in those tax havens or offshore banking centres where, if there was a suspicion of tax evasion, there would be cooperation and a transfer of information and a willingness to share. The Canadian tax authorities could get the information and if they felt that there was a Canadian evading tax, they could take the appropriate action. It had to do with sharing of information.

This is a very complex and difficult task when one looks at tax havens and offshore centres like Switzerland, Luxembourg, the Bahamas and others where the very *raison d'être* is secrecy and confidentiality. This is not an easy problem to deal with but the developed economies are trying to deal with it because they realize that they are losing a lot of tax revenues because of this tax evasion.

### *Supply*

The challenge occurs of course when looking at low-tax or no-tax regimes. There are some obvious examples like the Bahamas, like Bermuda, like Switzerland, like Luxembourg and many others where there are low-tax or no-tax regimes, especially for what is called offshore operations. Many of these countries tax income of companies that have operating income, or real income in a sense, in their own countries, but they provide exemptions for offshore companies that operate within their domain.

● (1640)

These operations are quite numerous and they can be very legitimate. There are a number of Canadian companies that have set up offshore operations. Those operations are managing businesses outside of Canada. They are not directed and controlled within Canada and therefore they are not subject to Canadian income tax. It is quite legitimate to do that.

In many cases we have offshore operations which I would not say they are against the rules or they are evading tax, but they certainly stretch the application of the rules in the Income Tax Act. One example is the transfer of goods or services between affiliates. The Canadian Income Tax Act says that if we are selling a product or service to what is called a non arm's length organization, such as a wholly owned subsidiary or something akin to that, we have to sell that product or service at a fair market value. However, there is a range within which it is very difficult to challenge whether or not it is fair market value.

There are some schemes, if we want to call them that, which would put most of the profit margin in those jurisdictions where there is low tax or no tax to keep the profits in the low tax or no tax regimes. Again, the Canada Customs and Revenue Agency is charged through its mandate to make sure that transactions are priced at fair market value within a range and it does a very good job of that.

There are a number of what we call captive insurance companies that are set up offshore which are insuring the assets of multinationals and are really not attached directly to any particular country. They are directed and controlled from an offshore geographical location and they have real direction and control from that particular area.

The OECD found, in my recollection, that when it is looking at low tax or no tax regimes, it is very difficult to know exactly where to stop and where to start. As I said earlier, there are some obvious examples where there are no income taxes, but then there are examples like Ireland, which has gone to a very low tax regime.

I believe the OECD countries decided that it would be a bit of a mug's game to actually try to establish what was a harmful tax regime and what was not. In fact it was really outside the scope of the OECD's interest or what it could realistically deal with. It changed the focus from looking at harmful tax regimes in the sense of the actual amount or rate of tax and it focused more on transparency and the sharing of information. That exercise is ongoing.

Barbados is the example which was brought before the House today, and we know the reasons, but in terms of looking at it substantively, it actually has a very progressive and refined tax

system. It taxes local companies at reasonably high rates. It does have provisions for the offshore banking and offshore operations, but it also has a very transparent system. It cooperates with countries like Canada. If there are concerns about tax evasion, there is a lot of information sharing.

The government of Barbados has committed not only in words but in deeds to actively fight money laundering. This was a very important initiative. In fact the financial action task force of the G-7 was set up to deal with fighting money laundering. Canada again, I am very proud to say, is right at the forefront of that. In fact a senior bureaucrat at the Department of Finance is chairing the working level group of the G-7 financial action task force that is looking at how to deal with fighting money laundering. As I said earlier, Barbados has made an absolute commitment to fight money laundering. Barbados does not want dirty money and I applaud it for that.

If Canada simply cancelled the tax treaty with Barbados, first of all it would jeopardize the 1,700-odd companies that are currently in Barbados and operating very legally and very appropriately. It might subject them to double taxation.

● (1645)

The other reality is that there are many tax havens around the world. Companies could easily move from one jurisdiction to another. In my judgment it is better to stick with an offshore operation in Barbados where the government is committed to clean money and the government is committed to transparency. I think that is how we are going to make progress on many of these issues.

The other interesting fact is the European Union has decided also to attack what it calls harmful tax competition and also tax evasion within the European Union. There are countries, as I said earlier, like Switzerland, Luxembourg and others that are a concern to some of the other economies in Europe. Those discussions are ongoing.

It is interesting that the European Union decided also to include manufacturing subsidies. It wants to avoid the kind of tax competition between European countries where they end up with a rush to the bottom. Unfortunately we are seeing some of this in North America. We are seeing some of this in some of the enormous subsidies that are available in the United States at the state level and the municipal level for manufacturing operations.

I can speak from personal experience. If we go to a U.S. state, Tennessee, Kentucky or wherever it might be, the state governor and local officials will absolutely line up to give out the sales tax abatements, property tax relief, cheap industrial land, cogeneration agreements and so on. Unfortunately this is causing some difficulty for us here in Canada because at the provincial and municipal levels we do not seem to have that same flexibility. Besides, our government has taken the position, I think with some wisdom, that we are not going to rush to the bottom. We are going to work on our natural competitive strengths and we are not going to be writing out cheques.

I have been a bit vocal in saying that we need to look at that seriously because we are in danger of losing a lot of investments. If we look at the automobile industry, I saw a report that was done not too long ago that there were 13 additions or new automotive plants in the United States within the last four to five years where the subsidies at the state and municipal levels were absolutely staggering. We have lost out on a few of those.

The one that piqued my interest was one in Georgia not too long ago. There was a \$1.3 billion automotive plant investment. The subsidies that were attached to that were close to 58%. That is very difficult for us to compete with.

The reason I raise this is if we are going to look at harmful tax competition, we need to look at it holistically. It is not just harmful tax competition if it relates to offshore financial services. We have harmful tax competition right here in North America.

I think that medium to long term we need to sit down with our major trading partner and say that this is a rush to the bottom and we are all losing out. I know that the U.S. position at the federal level is that it does not have any control over what the states or local governments do. I think that is a bit of a cop-out. I think it is a little too easy to say that. We need to address this issue.

We also need to be mindful, if we are looking at countries like Barbados, Bahamas, Bermuda, the Seychelles and so on, of how these countries compete for manufacturing jobs and manufacturing investments. First of all in some cases they are constrained by their land mass. Bermuda is 22 square miles. I worked there as a young chartered accountant for two years and I would bump into the same people three or four times a day. Other countries have more space. Barbados in terms of geographic resources is more plentiful.

• (1650)

However these countries have gone into offshore banking and offshore financial services. It is a way for them to get some economic activity going into those jurisdictions because they do not have the land mass and perhaps the technical or workhorse experience or capabilities, at this point in any case, to attract the kind of manufacturing facilities that are always up for bid and for grab.

Is it appropriate to shelter income that evades taxes in other developed economies? No. I think that is wrong. I think we would find that most of these countries are prepared to deal with tax evasion. Some are not and they are on the OECD list of non-co-operating countries, which is quite a short list, but Barbados is not on that list because it is prepared to co-operate.

This is when we get into the fine point about tax avoidance versus tax evasion. They are two different things. Some creative people and companies have set up some tax avoidance schemes but that requires a different solution than tax evasion.

We have heard the example of shipowners and we know why that has been chosen as a target. I have had some experience with this in my business life. International shipping companies are all organized offshore. Whether we like it or not, whether we think that the better solution would be for these companies to be onshore and subject to the labour codes of countries like Canada, that is not the way it is. If companies want to be competitive internationally they simply have

### *Supply*

to organize offshore, and that is the way it is. Without that, those jobs, or even the ancillary jobs back at head office, would not be there because the company would not be able to compete at all.

I talked earlier about the international banking centres in Montreal and Vancouver. A number of us in the GTA tried to resuscitate the international banking centre concept for Toronto. We were rebuffed again because of the Montreal banking centre, which, unfortunately, Montreal has not done much with, and the one in Vancouver which was provided to give it a bit of a leg up in the very competitive world of international banking and finance.

We need to be better able to deal with countries that are committed to fighting money laundering and committed to transparency. Let us deal with tax evasion and banking centres that are illegitimate in a very aggressive way.

[*Translation*]

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Madam Speaker, first of all, before asking my question, I will provide a brief overview of the recent history of Quebec.

At the time of the Quebec elections, in April, the unemployment rate was the lowest ever in the province. Since April and the change of government, the unemployment rate in Quebec has increased by more than 1.1%, and by 0.9% in August alone. Of course, we can make comparisons. The future will tell. History will tell what is happening in Quebec.

However, in the last few months, there is still a sad reality. The unemployment rate is increasing. Our colleague tells us that some investors are gone. In any case, they did not come running back, because the unemployment rate did not improve in Quebec. If anything, it worsened.

Quebeckers—I am proud of this—control more than 30% of the capital invested in Canada, despite those who left during the years when they were not satisfied with the way Quebec was being run.

I have a few questions for my colleague. Since he was an accountant in Bermuda, does he think that it is right that the big Canadian banks can avoid paying \$2.1 billion in taxes in Canada? And does he not think that, perhaps, with this money, Canada could help businesses compete with other businesses to keep investments from going to the United States instead of Canada?

• (1655)

**Mr. Roy Cullen:** Madam Speaker, I was born in Montreal, which is something I am very proud of.

[*English*]

I am very happy to see that the economy in Quebec is picking up. That is a good thing. The more the better. The economy in Quebec has gone through a lot of difficulty and that is because of the policies of separatism. We know that to be very true. I am glad to see that Quebec is coming back. It is coincidental with the demise of the separatist feelings in Quebec, and I am sure that is no coincidence.

*Supply*

With respect to the other question, I noticed earlier that the same question was posed by the deputy to his colleague asking if he could explain how the \$2 billion in the banking system was lost. His colleague did not really answer it. I think he was implying that if the operations were offshore that was lost revenue to the Government of Canada. If it is a legitimate offshore operation, be it in Barbados, the Caymans, Luxemburg, or Switzerland, it is not subject to the direction and control of Canadians. Companies operate internationally and we lose some tax revenues because companies are formed around the globe. That is just the reality of life. I did not really understand what the connection was with tax evasion and tax havens on this supposed loss of \$2 billion.

**Mr. Gerald Keddy (South Shore, PC):** Madam Speaker, I listened to the hon. member's speech with some consternation. He seemed to be all over the map and all over the place on his discussions.

He and other members on the government side kept referring to the hon. member for LaSalle—Émard and his stint as finance minister. I guess my question on tax conventions, which would roll easily into tax havens, would be what the hon. member actually thinks of the process that the member for LaSalle—Émard went through as a minister of finance for Canada to negotiate a tax haven that he eventually ended up using himself. Furthermore, we have to understand how important a person the minister of finance is in government, not only in business. It is a very tricky balance and I think it is one that we do need to discuss.

The facts are this. There was a tax haven. A convention was formed between Canada and Liberia that allowed Canadian companies, in this case Canada Steamship Lines but other Canadian companies as well, to have some tax free status by sailing out of Liberia. There was a lot of thunder in the House. I read the speech. There was a lot of chest pounding about shutting down Liberia but there was no talk about the fact that Barbados was left open and companies were transferred directly from Liberia to Barbados.

I think it is a real flaw that we allow Canadian companies to be taxed offshore. It is a bigger flaw to allow a minister of finance to participate in that.

I do not know the answer, although I think I do, but I would like the hon. member's reply. Does he think that is the way a minister of finance should act?

We must understand that when a minister of finance owns an offshore company, sits on the board of the World Bank and has intimate dealings with the rest of the countries in the world regarding upcoming taxation schemes, he is the first person to know, long before anyone else, what proposed tax changes may be occurring in the European Union or in the United States. This is an individual who has access to a so-called blind trust at the average of four times a year while he is negotiating on the part of Canada and running a business. What is the member's opinion on that?

• (1700)

**Mr. Roy Cullen:** Madam Speaker, the member for South Shore wants to be very partisan and drag someone through something because he is not here to defend himself.

I know from my personal experience that the former minister of finance was absolutely pristine when it had to do with recusing himself from any decision that had anything even remotely to do with shipping.

It is interesting that the member raised Liberia. Liberia is one of the countries listed on the OECD list as a jurisdiction that has an unco-operative tax haven. These are jurisdictions, as I outlined before, that are currently unwilling to provide a commitment to exchange taxpayer information and to eliminate any non-transparent features of their tax system. It was quite appropriate that we dealt a blow to the tax treaty with Liberia.

I have not followed the former minister's business operations but the department was much involved in these discussions. In fact, I think the business operations initially were in Liberia. I am not sure about that but these are questions I know the former minister of finance was absolutely pristine about in terms of recusing himself from anything that was even remotely related to shipping. Even though the department might have concluded or not concluded various tax treaties, I am sure the minister had nothing to do with them, or he did not express his opinion one way or the other.

**Mr. Charlie Penson (Peace River, Canadian Alliance):** Madam Speaker, I would like to ask the member a question. Is not the problem here, essentially, and the reason a lot of these Canadian companies, or any company for that matter, go to low taxation districts or areas a reflection that taxes within the domestic market where they operate or the country in which they are based are probably too high?

It seems to me that the fundamental question here is: Should we not be trying to drive down our tax rates in such a way that we could keep these companies' home base here and then we would be able to collect an appropriate amount of tax that would not be in excess of what they could handle?

It would seem to me that this would go a long way to solving Canada's productivity problem which has slipped substantially in the last 20 or 30 years and which we have not been able to regain. Maybe if we kept some of that business at home and taxed it at a reasonable level we would actually gain in the process.

**Mr. Roy Cullen:** Madam Speaker, the member for Peace River raises a good point. Some recent studies that I have read basically showed that taxpayers, rightly or wrongly, reach a level of taxation where they intuitively say that they will not pay more.

However I think there is a certain fallacy to that logic. It is akin to the idea that the laws are too tough in Canada. People have to abide by the rules and the laws of the land.

However the member raises an interesting point. We should be mindful of the tax burden that we have on Canadians. At the corporate level we have moved quite aggressively to the right level. I would be surprised if we were promoting a lot of tax evasion on the corporate end, although, with creative corporate accountants and tax advisers, I am sure some of that will go on.

However, on a personal level, we still have some work to do. My own sort of anecdotal evidence would suggest that there are more individuals than there should be moving income offshore and we need to deal with that in a couple of different ways.

*Supply*

[*Translation*]

**Mr. Stéphane Bergeron (Verchères—Les-Patriotes, BQ):** Madam Speaker, I am very pleased to take part in the debate which was instigated by my hon. colleague from Joliette and deals with tax evasion, especially in Barbados.

I said I was very pleased to speak on this motion, but let me add that it is not because I am very thrilled about the issue before the House, quite the opposite.

I am pleased because as members of Parliament it is our duty to take note of any situation that is completely contrary to the interests of our fellow citizens, to stand by our constituents and to expose such situations.

Earlier today, I heard the hon. member for Etobicoke North say that we were witch hunting, imputing motives to others and getting into name calling.

I just want to say that I would never resort to name calling or try to tarnish someone's reputation. First, it is not in my nature to do that, and second, I think it would be useless, pointless and superfluous. I think the members in this House and the people watching us are smart enough to come to the right conclusions and to make all of the obvious correlations.

I would like to begin by saying that, strangely enough, in 1999, the third most attractive destination in the world for private Canadian investments, after the United States and the United Kingdom, was Barbados.

Was this because Barbados is a great growth country? Was it because Barbados has an incredibly large consumer market? Was it because Barbados is a place where there are absolutely enormous investments in terms of infrastructure? Was it because Barbados has a fabulous manufacturing capacity? No. Barbados was the third most attractive country in the world for Canadians investors for none of these reasons.

Barbados ranks third, surprisingly, among destinations for private Canadian investments for the simple reason that it is a tax haven, and that is the only reason. The OECD clearly identified tax havens as a plague and a scourge affecting tax policies and measures in many countries, both developing and developed. The OECD urged those countries identified as tax havens to change their tax policies to make them more consistent with the international standard.

That is not the only problem. If Barbados being a tax haven was the only problem, we could perhaps tell ourselves that Barbados is not the only tax haven in the world. The problem is that, on the international scene, Canada is swearing up and down that it does not condone tax havens and calling on these tax havens, following OECD orders, to take appropriate tax measures.

But at the same time Canada concluded a double taxation agreement with Barbados. What does this double taxation agreement with Barbados do? It is quite simple. It prevents individuals or businesses operating or travelling in the two countries in question from having to pay taxes twice.

Given that Barbados is in and of itself a tax haven, it is an attractive place for a number of Canadian companies to make

investments, via dummy undertakings—commonly referred to as shell corporations—and bring back into the country profits which were minimally taxed in Barbados and will therefore not be taxed a second time in Canada.

• (1705)

Is that really so very dramatic? Why are we making such a fuss about it this afternoon?

I will just give you a few examples. I heard the hon. member from Etobicoke North give us a knowledgeable presentation on the distinction between tax evasion and tax loopholes.

As wise as it was, it was thoroughly disingenuous. We know that governments—particularly the Government of Canada—very often set up tax loopholes in order to permit tax evasion.

This tax convention between Canada and Barbados is the kind of loophole whose only purpose is to permit tax evasion.

I will give you some examples. In 2002, six Canadian banks were able, through foreign investments in their subsidiaries in tax havens, to save more than \$2 billion. The tax savings were about \$841 million for the Royal Bank, \$530 million for the Bank of Montreal, \$463 million for Scotiabank, \$235 million for the Toronto-Dominion Bank and \$92 million for the CIBC.

And what does \$2 billion dollars mean in real terms? What does it represent? Each and every one of us needs to understand what it means.

The Minister of Finance is saying that things are not so terrible after all, since Canadians got tax reductions of \$100 billion over five years. That is bogus.

Apparently, there is \$100 billion in reduced taxes, but most often, these reductions are highest for those with the highest income instead of the lowest.

If the government had gotten the \$2 billion that the Canadian banks saved by investing in so-called foreign subsidiaries, then it could have granted not \$100 billion in tax reductions but \$102 billion. It is not just banks either. Many other big businesses do the same to save the money they would otherwise pay in Canadian taxes.

Obviously, even if companies pay much lower taxes than individuals do in Canada, they pay way more here than the mere 2.5% they pay in Barbados.

*Private Members' Business*

Since there is a tax treaty precluding double taxation, it is much better to pay taxes in Barbados than in Canada. Billions and billions of dollars do not make it into the coffers of the state thanks to this government and its kind cooperation. The taxpayers as a whole, which means mostly the middle class, must support the costs of maintaining programs.

This government boasted about putting Canada's fiscal house back in order. It asked Canadians to tighten their belts. But at the same time as this government was reducing health and education transfers to the provinces, as it was picking the pockets of Canadian workers contributing to the employment insurance fund, it did nothing to plug that tax loophole.

● (1710)

This tax convention between Barbados and Canada allows a number of this country's large corporations, many of which are apparently good friends of the regime, to save taxes to the tune of several billion dollars. At the same time, they have the gall and the audacity to tell us that it is nothing serious. They are granting tax reductions of a hundred billion dollars over five years. It is totally outrageous.

**The Acting Speaker (Ms. Bakopanos):** It being 5:15 p.m., pursuant to the order made earlier today, every question necessary to dispose of the business of supply is deemed to have been put, and the recorded division is deemed to have been demanded and deferred until Tuesday, September 23, at the end of government orders.

● (1715)

[English]

It being 5:15 p.m. the House will now proceed to the consideration of private members' business as listed on today's Order Paper.

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## PRIVATE MEMBERS' BUSINESS

[English]

### USER FEES ACT

The House proceeded to the consideration of Bill C-212, an act respecting user fees, as reported (with amendment) from the committee.

**Mr. Roy Cullen (Etobicoke North, Lib.)** moved that the bill be concurred in.

(Motion agreed to)

**The Acting Speaker (Ms. Bakopanos):** When shall the bill be read the third time? By leave, now?

**Mr. Roy Cullen** moved that the bill be read the third time and passed.

**Mr. Jim Abbott (Kootenay—Columbia, Canadian Alliance):** Madam Speaker, it gives me a great deal of pleasure to speak to Bill C-212.

This is a very important bill in spite of the fact that it deals with a tremendous amount of arcane information. It is one of those things where as the country of Canada has become the great nation that it has, over a period of time we have ended up with an awful lot of

practices within Parliament. There are parliamentary procedures and practices within the bureaucracy that are responsible for putting together regulations surrounding the laws that are passed in Parliament.

As a consequence, there has been a buildup of detail and a buildup of law that has ended up beyond the control of the people who are elected by Canadians, namely the parliamentarians. We have ended up with a situation where as much as 90% of the law, the rules and regulations, and the procedures that citizens and companies have to go through are actually beyond the control, direction, and oversight of parliamentary procedure. This bill is one of a number of steps that have come from the backbench that would start to correct that situation.

I would like to mention that the member for Surrey Central just recently was successful in having a bill passed that had to do with the disallowance of regulations. As I mentioned, it is a rather arcane topic. It is an arcane description. Let me explain the disallowance of procedures.

Basically, what he managed to do—and it is parallel to what this bill is attempting to do in my judgment—is to put parliamentarians, who are the representatives elected by and accountable to the people of Canada, back into the process. What we will basically be looking at now are a number of fees, regulations, and procedures that have been developed, presumably in good faith by the bureaucracy that have ended up beyond the control of even the ministers of the Crown.

As I understand Bill C-212, it has to do specifically with user fees. According to the documents I have in front of me, it says that this act may be cited as the user fees act. When I go through this bill and I come to clause 5.1, reduction of user fee; clause 6, resolution of the House; and clause 7, adjustments in the applications of user fees; I see very clearly and specifically the intent of the bill, which is basically to allow parliamentarians to review user fees and potentially reduce user fees.

I want to be crystal clear as to where the Canadian Alliance is coming from. We believe in user pay; we believe in user fees. That is not the issue. The issue is how fair they are, and indeed if they are unfair, what the process would be that would be undertaken today prior to the enactment of the provisions in Bill C-212? What would actually take place today?

The fact of the matter is that with the exception of this new bill that my colleague from Surrey Central managed to get through, we have never really had a tool within the parliamentary process to be able to do it. That is why this bill is very complimentary to the bill that my colleague from Surrey Central managed to get through.

Let me give an example. I am the Canadian Heritage critic. I am familiar with what are called part II fees under the Canadian Radio-television and Telecommunications Commission.

● (1720)

The CRTC has basically two levels of fees. The first fee is the actual user pay. I must say that as far as many of the broadcasters and people in the industry that are paying the fees, they feel that the user pay portion is very generous toward the CRTC.



*Private Members' Business*

What is part II? Part II has to do with the fee that in no capricious way but nonetheless without any real structure has ended up evolving over a period of time. There is a part of the spectrum that the broadcasters use either for audio or visual transmission or digital transmissions and have access to, have rights to. Therefore, because those frequencies in the spectrum are assigned specifically to them for their use, they bring radio and television, and other broadcasts into that spectrum at that frequency. The thought has been that that is worth  $x$  number of dollars.

Again, we are very sensitive in the Canadian Alliance to the fact that there are public commodities like spectrum, like frequencies that indeed do have some commercial value. Unfortunately, for the broadcast industry, what has occurred particularly over the last 10 years—and in an accelerated way over the last 10 years—is that the value of those frequencies within the spectrum has plummeted. It has basically gone through the floor. Why? Simply because of the new technology that permits broadcasters and people wanting to broadcast information to be able to get onto the air.

We speak frequently of the so-called 500 channel universe. It used to be that there was an area, a green tier it was called. A green tier for broadcasters simply meant that one wanted to be on channel 2 through 13 because those were the ones that were on the UHF, the ultra-high frequency dial. Past that, we were getting into a different television frequency and the broadcasters were going to be lost. There has been an historic clamouring on the part of broadcasters to get into the green tier, to the 2 through 13, because they want to be found and easily seen.

As a consequence of digital transmissions, we can now go to channel 163 or channel 359. It does not make any difference. We can program our VCR and television receiver to wherever we want to be on the dial. I was speaking to a colleague about this bill earlier today. He was saying how it used to be that when a familiar channel was bumped for whatever reason and moved to another portion of the dial or frequency, that all of a sudden he would end up with all sorts of calls to his office from people complaining about it being moved. Why are they not complaining now? Well, because there are so many channels being added that it is a simple matter of re-computing one's television set so that for people who are watching CPAC right now on channel 69 in Ottawa, and I am making that up as I do not know what the channel is—

**An hon. member:** It is 24.

**Mr. Jim Abbott:** Channel 24. Other people are watching it on channel 69 in Vancouver or 71 in Cranbrook or wherever it is. If CPAC was moved on the dial, fine, it is moved on the dial. People find out where it is, reprogram their computers and for all the scintillating television that can be watched on CPAC they can find it all over again. The value of the frequencies has diminished.

The second thing that has happened in radio is that it has become very inexpensive to be able to rebroadcast Calgary stations, for example, into my constituency up and down the Columbia Valley. On the AM spectrum, 830 was the only frequency that had commercial usage and 92.7 or whatever it was on the FM dial was for CBC. Those were the only two that I could get on my frequency, now when I drive around the Invermere area there are up to 15 different stations that I can get.

●(1725)

This is why the value of the frequencies, the value of where one is on the dial, has diminished to the extent that it has. That is real life.

Unfortunately, what has occurred—

**The Acting Speaker (Ms. Bakopanos):** Resuming debate, the hon. Parliamentary Secretary to the Minister of Finance.

**Mr. Bryon Wilfert (Parliamentary Secretary to the Minister of Finance, Lib.):** Madam Speaker, it is a pleasure to see you back in the Chair.

I want to, first, commend my colleague from Etobicoke North for the tremendous amount of work that he has done on the subject. He has elevated the subject of external charging to a new level which is very important.

The importance of external charging extends beyond the House, of course, to those who pay. But it also extends to the broader public interest, which is at the very heart of every program, whether it charges direct users or is funded solely through taxation.

It is through the work of parliamentarians that these interests are brought together so that sound management practices are in place. That is why this debate is so critical.

From the perspective of the House, and of parliamentarians, the fundamental feature of Bill C-212 is the provisions for greater committee scrutiny of departmental charging initiatives.

Ministers would be required to table all proposals for new or amended charges before the House, if the bill is passed. The proposal would then be subject to review by a committee of the House and the committee would then have 40 sitting days to make its recommendations to the House.

In considering the merits of Bill C-212, we should first consider the process that now exists; the process that would be more or less supplanted by the measures of the bill.

At present, it is handled by a committee of cabinet, specifically the special committee of council, or the SCC. Its members are authorized, on behalf of cabinet as a whole, to make decisions with regard to matters that have to be implemented by regulation.

In fact, this includes most user fees which are most commonly established under regulatory authority. Therefore, they must go back to the SCC and subsequently be published in the *Canada Gazette*. The process followed by the committee is outlined in detail in the public document "Guide to the Regulatory Process", but the following is a brief sketch of how it works.

When a regulation is signed off by the minister, it goes before the SCC, which then makes a decision on whether the proposed regulation will be pre-published in the *Canada Gazette*.

The regulation is examined, including its regulatory impact statement, to see if the period proposed for public comment is adequate, given the complexity and importance of the user fee proposal.

*Private Members' Business*

The committee may also consider the sensitivities raised by the regulation, even though the decision to pre-publish does not mean that the regulation will ultimately be adopted exactly as it was initially proposed.

Assuming that the committee agrees that there will be pre-publication, the regulation and the regulatory impact statement then appears in the *Canada Gazette*, along with information that a period for comments is being allowed and where to submit any comments.

It should be noted that departments may also disseminate this information through their own network of stakeholders. These other methods are increasingly used as departments recognize the merit of broadcasting their activities as openly as possible.

The comment period posted in the *Canada Gazette* is, at a minimum, two weeks. More serious matters may take 75 days, or even longer, depending on the determination of the SCC.

Departments are required to receive these comments and take them into account in terms of amendments to the proposal or in terms of explaining why the comments should not be accepted as offered.

The regulation then comes back to the committee, which then looks at the regulation in more depth. When looking at user fee proposals, the examination typically includes the service to be provided and the terms which apply, such as the service standards, and how the department intends to monitor them.

The committee, at this stage, also has full rights to send the regulation back to the department for further work to improve it with modifications or to send it to a cabinet committee or to full cabinet.

Finally, when the committee agrees with the regulation, possibly with amendments, it then authorizes publication again in the *Canada Gazette* and the publication will stipulate when the regulations come into force.

My intent, in outlining the existing process, is to ask the House whether it has given this bill full consideration. That requires a look at the existing process, of course, but also the potential impact of this bill on the operation of the House. That, in turn, is the real test of this bill's effect on the quality of Parliament's oversight of external charging.

• (1730)

Given the complex circumstances surrounding some of the user fees and the diverse stakeholder interest that may be involved, a standing committee could be consumed in discussing even a small number of fees.

I have certainly raised this before with the member and I have raised this in committee. Again, with great respect to the member, I know that he has responded to this issue on a number of occasions. The concern, though, is that the committee's time would be used in calling witnesses and engaging in debates. What would be the impact on other responsibilities of a committee to work on policy or regulation? How many regulation changes would in fact be coming to the committee? That would depend obviously on any given time frame. However at present committees sometimes find it very difficult to manage their workload as they ideally like.

What work should be given a lower priority in order to meet the bill's provision for more committee review of charges? As different committees make different decisions given different circumstances in which they work day to day, how consistent will the review be? Is consistency not critically important to our departments, to our stakeholders and of course to Canadians as a whole? This is the only area about which I personally have a concern with regard to the member's bill.

I would suggest in closing that in the final analysis we must consider whether the bill is necessary, given the revised policy. I will be interested to hear further debate on this and whether it is the view of the House to move forward. However those are the considerations we have.

**Mr. Norman Doyle (St. John's East, PC):** Madam Speaker, I am pleased to say a few words on this bill on behalf of our finance critic, the member for Kings—Hants, who supports the bill in principle and as a consequence of that, all of us in the PC caucus will be supporting it.

As we are all aware, back in 1994 the government moved massively into charging fees for mandatory regulatory services. It increased regulatory fees for businesses in general by almost 47% over a two year period. For manufacturers in Canada, fees increased by 153% over that same period. From inspecting meat to approving ingredients for anti-bacterial kitchen cleaners, if Canadians wanted a regulated product the fee had to be paid. No fee, no product.

The government insisted on more money to regulate products and services and it promised program efficiency, better service and smarter performance. Very little of that has happened. Canadians and their companies are paying much more and getting a whole lot less.

I am told by the member for Kings—Hants that the problem is the vast majority of these user fees were set by regulation, with no parliamentary input and no real consultation on their business impact or how they compared internationally.

Both the Auditor General and the parliamentary finance committee have pointed to the seriousness of this problem. Added to that, the Supreme Court has now decided that some user fees are a tax levied by governments. Individually and viewed together these judgments point to serious problems which the government will now have to be seized with.

We need a public debate about whether services delivered actually give value for money.

This legislation would make Parliament rather than government departments and agencies ultimately responsible for approving new user fees or increasing existing ones. That is why we support Bill C-212 in principle.

User fees are really hidden taxes or taxes under another name and ought to be examined with parliamentary scrutiny to see how effective they are. We have always argued that Parliament needs to play a wider role in how government raises revenues. This is a clear example of that.

*Private Members' Business*

While the government asserts that fees are not a tax and are primarily focused on improving resource allocation, the evidence clearly points out that they are having the effect of a tax on business, with the sole purpose of generating revenues for departments.

The Supreme Court appears to agree with that assessment. In its recent ruling in the Eurig case, the court ruled that probate fees in Ontario are a tax. In making its decision, two key points were raised by the court: first, fees must be directly related to the actual cost of providing a service, otherwise they are a tax; and second, taxes must be imposed by an act of the legislative body, not by regulation.

We need to encourage innovation in Canada. For example, we need to ensure that in line with our environmental and health related commitments, new products coming out on the pharmaceutical and chemical markets which are more effective and less toxic receive timely turnaround and can be introduced on the Canadian market to encourage people to use safer products.

• (1735)

Moreover, it is imperative that we take into consideration how we measure up internationally and this bill would require that the departments that wanted to charge a new fee or raise an existing one benchmark it against the country's major trading partners. If a department overshot its timeline to complete the work by more than say 10%, it would start to lose its fee on a sliding scale.

About five years ago our finance critic, the member for Kings—Hants, brought forward the same kind of issue. He argued that the government ought to implement its regulatory budget parallel to the traditional spending budget which would detail estimates of the total cost of each individual regulation. The PC finance critic supported a risk benefit analysis of each regulation to enable a cost benefit analysis of regulations for parliamentarians.

The bill we have before us today differs somewhat in substance but it retains the same important philosophy. Because of that, we support the bill in principle.

• (1740)

**Mr. Alan Tonks (Parliamentary Secretary to the Minister of the Environment, Lib.):** Madam Speaker, I wish to recognize our colleague, the hon. member for Etobicoke North, and his achievement in raising the profile of the subject of external charging, as has been pointed out.

The government's commitment to greater accountability in this area was affirmed in budget 2003 with a specific commitment to set out principles and enhanced implementation requirements for improved management of the whole architecture of user charges and cost recovery. The external charging policy, which was announced on September 3 by the President of the Treasury Board, delivers on that commitment responsibly and effectively.

And for those reasons, the government is not supporting Bill C-212. With stakeholder consultation as its backbone, the policy strikes a balance between two sound management practices, which if put forward will accommodate some of the concerns of and the suggestions that have been made by the member. While it strives for government wide consistency, it still provides the flexibility for individual programs to meet the needs of the varied and diverse interests of their stakeholders.

This is particularly important given today's fiscal realities that limit finite resources, and it also implicitly recognizes that federal departments face the difficult job of setting priorities within those limits day to day. The revised policy is the result of a thorough review that sought the input of paying users and other external stakeholders as well as departments. Members of Parliament made their views known through the efforts of the Standing Committee on Finance, which has a long-standing interest in this issue.

The review heard that there is broad support for the principles of equity and fairness that underpin the policy, but the review also revealed that stakeholders shared a number of substantive concerns that needed to be addressed. And through the policy, I believe that they have been.

The result is a revised policy that focuses on accountability and transparency as called for by stakeholders and, more importantly, by parliamentarians. Note that during the review a benchmarking study of other jurisdictions showed that Canada's charging policy compared quite favourably to other jurisdictions in terms of the clarity and thoroughness of its guidance and its principles based character.

The revised policy builds on this solid foundation to meet the concerns raised during the review as well as by my colleague's bill. Through the revised policy, the existing link between fees and service performance is made stronger. Service standards are now mandatory for any program with external charges and so is the need to develop them through consultation with stakeholders. But the policy makes clear that service commitments must also take account of the program's priorities as set through legislation or regulation. Service delivery is in the broad public interest and the policy recognizes that standards must reflect the needs of all Canadians in a balanced and even-handed fashion.

Furthermore, while departments are required to consult on actions to be taken if service commitments fail, the policy does not focus solely on fee rebates as Bill C-212 seems to. Instead of concentrating on negative consequences for departments, the policy encourages an approach that resolves the issues proactively. The hope is that consultation up front can reduce the need for confrontation after the fact.

By giving departments and stakeholders the flexibility to explore a range of options, the policy recognizes the message consistently sent by external stakeholders. The key issue is service improvement. Many paying users and their associations have expressed a willingness to pay higher fees in order to invest in better service. It follows logically, therefore, that concentrating on fee rebates may not provide the answer paying users are looking for, namely, improved service delivery.

*Private Members' Business*

While the review found that departments generally handle complaints well, better communications were called for. In response, the revised policy requires that dispute management processes be more formally structured, more visible and more clearly communicated during consultation, and the policy explicitly acknowledges that ministers may request recommendations from independent advisory panels.

• (1745)

The government also acknowledged the concerns raised by parliamentarians in that departments must do a better job of reporting detailed information on external charging activities to Parliament and to the public. Therefore the revised policy commits the government to annually report details on cost, revenue and performance information to Parliament through existing vehicles, such as the public accounts, the reports on plans and priorities and the departmental performance reports.

The government did not wait until completing the policy. It has already met this commitment as shown in the 2002-03 departmental performance reports to be tabled this fall.

The revised policy also touches on other important requirements, such as analysis, costing and pricing practices, and monitoring.

The overall aim is to provide better guidance and direction to departments while providing greater clarity and certainty for paying users, parliamentarians and other external stakeholders, all with the overriding objective of enhanced accountability and transparency.

With these improvements, the policy addresses many of the concerns raised by stakeholders and Bill C-212. The policy also has the advantage of avoiding the potential problems contained within Bill C-212, problems associated with its potential impacts on Parliament.

If passed, the bill would establish a confusing system of overlapping authorities, bringing the review powers of committee into conflict with the principle of ministerial responsibility. As well, they would conflict with the current roles of various cabinet committees which themselves have a role in the existing review process. This was enunciated by our former colleague, Mr. Herb Gray, when he appeared before the House finance committee studying Bill C-212. I would encourage members to read his testimony on this important matter.

If passed into law the bill would potentially allow the courts, and not Parliament, to oversee the detailed management of external charging practices. This is because stakeholders, if unsatisfied, could ultimately take their complaints to the court.

The revised policy makes it unnecessary for these risks to be taken. We have the tools now to ensure that implementation of external charging is improved.

For the reasons I have mentioned, and with great respect to my colleague who has given a great deal of consideration to Bill C-212, the existing external charging policy meets many of the concerns expressed by parliamentarians and stakeholders without the potentially problematic issues that would arise from the passage of Bill C-212.

**Mr. Joe Peschisolido (Parliamentary Secretary to the President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.):** Madam Speaker, let me begin by acknowledging the efforts and the hard work of our colleague, the member for Etobicoke North, aimed at improving the management of user charging.

The government also shares his desire to improve the fee setting process. It is in that spirit that in August the President of the Treasury Board announced the revised external charging policy and this policy is now in effect. I believe it addresses many of the concerns raised by my hon. colleague. I am confident that a policy based approach is more effective than passing Bill C-212 into law. For those reasons I join with the government in not supporting Bill C-212.

The government demonstrated its commitment to make improvements to external charging when it launched its review of the policy. The government consulted with stakeholders in industry associations and firms which pay federal user charges. The government heard from members of Parliament and in particular, members of the Standing Committee on Finance.

The review found that stakeholders, generally, expressed support for the policy's underlying principles of equity and fairness. However, the review did raise a number of important issues, concerns that need a resolution. And the government has indeed responded with a revised policy.

The revised policy builds on this solid foundation to meet the concerns raised during the review, concerns like the key elements of our colleague's bill.

For instance, the revised policy strongly reinforces the link between fees and service performance. Now departments through stakeholder consultations must establish service standards and the action to be taken if these standards are not met.

Another example is the revised policy requires departments to communicate more clearly their dispute management processes and make them available to stakeholders.

In the review, the call of parliamentarians for more complete reporting on external charging was heard loudly and clearly and the impact on the policy is clear. Under the revised policy, departments will now annually report in much greater detail on cost, revenue and performance information to Parliament, and to the public as well, through the public accounts, annual departmental performance reports and annual reports on plans and priorities.

These major improvements taken together with the other revisions demonstrate that retaining a policy based approach has many advantages over Bill C-212.

It should also be noted that the bill and the policy are in many ways in sync, in terms of their underlying objectives of improving accountability, transparency and service delivery. But there are, however, important functional and operational differences.

*Private Members' Business*

The policy is more compatible with existing accountabilities in that it is consistent with the notion of ministerial responsibility, namely that ministers are responsible for the fees and charges emanating from their departments. It respects the existing roles of cabinet committees and it strengthens reporting to parliament through existing vehicles, notably the public accounts, departmental performance reports and reports on plans and priorities.

Via this reporting, the role of members of Parliament and committees is also strengthened. Committees can and should call for the departmental officials or ministers and stakeholders alike to question them on the charging activities of their departments.

I believe that this approach, while maintaining the gist of our colleague's bill, is a more balanced one. Bill C-212's perspective appears to be based on the issues known to affect a relatively low number of regulatory programs.

Bill C-212's provisions would remove flexibility and incur additional costs and workload in all programs with charges, not simply the ones that have been the focus of stakeholder concerns. For example, it suggests that every department establish an independent dispute management process, when in fact the policy review indicated that most departments were handling disputes to the satisfaction of their stakeholders.

● (1750)

Bill C-212 also contains explicit consequences for departments that miss their service standards. The revised policy shares this concern with service commitments and departmental performance but its approach is proactive, not punitive, and focuses on consultation and reporting on achievement. It requires consultation on feasible options that can be taken if standards cannot be met. This openly recognizes that a one size fits all consequence, like the fee rebate envisioned by the bill, may not be the best response in all cases.

If paying users are right in saying that service improvement is the key issue, as I believe they are, then we must examine each case on its own merits and find solutions that fit the specific circumstances case by case.

Rebates will not provide a useful signal for a program where funding constraints have an impact on service. They will simply reduce funding and increase red tape.

In that light fee rebates are not a consequence only for the department but for the stakeholder too because they want to see the service improved, not worsened by a focus on disputes, conflict and punishment.

Bill C-212 in general will overhaul authorities and accountabilities as we presently understand them in Parliament but its consequences are not clear and are potentially negative in nature.

For example, it does not define, but appears to fully endorse, the concept of independent dispute resolution. This needs to be fleshed out or we risk undermining the principle of ministerial accountability with no clear vision of how responsible decision making is to occur. The policy by comparison provides greater clarity, as it recognizes a role for independent advisory panels in providing recommendations to ministers.

By passing the bill into law, paying users would be able to take their disputes to court thus potentially giving Canada's judiciary the final say on external charging practices. Bill C-212 would effectively reduce Parliament's role rather than strengthen it.

It is for these reasons, with all due respect to the hard work and solid approach taken by our colleague from Etobicoke North that I feel strongly that Canadians are better served by working within our existing policy based approach.

[Translation]

**Mr. André Harvey (Parliamentary Secretary to the Minister of International Cooperation, Lib.):** Madam Speaker, I am pleased to acknowledge the exceptional work of my colleague, the hon. member for Etobicoke North, particularly this afternoon, when he had the opportunity to comment on the Bloc Quebecois's proposal.

● (1755)

I greatly appreciated his most rational remarks on tax issues. It was very interesting. As for the proposal that was moved and that was debated all day, he even proved to us that the Bloc got the wrong country. In other words, this proposal was developed and prepared on the corner of a table. I thank him for his remarks this afternoon.

The government shares his desire to improve the fee setting process. It is with this in mind that the President of the Treasury Board announced the implementation of a new policy on external user fees in August. This policy is now in effect. I think that the new policy solves many of the problems raised by the member for Etobicoke North. In fact, I am convinced that, in this case, it is preferable to have a policy than to pass the bill before us.

Since it is based on consultation, the policy provides a balance between two sound management practices. While ensuring government wide consistency, it provides individual programs with the flexibility that is needed to satisfy the numerous demands and interests of stakeholders.

The government then decided to consult the businesses and industry associations, those who pay the user fees. It also consulted the members of Parliament, including members of the Standing Committee on Finance.

The review showed that the principles of equity and justice underlying that policy have strong support. However, the review also showed that the stakeholders shared some major concerns which the policy had to take into account, and it did just that in my humble view.

It started from the already existing strong foundation and designed a new policy which would solve the problems uncovered during the review and reflected in the key elements of the bill being proposed by our colleague.

*Private Members' Business*

The new policy considerably strengthens the links between user fees and the level of services. The departments must now establish standards of service in consultation with those concerned and determine what measures will be taken if the standards are not met.

However, the policy states that service commitments must also take into account the program's priorities as established in the acts or regulations. Services are provided in the interest of the public, and the policy recognizes that the standards must equitably take into account the needs of all Canadians.

By allowing the departments and stakeholders to explore a broad range of options, the policy reflects the message sent by a majority of external stakeholders, which is that the main goal is to improve services.

Many paying users and their associations said they were willing to pay higher fees if the money was invested in service delivery. Therefore, any effort made to reduce the user fees may not meet the expectations of paying users, especially in terms of service delivery.

The review showed that departments usually handle complaints properly, but that communications might be improved. Therefore, under the revised policy, the dispute resolution mechanism has to be formally structured and clearly explained during the consultations. The policy also recognizes that departments may ask totally independent advisory committees to make recommendations.

During the review, parliamentarians asked for more detailed reports of external charging. Their message was heard loud and clear. The policy takes their concerns into account. Under the new policy, departments will now have to report to Parliament and the public on a yearly basis. This will be done through public accounts, departmental performance reports and reports on plans and priorities. Departments will also have to ensure that more detailed information on costs, revenues and performance is included in these reports.

The government did not wait until the report was completed. It is already honouring its commitment, as the 2002-03 Departmental Performance Report to be released this fall will show.

• (1800)

The over-all purpose of this policy is to provide departments with better guidelines and directives, and to provide more transparency and stability to the users who pay, parliamentarians, and other, external stakeholders, with the ultimate objective of strengthening transparency and accountability.

I would also like to point out that the fundamental objectives of the policy and of Bill C-212 are similar in many aspects: both seek to improve accountability, transparency and service delivery, but there are important differences between them in functional and operational terms.

The policy is more compatible with the existing authorities, since it respects both the principle of ministerial accountability, by which ministers are responsible for user fees charged by their departments, and the role of existing cabinet committees. It provides for more accountability to Parliament, but does so by means of existing

mechanisms, particularly Public Accounts, departmental performance reports and planning and priority reports.

These reports also reinforce the role of Parliament and its committees, which should not hesitate to question senior public servants and ministers on their departments' user fees, since this is one of their duties.

The policy makes more sense that the bill. The approach taken in Bill C-212 seems to have been chosen on the basis of problems related to a relatively small number of regulatory programs. The provisions of the bill would deprive the programs of their flexibility and increase the costs and the workload for all those who charge fees, not only those that have been a cause for concern.

For example, all departments would be encouraged to create an independent dispute settlement mechanism. However, the study carried out before the new policy was drafted has shown that, in most cases, the clients were in fact satisfied with the existing mechanisms.

Bill C-212 also outlines specific severe "consequences" for the departments that do not meet their service standards. It forces departments to consult stakeholders on the alternatives when it is impossible to follow standards, recognizing that a single consequence, such as the fee rebate proposed in the bill, will not always be appropriate.

Passing the bill would implicitly allow the courts, rather than Parliament, to provide detailed monitoring of the management of practices used for the external user fees. Indeed, dissatisfied stakeholders would, as a last resort, be allowed to take their case to court.

The revised policy allows us to avoid being unnecessarily exposed to such risks, since we already have the tools to ensure the improved setting of external user fees.

Bill C-212 would completely change current responsibilities and powers, as Parliament understands them. The consequences of such changes are difficult to assess and could well prove disastrous.

In closing, let me once again congratulate my colleague for the constructive work he has done in this House.

• (1805)

**Ms. Yolande Thibeault (Saint-Lambert, Lib.):** Madam Speaker, I too am aware of the excellent work by my colleague, the member for Etobicoke North, who shed light on external charging, not only by introducing his bill, but also through the excellent work he has been doing for a very long time as a member of the Standing Committee on Finance.

That having been said, the external charging policy that the government has just published is based on the conclusions of a triennial review of the policy, during which external stakeholders were invited to give their impressions.

Comments were collected through a vast survey based on interviews of government users and an advisory group of experts in external charging.

These two mechanisms sought input from the members of the Business Coalition on Cost Recovery, a broad-based industrial group that represents the interests of companies that pay external charging.

The revised external charging policy, announced on September 3, 2003, contributes a great deal to many of the major themes addressed in Bill C-212, namely improving performance and increasing ministerial accountability to Parliament.

This policy, which replaces the cost recovery and charging policy of 1997, is not merely revised, it repeats and reinforces the fundamental principles of fairness, accountability and communication.

In its revised form, the external charging policy ensures stronger accountability, transparency and consultation with stakeholders regarding the implementation of external charges, and requires that monitoring and reporting be as detailed as possible.

Furthermore, the revised policy ensures that the application of external charging better respects the economic environment and overall government policies.

This policy confirms the government's intention and ability to implement external charging in the best interests of all Canadians. It includes the following main improvements:

The first improvement aims to provide more complete and in-depth reported information to parliamentarians, so that members are better informed and more actively involved. This is in line with commitments made in the 2003 budget to improve reporting of external charging.

The government has made great strides in getting ministers to provide information on external charging, particularly with regard to costs, services, performance results, consultations and conflict resolution.

The guidelines for preparing reports on plans and priorities, which will be published shortly, will contain similar reporting requirements.

The second improvement is to make it mandatory to establish realistic and appropriate service standards and to report on these standards, and to this end, to carry out consultations with stakeholders and discuss possible options, such as cutting the fees applicable in case of non-fulfillment of commitments.

• (1810)

The third improvement is aimed at increasing active monitoring to ensure compliance with the policy and consistency in its application throughout the government.

Finally, the fourth improvement gives stakeholders an advisory role in the departmental decision-making process regarding dispute management.

The policy is more balanced. Bill C-212 seems to deal only with issues that are known to touch a limited number of regulatory programs.

The provisions of Bill C-212 reduce flexibility and increase the costs and the workload associated with all programs involving external charging. For example, all departments could eventually be

### *Private Members' Business*

required to have an independent dispute management process, when the policy review shows that most departments settle disputes to the satisfaction of stakeholders.

The policy is more effective. It provides clear directions with regard to all aspects of its implementation.

In conclusion, with all due respect to the member for Etobicoke North, I am asking the House to vote with the government against Bill C-212.

[English]

**Ms. Aileen Carroll (Parliamentary Secretary to the Minister of Foreign Affairs, Lib.):** Madam Speaker, I wish to recognize our colleague, the member for Etobicoke North, and his many achievements but particularly his achievement in raising the profile of the subject of external charging.

The government also shares his desire to improve the fee setting process. It is in that spirit that in August the President of the Treasury Board announced the revised external charging policy and this policy is now in effect. We believe that it addresses many of the concerns that have been raised by hon. colleague from Etobicoke North. The confidence seems to be there that a policy based approach is more effective.

With stakeholder consultation as its backbone, the policy strikes a balance between two sound management practices. While it strives for government-wide consistency, it still provides the flexibility for individual programs to meet the needs of the varied and diverse interests of the stakeholders.

The government consulted with stakeholders in industry associations and firms, which pay federal user charges, during its policy review and it heard from members of Parliament and in particular, members of the Standing Committee on Finance. These consultations were central to the development of the revised policy.

The review heard that there is broad support for the principles of equity and fairness that underpin the policy.

However the review also revealed that stakeholders shared a number of substantive concerns that needed to be addressed and, through policy, it is believed that they have been.

The result is a revised policy which focuses on accountability and transparency, as called for by the stakeholders and parliamentarians. The revised policy builds on this solid foundation to meet the concerns raised during the review as well as by my colleague's bill.

The revised policy strongly reinforces the link between fees and service performance. Now departments, through stakeholder consultations, must establish service standards and the action to be taken if these standards are not met. However the policy does make clear that service commitments must take account of the program's priorities, as set through legislation or regulation. Service delivery is in the broad public interest and the policy recognizes that standards must reflect the needs of all Canadians in a balanced fashion.

*Private Members' Business*

•(1815)

**The Acting Speaker (Ms. Bakopanos):** The time provided for the consideration of private member's business has now expired and the order is dropped to the bottom of the order of precedence on the Order Paper.

It being 6:15 p.m., the House stands adjourned until tomorrow at 10 a.m. pursuant to Standing Order 24(1).

(The House adjourned at 6:15 p.m.)

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# CONTENTS

Thursday, September 18, 2003

## ROUTINE PROCEEDINGS

### Children of Deceased Veterans Education Assistance Act

Mr. Pagtakhan .....	7491
Bill C-50. Introduction and first reading .....	7491
(Motions deemed adopted, bill read the first time and printed) .....	7491

### Interparliamentary Delegations

Mr. Price .....	7491
-----------------	------

### Marriage Act

Mr. Hill (Macleod) .....	7491
Bill C-447. Introduction and first reading .....	7491
(Motions deemed adopted, bill read the first time and printed) .....	7491

## PETITIONS

### Agriculture

Mr. Adams .....	7491
-----------------	------

### Kidney Disease

Mr. Adams .....	7491
-----------------	------

### Freedom of Religion

Mr. Schmidt .....	7492
-------------------	------

### Iraq

Mr. Casson .....	7492
------------------	------

### Freedom of Religion

Mr. Mark .....	7492
----------------	------

### Marriage

Mr. Mark .....	7492
----------------	------

### Bill C-250

Mr. Calder .....	7492
------------------	------

### Marriage

Mr. Calder .....	7492
------------------	------

### Census Records

Mr. Calder .....	7492
------------------	------

### Freedom of Religion

Mr. Shepherd .....	7492
--------------------	------

Mr. Speller .....	7492
-------------------	------

### Marriage Act

Mr. Hill (Macleod) .....	7492
--------------------------	------

Mr. Harper .....	7492
------------------	------

### Questions on the Order Paper

Mr. Regan .....	7492
-----------------	------

## GOVERNMENT ORDERS

### Supply

#### Allotted Day—Tax Conventions

Mr. Paquette .....	7493
Motion .....	7493
Mr. Grewal .....	7496
Mr. Wilfert .....	7496
Ms. Caplan .....	7497
Mr. Paquette .....	7499
Mr. Martin (Winnipeg Centre) .....	7499

Mr. Loubier .....	7500
Mr. Penson .....	7500
Mr. Shepherd .....	7502
Mr. Casson .....	7503
Mr. Wilfert .....	7504
Ms. Wasylycia-Leis .....	7505
Mr. Wilfert .....	7507
Mr. Martin (Winnipeg Centre) .....	7507
Ms. Wasylycia-Leis .....	7509
Mr. Brison .....	7509
Mr. O'Reilly .....	7512
Ms. Picard .....	7512
Mr. Paquette .....	7513
Ms. Picard .....	7513
Mr. Cullen .....	7516
Mr. Martin (Winnipeg Centre) .....	7517
Mr. Macklin .....	7517
Mr. Martin (Winnipeg Centre) .....	7518
Mr. Grewal .....	7519
Mr. Loubier .....	7520
Mr. Gagnon (Champlain) .....	7522

## STATEMENTS BY MEMBERS

### Simone Santerre

Ms. Folco .....	7523
-----------------	------

### Government of Canada

Mr. Spencer .....	7523
-------------------	------

### Centre de Golf Le Versant

Mr. Pacetti .....	7524
-------------------	------

### Kativik Regional Government

Mr. St-Julien .....	7524
---------------------	------

### Robert Sawyer

Mr. Bélanger .....	7524
--------------------	------

### B.C. Forest Fires

Mr. Day .....	7524
---------------	------

### Agriculture

Ms. Sgro .....	7524
----------------	------

### Transportation week

Mr. Guimond .....	7525
-------------------	------

### Harvest Jazz and Blues Festival

Mr. Scott .....	7525
-----------------	------

### Government Appointments

Mr. Epp .....	7525
---------------	------

### Pierre Elliott Trudeau Airport

Mr. Lincoln .....	7525
-------------------	------

### Atlantic Canada

Mr. Casey .....	7525
-----------------	------

<b>The Métro</b>	
Ms. St-Hilaire .....	7526
<b>Jewish War Veterans</b>	
Mrs. Jennings .....	7526
<b>Canadian Alliance</b>	
Mr. Robinson .....	7526
<b>Leader of the Opposition</b>	
Mr. Harvard .....	7526
<b>Alzheimer's</b>	
Mr. Stinson .....	7526

## ORAL QUESTION PERIOD

<b>Voyageur Colonial Pension Funds</b>	
Mr. Harper .....	7527
Mr. Chrétien .....	7527
Mr. Harper .....	7527
Mr. Chrétien .....	7527
Mr. Harper .....	7527
Mr. Chrétien .....	7527
<b>Agriculture</b>	
Mr. Casson .....	7527
Mr. Vanclief .....	7527
Mr. Casson .....	7527
Mr. Vanclief .....	7527
<b>Canadian Grand Prix</b>	
Mr. Duceppe .....	7527
Mr. Cauchon .....	7528
Mr. Duceppe .....	7528
Mr. Cauchon .....	7528
Mr. Gauthier .....	7528
Mr. Cauchon .....	7528
Mr. Gauthier .....	7528
Mr. Cauchon .....	7528
<b>Government Contracts</b>	
Mr. MacKay .....	7528
Ms. Sgro .....	7528
Mr. MacKay .....	7528
Ms. Sgro .....	7529
<b>Government Programs</b>	
Mr. Blaikie .....	7529
Mr. Chrétien .....	7529
Mr. Blaikie .....	7529
Mr. Chrétien .....	7529
<b>Voyageur Colonial Pension Funds</b>	
Mr. Solberg .....	7529
Mr. Chrétien .....	7529
Mr. Solberg .....	7529
Mr. Chrétien .....	7529
<b>Taxation</b>	
Mr. Paquette .....	7529
Mr. Wilfert .....	7529
Mr. Paquette .....	7530
Mr. Wilfert .....	7530

<b>Voyageur Colonial Pension Fund</b>	
Mr. Jaffer .....	7530
Mr. Wilfert .....	7530
Mr. Jaffer .....	7530
Mr. Wilfert .....	7530
<b>Municipalities</b>	
Mr. Loubier .....	7530
Mr. Dion .....	7530
Mr. Loubier .....	7530
Mr. Dion .....	7530
<b>Immigration</b>	
Mr. Sorenson .....	7531
Mr. Easter .....	7531
Mr. Sorenson .....	7531
Mr. Easter .....	7531
<b>Agriculture</b>	
Mr. Adams .....	7531
Mr. Vanclief .....	7531
<b>Government Policies</b>	
Mr. Doyle .....	7531
Mr. Chrétien .....	7531
<b>Intergovernmental Affairs</b>	
Mr. Casey .....	7531
Mr. Dion .....	7531
<b>Taxation</b>	
Ms. Wasylcia-Leis .....	7531
Mr. Wilfert .....	7532
Ms. Wasylcia-Leis .....	7532
Mr. Wilfert .....	7532
<b>Immigration</b>	
Mrs. Ablonczy .....	7532
Mr. Coderre .....	7532
Mrs. Ablonczy .....	7532
Mr. Coderre .....	7532
<b>Same Sex Couples</b>	
Mr. Marceau .....	7532
Mr. Cauchon .....	7532
Mr. Marceau .....	7533
Mr. Cauchon .....	7533
<b>Government Assistance</b>	
Mrs. Hinton .....	7533
Mr. LeBlanc .....	7533
Mrs. Hinton .....	7533
Mr. LeBlanc .....	7533
<b>Foreign Affairs</b>	
Mr. Caccia .....	7533
Mr. Graham (Toronto Centre—Rosedale) .....	7533
<b>Canadian Heritage</b>	
Mr. Williams .....	7533
Ms. Allard .....	7534
Mr. Williams .....	7534
Ms. Allard .....	7534

**Foreign Affairs**

Ms. Bourgeois .....	7534
Mr. Graham (Toronto Centre—Rosedale) .....	7534

**Fisheries and Oceans**

Mr. Hearn .....	7534
Mr. Thibault .....	7534

**Workers' Compensation**

Mr. Stoffer .....	7534
Mr. Mitchell .....	7534

**Veterans Affairs**

Mr. Bailey .....	7534
Mr. Grose .....	7534

**BioChem Pharma**

Mr. Bergeron .....	7535
Mr. Rock .....	7535

**Government Contracts**

Mr. Benoit .....	7535
Mr. Easter .....	7535

**Presence in Gallery**

The Speaker .....	7535
-------------------	------

**Business of the House**

Mr. Reynolds .....	7535
Mr. Boudria .....	7535

**Points of Order****Oral Question Period**

Mr. Benoit .....	7535
Mr. Boudria .....	7535

**GOVERNMENT ORDERS****Supply****Allotted Day—Tax Conventions**

Motion .....	7536
Ms. Girard-Bujold .....	7536
Ms. Catterall .....	7537
Motion .....	7537
(Motion agreed to) .....	7537
Mr. Laframboise .....	7537
Mr. Cullen .....	7537
Mr. Laframboise .....	7538

**ROUTINE PROCEEDINGS****Committees of the House****Modernization and Improvement of the Procedures of the House of Commons**

Mr. Boudria .....	7539
Motion for concurrence .....	7539
(Motion agreed to) .....	7539

**GOVERNMENT ORDERS****Supply****Allotted Day—Tax Conventions**

Motion .....	7539
Mr. Wilfert .....	7539
Mr. Hearn .....	7540
Mr. Wilfert .....	7540
Mr. Perron .....	7541
Mr. Laframboise .....	7542
Mr. Penson .....	7542
Mr. Bigras .....	7543
Mr. Cullen .....	7544
Mr. Laframboise .....	7545
Mr. Rocheleau .....	7545
Mr. Laframboise .....	7546
Mr. Gagnon (Champlain) .....	7546
Mr. Cullen .....	7547
Mr. Laframboise .....	7549
Mr. Keddy .....	7550
Mr. Penson .....	7550
Mr. Bergeron .....	7551
Division deemed demanded and deferred .....	7552

**PRIVATE MEMBERS' BUSINESS****User Fees Act**

Bill C-212. Report Stage .....	7552
Mr. Cullen .....	7552
Motion for concurrence .....	7552
(Motion agreed to) .....	7552
Third reading .....	7552
Mr. Abbott .....	7552
Mr. Wilfert .....	7553
Mr. Doyle .....	7554
Mr. Tonks .....	7555
Mr. Peschisolido .....	7556
Mr. Harvey .....	7557
Ms. Thibeault .....	7558
Ms. Carroll .....	7559

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