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Thursday, May 10, 2007

—

Speaker: The Honourable Peter Milliken

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HOUSE OF COMMONS

Thursday, May 10, 2007

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

• (1005)

[*English*]

GOVERNMENT RESPONSE TO PETITIONS

Mr. Tom Lukiwski (Parliamentary Secretary to the Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, pursuant to Standing Order 36(8) I have the honour to table, in both official languages, the government's response to one petition.

* * *

[*Translation*]

PETITIONS

SUMMER CAREER PLACEMENT PROGRAM

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Mr. Speaker, I would like to table in this House a petition with around 200 names. This is in addition to the petition signed by about 1,000 people from my riding Saint-Maurice—Champlain.

This petition once again criticizes the cancellation of the summer career placement program. More than 1,200 of my constituents denounce this cancellation.

Once again, it is unfortunate that the Conservative government is refusing to reinstate this program. These petitions show that the public is very disappointed.

* * *

[*English*]

QUESTIONS ON THE ORDER PAPER

Mr. Tom Lukiwski (Parliamentary Secretary to the Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, the following question will be answered today: No. 191.

[*Text*]

Question No. 191—**Mr. Dennis Bevington:**

With regard to the cancellation of the flight information centre in Yellowknife, what was the rationale for deciding to cancel the establishment of this centre and how will aviators in northern Canada receive reliable flight information from a centre in North Bay, Ontario?

Hon. Lawrence Cannon (Minister of Transport, Infrastructure and Communities, CPC): Mr. Speaker, Nav Canada is responsible for the operation of air navigation services, ANS, in Canada. Transport Canada is responsible for the safety as well as regulatory oversight of the provision of ANS. Oversight activities include but are not limited to regular inspections and audits of Nav Canada operations and an ongoing monitoring of all ANS activities. A flight information centre, FIC, is a centralized air traffic service unit that provides flight information services to pilots, including weather briefings, flight planning and remote and enroute radio communications.

The rationale to offer FIC services to the Yellowknife area from the North Bay FIC was a Nav Canada decision. North Bay employs highly skilled flight service specialists, providing what Transport Canada assesses to be a safe and reliable service. In addition, Yellowknife continues to have a flight service station which is an on-site air traffic service unit, which provides aerodrome advisory services and aviation weather observations. Transport Canada conducted an audit both of the Yellowknife flight service station, in September 2006, and North Bay FIC, in December 2006, where it was determined that both units are providing a safe and adequate service to the users.

[*English*]

Mr. Tom Lukiwski: Mr. Speaker, I ask that all remaining questions be allowed to stand.

The Speaker: Is that agreed?

Some hon. members: Agreed.

* * *

[*Translation*]

COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

The Speaker: On May 9, 2007, the Standing Committee on Procedure and House Affairs tabled its 50th report.

The committee's report recommended that Motion M-322, standing in the name of the hon. member for Saint-Laurent—Cartierville, be designated non-votable.

Business of Supply

The hon. member for Saint-Laurent—Cartierville informed me that he will not put forward a motion to appeal the decision in the committee's report. Consequently, pursuant to Standing Order 92(4), the 50th report of the Standing Committee on Procedure and House Affairs is deemed adopted, and Motion M-322 remains a non-votable motion on the order paper.

* * *

PRIVILEGE

STANDING COMMITTEE ON TRANSPORT, INFRASTRUCTURE AND COMMUNITIES—SPEAKER'S RULING

The Speaker: I am now prepared to rule on the question of privilege raised on May 1, 2007 by the hon. member for Argenteuil-Papineau-Mirabel concerning the intimidation of committee witnesses.

I would like to thank the hon. member for having drawn this important matter to the attention of the House as well the hon. Government House Leader and Minister for Democratic Reform for his comments on the question.

In his presentation the hon. member for Argenteuil-Papineau-Mirabel stated that in an appearance before the Standing Committee on Transport, Infrastructure and Communities on February 21, 2007, the chair of the Canadian Federal Pilots Association, Mr. Greg Holbrook, had alleged that the Director General of Civil Aviation, Transport Canada, Mr. Merlin Preuss, had attempted to intimidate potential witnesses before the committee.

In support of that allegation, the chair of the Canadian Federal Pilots Association tabled with the committee an affidavit from the Association's executive assistant, Ms. Kathy Marquis, detailing a telephone conversation between herself and Mr. Preuss.

In further support of his claim that this attempted intimidation was not an isolated event, the hon. member for Argenteuil-Papineau-Mirabel provided the Speaker with further documents which he claimed displayed similar behaviour.

[English]

In his remarks made on May 3, 2007, the hon. Leader of the Government in the House of Commons and Minister for Democratic Reform presented arguments relating to two points. First, he claimed that the information presented to the Chair did not support the existence of a prima facie breach of privilege.

Secondly, he pointed out that our procedures ordinarily require that a report from a committee be presented to the House before questions of privilege or points of order are raised dealing with the committee's proceedings.

[Translation]

The Chair views the matter raised by the hon. member for Argenteuil-Papineau-Mirabel as one of considerable importance and has made a close examination of the case. *House of Commons Procedure and Practice* states at p. 89:

The protection of witnesses is a fundamental aspect of the privilege that extends to parliamentary proceedings and those persons who participate in them. It is well established in the Parliament of Canada, as in the British Parliament, that witnesses before committees share the same privileges of freedom of speech as do Members....

The protection of witnesses extends to threats made against them or intimidation with respect to their presentations before any parliamentary committee.

[English]

The House and its committees cannot carry out their duties unless they can rely upon the testimony of witnesses who are able to speak freely without any outside interference or fear of reprisal.

Members will know that it is not usual for the Speaker to comment or rule on procedural issues arising in committee until a report from the committee has been presented in the House. It may be helpful to members if I repeat the citation from page 128 of *House of Commons Procedure and Practice* referred to by the government House leader:

Speakers have consistently ruled that, except in the most extreme situations, they will only hear questions of privilege arising from committee proceedings upon presentation of a report from the committee which directly deals with the matter and not as a question of privilege raised by an individual Member.

● (1010)

[Translation]

Nevertheless, circumstances do exist in which the importance of a question may require intervention by the Chair. On December 4, 1992, Mr. Speaker Fraser ruled on a case concerning threats made to a witness who had appeared before a subcommittee of the Standing Committee on Justice and the Solicitor General. The ruling, found at p. 14631 of the *Debates*, points out that there are occasions on which it is not appropriate to wait for a report from the committee before dealing with a serious breach of privilege. In that case, Mr. Speaker Fraser was faced with the fact that it might well be a period of several months before the subcommittee could meet to deal with the matter. The case before us today strikes me as being significantly different in that regard.

The Standing Committee on Transport, Infrastructure and Communities met on March 28, 2007 for the express purpose of examining the remarks attributed to Mr. Preuss. He was present as a witness at that meeting and was vigorously questioned by committee members. At a subsequent meeting on April 23, 2007, the matter was addressed a second time, again with Mr. Preuss present as a witness.

Under these circumstances, it would be highly inappropriate for the Speaker to break with our past practice and pre-empt any decision the committee may choose to make. The committee is seized of the issue and if a report is presented I will of course deal with any procedural questions which may be raised as a result. Until such a report is presented however, I must leave the matter in the hands of the committee.

I would like to thank the hon. member for Argenteuil-Papineau-Mirabel for having raised for the benefit of all members this very important question relating to the protection of witnesses.

GOVERNMENT ORDERS

[Translation]

BUSINESS OF SUPPLY

OPPOSITION MOTION—FINANCE

Hon. Stéphane Dion (Leader of the Opposition, Lib.) moved:

Business of Supply

That, in the opinion of the House, the government's mistaken policies with respect to interest non-deductibility and income trusts are making it increasingly difficult for Canadian businesses to succeed internationally, while making Canadian businesses increasingly vulnerable to foreign takeovers, thus putting Canadian jobs, head offices and investment at risk and contributing to a hollowing out of Canadian enterprise;

and this House calls upon the Prime Minister to instruct his Minister of Finance to resolve these dangers by withdrawing his interest non-deductibility proposal and entering into meaningful public consultations on appropriate measures to combat tax abuses, and by withdrawing his proposal to tax income trusts and replacing it with the Liberal alternative as summarized in the 14th Report of the Standing Committee on Finance, presented on February 28, 2007.

He said: Mr. Speaker, I will share my time with the hon. member for Markham—Unionville.

I rise in the House today on behalf of all Canadian families and workers who want to know when this Conservative government will stop endangering Canadian jobs with its harmful, poorly designed policies.

The world economy is caught up in a frenzy of corporate takeovers. Canadian companies are being swallowed whole, and when head offices leave Canada, good jobs disappear along with them.

What is the government doing to protect these jobs? What is the government doing to ensure that the most highly trained and best educated Canadians can continue to work in our country and for our country?

● (1015)

[English]

What is our government doing to protect the next generation of Canadian professionals, the next generation of lawyers, accountants, managers, sales directors, advertising executives, business consultants, and the hundreds of thousands of service jobs that depend on the wealth that those professionals generate? What is the current government doing?

Under the current government, the sorry answer is nothing at all.

In fact, the government is doing worse than nothing. Doing nothing at all would be a substantial improvement for this government. Instead of helping, the government is making things worse.

First, the government broke its promise not to tax income trusts. Instead, it imposed a punitive tax of 31.5%. Canadian shareholders and pensioners paid the price and Canadian companies were weakened.

Not content to stop there, the government decided to follow one bad idea with another, by reversing Canada's policy on interest deductibility. That misguided decision is another blow to Canadian companies eager to compete on the world stage.

That this policy is a mistake is beyond question. Tax experts and business leaders have dismissed this policy as wrong-headed.

Tax expert Allan Lanthier calls the decision "the single most misguided policy I've seen out of Ottawa in 35 years".

Nancy Hughes Anthony, president of the Canadian Chamber of Commerce, calls it "a real step in the wrong direction".

The chief executive of the Ontario Teachers' Pension Plan says, "I can't believe any sensible person would do this".

This policy makes it harder for Canadian companies to keep up with their competitors in other countries. Companies in the United States, Europe and Japan can all benefit from interest deductibility when they want to take over Canadian companies.

Why is the Prime Minister giving a green light to foreign takeovers in Canada and a red light to Canadian expansion abroad? Why? Does the Prime Minister not care that by hurting Canadian companies he is also hurting Canadian families, Canadian jobs and Canadian workers?

Instead of admitting that their policy is wrong-headed, the Prime Minister and his Minister of Finance are trying to fudge the issue.

The Minister of Finance, after weeks of ignoring the criticism of every expert, is now suggesting that he may extend the transition period for Canadian companies to adjust to his wrong-headed policy on interest deductibility.

What a ridiculous compromise. Executing a bad policy more slowly is not a solution.

Canada's companies should not be forced to compete with their hands tied behind their backs, and the issue is not how slowly or quickly we tie their hands. We should not be tying their hands at all.

Instead, we should be arming our companies with every available policy to help them compete. That is what a good government does and that is what Canadians expect.

[Translation]

Judging by this government's disastrous policies on income trusts and interest deductibility, Canadians have every right to ask themselves what is coming next.

What can we expect from a government that raised income tax? What can we expect from a government that cut new spending on research and education? What can we expect from a government that hurt Canadian exporters by closing consulates and cancelling trade missions? What can we expect from a government that, by design and by incompetence, is refusing to implement the most basic economic policies in order to serve Canadians' interests?

It is high time the Prime Minister put reason before ideology. I call on the Prime Minister to reverse his irresponsible decision and restore the previous policy on interest deductibility.

● (1020)

[English]

I call on the government to shelve its interest deductibility plan and create a task force to review Canada's international tax policy to ensure that it is addressing the competitiveness agenda while at the same time tightening up the system. The task force would review Canada's some 90 international tax treaties with a view to ensuring the treaty partners are living up to the original policy expectations.

Business of Supply

[Translation]

I call on the Prime Minister to withdraw his proposal to tax income trusts and replace it with the Liberal plan, which would replace the Conservatives' 31.5% tax with a 10% tax refundable to Canadian investors.

I call on the Prime Minister to develop a comprehensive plan so that Canada comes out on top in the current frenzy of corporate takeovers and to present that plan to the House of Commons.

Canadians deserve a visionary government with an ambitious goal for our country, a government that seeks to make the most of our enormous potential instead of eroding it, a government that strengthens and energizes Canadian businesses and protects Canadian jobs instead of putting up obstacles to business. A Liberal government will implement policies to stimulate Canada's economy, just as the Liberal governments of Jean Chrétien and Paul Martin did.

While the Conservatives have slashed funding for research and education, we will invest in these crucial areas. While the Conservatives have cut ties with our trade partners, we will strengthen those ties. While the Conservatives have cut programs that encouraged companies to invest in clean energy, we will restore them to make Canada a green superpower. And while the Conservatives have hurt the competitiveness of Canadian businesses, we will help those businesses excel and prosper.

[English]

Until that time, we are left with the present government and the Prime Minister to whom, it seems, all we can ask, for the sake of working Canadians everywhere, is that he please stop making things worse.

Mr. Dean Del Mastro (Peterborough, CPC): Mr. Speaker, that was quite a speech. In fact, it emphasized what the—

Some hon. members: Hear, hear!

Mr. Dean Del Mastro: I am encouraged, Mr. Speaker, to see that they have all lumped themselves in with the same group. That is great because last week the headline in the *Toronto Star* indicated "Dion wrong on trusts". However, that is not all—

The Deputy Speaker: Order, please. The hon. member knows better than that.

Mr. Dean Del Mastro: I apologize. However, that is not all the Liberal Party has been wrong on this week. Let us highlight for the voters the Liberal Party's stand this week.

They voted against mandatory minimum sentences for serious gun crimes. They argued against giving Canadians a say on the Senate. Another good one is that they argued in favour of extending big money influence in politics yesterday. Today they are standing up to argue against tax fairness in Canada. That is the party that presided over the largest widening of the gap between rich and poor in Canada and its members are standing here today to argue against tax fairness.

Canadians in my riding demand tax fairness. They demand that all Canadians pay their fair share of tax, and the hon. Leader of the

Opposition should understand that. Why does he not stand for tax fairness in this House?

Hon. Stéphane Dion: Mr. Speaker, the best way for Canada to help everyone is to have a strong economy and in order to have a strong economy we need to have strong policies, not policies that destroy the capacity of our companies to win abroad.

I am very sad that the hon. member is not taking this issue seriously. What is at stake is a sentence in the budget. I will read it because it seems that the hon. member may not have read the budget very carefully. It says, "Budget 2007 proposes to eliminate the deductibility of interest income to invest in business operations".

Eliminating the deductibility of interest is what is at stake. It is a wrong policy. It is wrong for Canadian families, wrong for Canadian jobs and wrong for Canadian workers.

• (1025)

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Mr. Speaker, I am certainly disappointed in the Liberal position in the speech by the leader of the Liberal Party who I thought was interested in fairness for Canadians, although I am not surprised given the finance critic's connections to Bay Street.

However, I find it curious that the Liberals did not have a position on income trusts until the leader himself went to Bay Street about three weeks ago and now suddenly there is a position.

I was curious as to why this position exists so I did a little digging in terms of a Canadian association that sponsors all these libellous ads. I found it very curious that over the last 13 years the Liberals received about \$282,000 from the Canadian Association of Income Trust Investors. In the leadership race they delivered about \$39,000 to Bob Rae in his leadership bid and \$6,000 to the Leader of the Opposition. Did that money influence the member's decision today?

Hon. Stéphane Dion: Mr. Speaker, I am sorry to hear the line of attack that the hon. member is developing. I think this 31.5% punitive tax will hurt Canadians. It is \$25 billion that left right away, which has hurt a lot of Canadians, many of them being seniors. They need justice and fairness.

I invite the hon. member to read what the experts said at committee on this trust theory. We have said that this 10% refundable tax proposed for Canadian investors would help these Canadians to recover two-thirds of their savings and would restore equity in the tax system. We could avoid these income trusts being bought by the Americans. When they are bought they do not pay taxes any more to Canada.

These are good policies. Why is she trying to diminish and unfairly attack her colleagues in this House instead of working for Canadian taxpayers, Canadian workers and Canadian families? The deductibility is the same thing—

The Deputy Speaker: Order, please. The hon. member for Montmagny—L'Islet—Kamouraska—Rivière-du-Loup.

Business of Supply

[Translation]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, I would like to ask the Leader of the Opposition the following question. Of course, the non-deductibility of interest is a very important and worrisome issue.

On that matter, the Minister of Finance said he would be open to doing things differently. We can read in this morning's newspapers the statement made yesterday by the hon. member for Markham—Unionville to the effect that one solution could involve referring the matter to an expert panel.

The budget implementation bill has not yet been introduced.

As parliamentarians, should we not have a responsible attitude, taking into account the fact that the Liberal motion was already prepared a few days ago, and agree to consider such a proposal? Thus, when the matter is examined more closely, all emotionalism will be gone and we will therefore be able to reach a decision that is good for the economy of Canada and Quebec—a decision that, at the same time, will no longer allow tax avoidance.

Hon. Stéphane Dion: Mr. Speaker, I much prefer the comments made by my hon. colleague over what I have heard from the government and the NDP. In fact, that is precisely what we must try to do. The government is bringing in an atomic bomb, when all that is needed is a little surgery. That is what we want to work on.

Our problem is what is written in the budget. We are working with what the budget says. The minister was not obligated to write that. Here is the sentence:

Budget 2007 will eliminate the deductibility of interest on debt incurred by corporations to finance foreign affiliates.

This has to do with the entire deductibility. This would mean that our companies could no longer do business in the global economy with the same tools as the Americans, Japanese and Europeans. We must tell the government—

• (1030)

[English]

The Deputy Speaker: Order, please. I would say to the Leader of the Opposition what I have said to many members. It helps, from time to time, if members look at the Chair so they can get an idea of what is going on.

Hon. Karen Redman (Kitchener Centre, Lib.): Mr. Speaker, discussions have taken place among all parties and I believe you would find consent for the following motion. I move:

That at the conclusion of today's debate on the opposition motion in the name of the member for Saint-Laurent—Cartier, all questions necessary to dispose of this motion be deemed put, a recorded division deemed requested and deferred to 5:30 p.m. on Tuesday, May 15, 2007.

The Deputy Speaker: The House has heard the terms of the motion. Is there unanimous consent for the member to put the motion?

Some hon. members: Agreed.

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

Some hon. members: Agreed.

(Motion agreed to)

Hon. John McCallum (Markham—Unionville, Lib.): Mr. Speaker, as I have said in the House before, it is abundantly clear that on this issue the Minister of Finance is entirely out of his depth.

[Translation]

Having said that, I would like to start on a positive note.

The Liberal Party, especially now that we have a new leader, would like to present some solutions. It is true that we attack the government when it does something stupid—which happens fairly often. But, at the same time, we want to offer Canadians different solutions.

First, I would like to elaborate on the Liberal thinking on the matter of deductibility. In my opinion, our thinking is similar to the comments by my Bloc colleague.

[English]

Let me outline the essence of our proposal. First, on April 16 the leader said in no uncertain terms that the government must scrap its policy. A few days later I, as finance critic, said the government must launch a major consultation. Today the leader has made it clear that the slower implementation of a policy that is bad does not thereby make it good, so that is an unacceptable proposal.

Our proposal consists of the following five points.

First, appoint a task force comprised of respected tax experts, business people and economists. Economists are sometimes useful.

Second, the mandate of the task force would be to review Canadian international tax policy in order to both nurture a Canadian advantage for our companies rather than create a disadvantage, as is currently proposed by the government, and also to tighten up the system where appropriate.

Third, the task force would review Canada's international tax treaties that have been negotiated with some 90 countries with a view to ensuring that the treaty partners are living up to the original policy expectations. In cases where this is not the case, for example, the emergence of preferential systems or a lack of transparency, the task force would recommend appropriate action.

In other words, if there are cases where low tax jurisdictions are behaving in ways that are abusive or inappropriate, then we would review our relationship with those countries. In line with the recommendations of this panel of experts, the government would receive recommendations to take appropriate action.

Fourth, the task force would review such issues as debt dumping and double dipping, and make recommendations designed to both sustain the Canadian advantage and protect the tax base.

Fifth and finally, the task force would review all other areas that it deemed relevant to its mandate.

Business of Supply

I think this is a rational, responsible approach to a complex issue. It would take some time. These issues are complex, but it would lead Canada to have a modified reformed international tax policy which both nurtures the Canadian advantage, promotes our own companies, thereby creating jobs in this country, and also takes measures to address any abuses that there might be in the current system.

What a contrast between this rational policy which we are proposing and the chaotic, day by day changing of positions, to the point where the whole world is confused, that we have seen emanating from the Minister of Finance. He has received a barrage of criticism from all experts. I do not know of one expert who is supporting the government on this policy.

I am sure the parliamentary secretary will have searched very hard to find such an expert. When she has one, she can quote one, but might I just say that even Jack Mintz, the man whom the minister loves to quote and who was the author of the 1997 report that he uses to justify this, has totally abandoned ship.

The co-author of the Mintz report, Allan Lanthier, is the one our leader quoted as saying this is the worse policy to come out of Ottawa in 35 years.

Terry Corcoran, another favourite of the Finance Minister, just today in this morning's *National Post*, came out with an article saying that this was a bad policy.

I will just give you one quote from the CEO of Alcan on April 27, 2007 where he said:

[This policy] would adversely affect our profitability. It would result in less taxes paid in Canada and would make us a weaker company, more vulnerable for someone to buy us.

Prophetic words, Mr. Speaker.

Why is it important to have head offices in this country? It is important for jobs. Let me give two examples as to why head offices are extremely important for good jobs, for well paying jobs, that were so important for Canada in the past and will be into the future.

● (1035)

The first example, which I have mentioned before in the House, is my own father, who worked for over 20 years for Alcan in Montreal, in precisely the kind of job that would not have existed had Alcan in those days been owned by a foreign company like Alcoa. He is no longer there, but hundreds and thousands like him are, and whatever the assurances of the foreign buyer may be in the short term, we can be sure that those jobs will leave Montreal, those jobs which are so vital to our city centres, big cities and small cities across the country. They will wither away and leave this country.

A second example, slightly less personal than my father but personal enough, comes from my own riding, where a Canadian-owned company called ATI Technologies last year was sold to an American company called AMD, which is based in San José. Guess what happened? Four hundred jobs were cut as a consequence of this consolidation. How many jobs were lost in San José? Zero. How many jobs were lost in my riding of Markham? So far there are 130. That is what happens.

I am not opposed to all foreign investment necessarily. Much foreign investment brings benefit, but what is totally irrational and

totally incompetent is to deliberately tilt the playing field against Canadian companies in favour of foreign companies to make it all that much easier for them to acquire our companies at huge cost in terms of valuable, high paying, head office jobs. That is why this policy is so misguided.

I have just about run out of time, but I have only touched the tip of the iceberg in terms of the economic incompetence of the government. I am not sure which is more incompetent between income trusts and interest deductibility. It is a close contest.

However, regarding income trusts, a sensible government would have taken a surgical approach, like our policy, and put a moratorium on new income trusts and a moderate tax, refundable to all but the foreigners, on income trust distributions.

What did the government do? It dropped a nuclear bomb on existing income trusts, thereby breaking a promise, thereby costing hard-working Canadians \$25 billion, thereby depriving seniors who need their savings income to pay their bills from a valuable savings instrument, and thereby, and this is the connection with interest deductibility, weakening our once thriving energy trust sector which had been repatriating foreign capital. It has instead caused that depressed sector now to be prey to foreigners coming in to acquire them, which is precisely what is happening.

Another thing that is entirely illogical and stupid about the government's policy is that it claims it wants to get more tax revenue, but guess what? The unit holders of those trusts used to pay lots and lots of tax. Those foreign companies buying our income trusts will now pay no tax at all.

This is an unfair policy because it costs people who trusted the Prime Minister \$25 billion. It deprives Canadians of access to income trusts while giving that access only to the fat cat private equity buyers in the United States.

Fairness has become unfairness. "Advantage Canada" has become disadvantage Canada. That is why I urge the government to come to its sense and not only adopt the Liberal proposal on interest deductibility but once it concedes one thing, it is easier to concede the next. It should come to its senses the second time and adopt the Liberal policies on income trusts.

● (1040)

Mr. Ken Epp (Edmonton—Sherwood Park, CPC): Mr. Speaker, one of the things that the orator here just said was that he wanted to know of some experts anywhere who are knowledgeable and who support our policies. I would like to read a few quotes that I happen to have here. Here is one: "The [tax] system works only when all Canadians are paying their fair share". Who said that? It was the member for Markham—Unionville, the one who just spoke.

Business of Supply

Here is another one: “I am committed to ensuring a level playing field for all Canadians, and that is why I take the issue of tax havens seriously”. Who said that? It was the member for Markham—Unionville.

Here is another one: “Our tax system relies fundamentally on voluntary compliance...One of the reasons people may become less willing [to pay taxes] is if they see others getting away with not paying their fair share”. Who said that? It was the member for Markham—Unionville.

Just three days ago he said on the CBC that the finance minister said that we should go after abuses by tax havens and double-dipping. He agreed. He welcomed the finance minister going after abuses like tax havens and double-dipping. That is the member for Markham—Unionville. What other experts would he like to hear besides that?

Hon. John McCallum: Mr. Speaker, if the only expert he can find is me, I rest my case. I am a little biased on the subject. I am a little partisan, *parti pris*, even though I acknowledge some expertise on the subject, and I thank the hon. member for that compliment.

The second point I would like to make is that when he says I am contradicting myself, because we want to go after tax havens or tax fairness, he is totally wrong. Did he not hear me read the five-point plan to create a task force whose explicit purpose is to go after abusive tax havens and abusive unfair behaviour by people who would cheat the system? That is exactly what I said.

The only difference is that we can walk and chew gum at the same time. We can go both go after abuses and preserve the competitiveness of our economy. That government is so stupid it can only do one thing at a time: go after the abuses and destroy our companies. That is unacceptable to Canadians.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, I listened to my colleague's speech with interest, but I have a problem with it because there is a great divergence between the text of the motion and the plan of action.

The motion denounces the non-deductibility of interest but provides no details or nuances. This is also the case for income trusts. In this regard, we know very well that the main problem is that the Conservatives changed their minds, although they had promised to not touch income trusts. The substance of the issue is another matter.

Is the motion not superseded today by the action plan mentioned by the member? Would it not be more pertinent to completely rewrite it, to present it so it would be acceptable? In our opinion—and we had said this mainly with regard to family trusts—in its present form the proposal submitted by the Liberals is definitely not acceptable.

Hon. John McCallum: Mr. Speaker, I thank my colleague for his comments. Next to our leader's speech, his comments have been the most constructive of anything we have heard from the government.

In my opinion, what my leader and I have said about our proposal is in line with the motion. This motion clearly states that the government should withdraw its interest non-deductibility proposal, because it is completely unacceptable.

Today, we have proposed an alternative plan, along with a task force that would make recommendations to help us be competitive—really competitive—and still avoid tax abuse. I do not believe that there is a contradiction between, on the one hand, condemning a policy that is quite unacceptable and, on the other hand, proposing another policy or process that would lead us to a good solution.

● (1045)

[*English*]

Ms. Diane Ablonczy (Parliamentary Secretary to the Minister of Finance, CPC): Mr. Speaker, I welcome the opportunity to help Canadians understand what all this rhetoric is about income trusts, interest deductibility and head offices in Canada. Stripped of all its rhetoric and nasty remarks about people in the government, what the Liberals are essentially saying is they want to have some businesses in Canada paying either no tax or significantly less tax than other businesses. They want to subsidize some businesses as opposed to others. They also want to have businesses to have two tax deductions for only one expense. Then they say, if this does not happen, that somehow dire consequences will flow to Canada.

I know this makes kind of an interesting political argument and gets people worked up, but we have to look at the facts, and that is what I intend to do today.

Let us first of all talk about income trusts. At the present time income trusts pay no tax at all. We think that is a problem. We began to see this as a problem when huge sectors of our economy started to either move toward the no tax model, such as our telecommunications industry. Then we heard that leaders of the energy and banking sectors were moving in this direction to pay no tax, and we became quite alarmed, I have to admit that.

If our corporate sector is not paying taxes, then we lose significant support for the social programs about which all Canadians are very concerned. We need tax dollars from corporations to help pay for health care, education, to ensure the security of our country is strong, and the list goes on.

If corporations start moving to pay no tax or significantly less tax even, then what happens to these programs? The money would then have to come from ordinary individual Canadians. If corporate tax is not coming in, then that deficit has to be made up by ordinary Canadians. A lot of ordinary Canadians are on fixed incomes because they are pensioners, or they are no longer in the workforce. Even those in the workforce are already taxed to death.

Business of Supply

We have made a move to ensure that businesses in the country continue to contribute to the social fabric of the country through their tax dollars. Shoot us for doing such a terrible thing, but the fact is that it had to be done. We cannot have the business and corporate sectors in the country not contributing to the social programs of which we are all so proud and which define the country. This move had huge support.

Some of the analysts in the media said, "When the Liberals were in power, they did not grapple with income trusts". They say now that the Conservative finance minister has tackled a difficult issue that the Liberals could not muster the gumption to resolve.

The *National Post* said, "The income trust issue is settled...in other words. It's time to move on. Everyone else has gotten the message. Why haven't Liberals".

The *Toronto Star* said that what the Liberal leader should do was rethink his stand on income trusts and make the tough choice the Conservative government did and that the member for Wascana was afraid to make. It said, "Defending tax unfairness will not win him the next election".

However, the Liberals are unable to realize that we cannot have the corporate sector in the country moving to pay no taxes, or even significantly less tax. It will not work. We have to have a level playing field with tax fairness to support the social fabric of our country.

I do not know why the Liberals cannot get that. The business sector gets that. Mr. D'Alessandro from Manulife Financial said, "I think it's the right thing. I agree with the minister's justification. Continuing on the path of income trusts would not be in the long-term interests of the country".

The CEO of CI Financial Income Fund said, "It was inevitable this was going to happen. It had begun to pervert the whole of corporate Canada".

I could quote so many. I do not have time.

●(1050)

Even the Liberals themselves supported what we did on income trusts. Sheila Copps said, "Reversing the income trust decision", as we heard today the Liberals now want to do, "would also run afoul of espoused Liberal principles, by promoting a tax loophole for a select few, financed by the rest of us".

Former Liberal finance minister John Manley said, "it was the right thing to do". He said, "any day that good public policy triumphs is a good day". The Liberal finance critic himself, when this policy was announced, said that it was absolutely the right thing to ensure tax fairness and to work for Canada's productivity.

I do not understand why the Liberals cannot see the logic. The only conclusion I have to reach is that they are mischievously and, I hate to say it, disingenuously pushing this rhetoric for purely political purposes, to try to paint the Conservative government, which had the courage to do what they did not, as somehow the bad guys. They are saying that they will not be as bad as that, that they will be friends of Canadians. That is not going to fool anybody, I hate to say in case the Liberals are under any illusions about it,

because nobody buys it. People who know this area know that what we did was the right thing.

Jim Pattison, who lost a lot of money after the income trust decision, said, "I think it was the right thing to do. Fundamentally, it was the right thing for the country". I could quote many more business people who believe that.

How about the seniors who were affected, those who the Liberals say were somehow harmed by this? The National Pensioners and Senior Citizens Federation, the United Senior Citizens of Ontario and the Small Investor Protection Association have requested criminal investigations into the "deceptive cash yields used in the marketing of income trusts". They were supported by an opinion letter sent by forensic accountant Al Rosen, who says Canadians were repeatedly lied to by marketers of the so-called income yields that many trusts were supposedly generating.

The fact is there were problems with the whole scheme, the way some businesses organized their affairs, and we dealt with it. It was hard for us politically. Everyone knows that. We did not do this to win political points when we desperately needed them as a minority government. We did it because it was the right thing for Canada, for investors and for seniors. Because of that, we brought in income splitting for seniors. We also doubled the amount of the age credit so seniors could protect more of their pension incomes. We have done this in a way that is right for Canada, that gives a win to people on pensions and that is right for our whole system.

Let us talk about income interest deductibility. What the government wants to do is plug what we perceive to be a tax loophole where corporations are allowed two deductions for one interest expense. They can deduct it in Canada and in another country. We want to plug that loophole. We do not think corporations, even Canadian corporations, should be allowed two deductions for the same expense.

Why do we think that? Because somebody has to pay for that deduction. It is a subsidy and assistance to businesses. We are happy to assist business. As everyone knows, we have done a lot to assist business, and I hope to have time to talk about that. However, we do not think there should be two deductions for the same expense. We are moving to fix that.

In the budget we made it clear that we were going to address tax loopholes and tax havens that distorted the level playing field on which we all paid taxes. The government wants to decrease taxes for everybody. In fact, we have done that. This year and in the next two years our government will decrease taxes to individual Canadians by \$37.8 billion. That is a lot of tax relief.

Business of Supply

•(1055)

We have also reduced taxes to the corporate sector. However, we can only do that for everybody if we plug the loopholes and the unfair distortions that are in the system. We made that clear. We made it clear in the budget that we would set up a panel to study this situation. I quote from page 240 of the budget where it says:

The Minister of Finance will set up an advisory panel to examine the system over the next year to identify further improvements for consideration in Budget 2008

Now somehow the Liberals make this leap from trying to make our tax system fair to dire consequences for the Canadian economy. I have no doubt that they know better. The finance critic for the opposition knows better; he is an economist. Somehow, for political purposes, this doom and gloom is ringing through the halls of Parliament, simply and solely for partisan purposes.

I am a partisan too. I understand partisanship, but surely there has to be an element, a scintilla of responsibility in the way these arguments are put forward. Therefore, I want to reassure Canadians, in spite of the overblown, overheated partisan rhetoric they will hear from the Liberals today, that there is not the cause for worry that the Liberals would like to drum up.

I quote from the Institute for Competitiveness and Prosperity report. It says that from 1985 to 2006, Canadian global leaders have more than doubled from 33 to 72. It says:

—we are growing globally competitive Canadian firms at a rate that wildly exceeds the rate of foreign acquisition. Net, we simply are not being hollowed out. We are thickening up”.

I quote from the “Financial Post Crosbie: Mergers & Acquisitions in Canada” report. It says:

Canadian companies continued to exhibit a strong appetite for foreign companies, making 456 purchases valued at \$70 billion, nearly quadruple the number of foreign acquisitions of domestic companies.

Don Drummond, the TD Bank Chief Economist, says, “the facts don’t warrant the hysteria that the Canadian economy is being sold out”. Liberal hysteria simply is that and it is not warranted and Canadians should pay it no mind.

Statistics Canada released a report yesterday. It said, “The holdings of Canadian direct investment abroad amounted to \$523.3 billion at the end of 2006, or 13.8% higher than at the end of 2005. Holdings of foreign direct investment in Canada hit \$448.9 billion at the end of 2006, up 10.1% from the end of 2005”. It goes on to say, “At the end of last year, Canadians’ foreign corporate holdings were worth \$74 billion more than foreign corporate holdings here”

Yesterday, the KPMG analysis was released. It says, “there have been more Canadian acquisitions of foreign firms than foreign acquisitions of Canadian firms over each of the past two years”.

How does plugging a tax loophole that allows two deductions for one expense going to have any impact on this? The Liberals are trying to scaremonger and very irresponsibly.

The KPMG corporate finance partner says, “I don’t know what all the fuss is about. Everybody is worrying about the hollowing out of corporate Canada”. Not everybody because Liberals are trying to

raise it. He says, “there is still significant deal flow going both ways”.

Today, the *Montreal Gazette* says:

As for Canada’s economy being “guttled,” this notion is so foolish that it’s hard to know where to begin ridiculing it....Just for convenience, let’s start with some new facts that throw a bucket of cold water on the overheated rhetoric.

Statistics Canada yesterday updated the official data on foreign investment in Canada and Canadian investment in other countries. Guess what: Canadian investment abroad is worth well over half a trillion dollars, outweighing foreign investment in Canada by a cool \$74 billion.

•(1100)

That is even after some huge foreign takeovers in Canadian firms last year. The *Montreal Gazette* continues to say:

What’s more, the value of Canadian investment abroad has grown faster than foreign investment in Canada every single year for the past decade.

It is nonsense to suggest that any Canadian government would want to tamper with that or is tampering with that. We are not tampering with that. We are simply doing what the Liberals should have done, and were urged to do for many years, to plug the loopholes and tax havens that were distorting the Canadian tax system.

In fact, preventing the use of tax havens and double dipping is an issue that has been around for a long time. The Auditor General, the 1997 Mintz committee on business taxation, the House of Commons public accounts committee and the finance committee, all these bodies have raised these concerns about the use of tax havens and double-dipping. In fact, the Mintz committee recommended that the deduction we are dealing with in budget 2007 which the Liberals over there are hollering, screaming, ranting and raving and making dire croakings about, all of these bodies have said it needs to be dealt with.

Just because the Liberals do not have the courage to address these issues and make Canada’s tax system fair is no reason for them to criticize a government with enough courage and vision to do it. We are going to continue to do it.

The *Toronto Star* said:

Although it makes no sense to allow companies to claim tax breaks against income on which they pay no tax...[the Liberal leader]...is turning his back on sound tax policy.

Did the Liberal leader listen? No. Here he is today again turning his back and sticking out his tongue at sound tax policies for cheap political partisanship. It is a shame because we are here to serve our country, not to engage in overblown political manoeuvring.

David Dodge, the Bank of Canada governor, said:

We should deal with the abuses....it’s certainly something that the [finance] minister...ought to try to do.

Terence Corcoran of the *Financial Post* said:

—Canadian taxpayers are subsidizing borrowing to finance foreign operations that other countries can tax.

Business of Supply

He asked, “Why would we do that?” That is a good question. Maybe the Liberals opposite could answer that. He said:

—why should Canada give up tax revenue of \$2.8-million so that [a particular company] can pay \$3.5-million to a government in Europe? Canada is subsidizing job creation in a European country and boosting its tax base.

We do not want to do that.

The Liberals need to be more responsible in this whole area. It is not going to help our system and our economy for that kind of cheap political posturing that is not rooted in facts or common sense.

Canada's new government has taken significant action since coming into office to improve the international competitiveness of Canadian businesses. I have a list of things that we have done. I do not have time to read it but I will tell Canadians that we are committed to making Canada absolutely shine, a world leader in competitiveness and productivity, in being a significant, huge, strong, vigorous player in the global economy. That is our goal. All the moves we have made are intended to further that goal.

We have taken some political criticism for it. We have taken some unjustified criticism in a partisan way from the Liberals. I will say that Canada's interest, Canada's future, Canada's wealth, Canada's place in the global marketplace is our goal, is in our hearts and is where we are going to be moving to make sure that Canada shines. Canadians can take that to the bank.

• (1105)

Ms. Judy Wasylycia-Leis: Mr. Speaker, I rise on a point of order. This is a Liberal motion and there is only one Liberal in the House. I would like a quorum call.

The Deputy Speaker: We are waiting for quorum. Call in the members.

And the bells having rung:

• (1110)

And the count having been taken:

The Deputy Speaker: It appears that we now have quorum. We will revert to questions and comments.

Ms. Judy Wasylycia-Leis: Mr. Speaker, I rise on a point of order.

As I was rising to ask for guidance in terms of calling a quorum, the member for Kings—Hants yelled out that I needed economic guidance. Prior to that, he had said in the House that I could not balance my chequebook.

I find these comments sexist, offensive and not acceptable in this House. I would ask for a complete withdrawal of such sexist language.

Hon. Scott Brison: Mr. Speaker, I have no idea how the member would construe my comment that I do not believe she could balance her chequebook as being a sexist comment. I can tell her that my 78-year-old mother has been balancing her chequebook for a long time. In fact I believe my 78-year-old mother to be extremely economically competent.

The fact that I do not believe the hon. member to be economically competent has nothing to do with her gender. It simply has to do with her capacity. I would urge her to reconsider her assertion that somehow that has something to do with her gender, because in fact I

know a lot of very economically competent women who have great capacity. In fact many of them are in the Liberal caucus.

The Deputy Speaker: I think we will move on now. Questions and comments, the hon. member for Montmagny—L'Islet—Kamouraska—Rivière-du-Loup.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, I would like to come back to the remarks made by my colleague, the Parliamentary Secretary to the Minister of Finance.

I would like to tell her that, at the outset, in certain aspects, the Liberal motion seems to be very partisan. The government left itself open to that because many elements look like improvisation; for example, GST rebates for tourists. They found it necessary to adjust the program that had been announced. As for the income trust program, we can consider the decision to reverse the government's position. The Conservatives had made a commitment not to change their position. I am not talking about the definitive solution but about the message that was sent. Many small investors in all of our communities had put their savings into these trusts and then found themselves in a difficult situation.

The latest measure concerns interest deductibility. In that respect, what is spelled out, word for word, in the budget needs to be clarified because the parliamentary secretary is right and the implementation bill for that part of the budget has not yet been tabled.

Can the parliamentary secretary assure us that the proposal that will be tabled will not have the effect of throwing the baby out with the bath water?

We must ensure there is nothing unnecessary and that the issue of deductibility is sufficiently specific so that the Canadian economy is not harmed in a significant way. Can the parliamentary secretary reassure us on that point in such a way as to rise above this very partisan debate that is sending very negative signals to the Canadian economy and even beyond Canada?

At the same time, the government must be very specific in assuring us that, in the end, the measures will be sufficiently focused to achieve the desired results and not the reverse of what was hoped for in the beginning.

[*English*]

Ms. Diane Ablonczy: Mr. Speaker, during my remarks I quoted from a number of experts. I know sometimes people do not believe politicians, but I quoted from a number of experts who say that stopping a tax loophole like double-dipping, a loophole which allows a company to make two deductions for a single expense, is the right thing to do. It is supported by experts. It was supported, as the member will know, by our own finance committee and the public accounts committee in the House of Commons. It was called for by the Auditor General. It was called for by the Jack Mintz panel, the Technical Committee on Business Taxation, and by many others.

It was called for because it is the right thing to do. It levels the playing field. It allows everyone to have lower taxes instead of having big tax subsidies, tax loopholes and tax havens for a few.

Business of Supply

As the member will know, our government is committed to addressing other tax loopholes that are identified and other tax havens which distort our tax system. I am not saying that no one is going to make cries of pain when these things happen. We all know that does occur.

Our government is very sensitive to input from members of Parliament, such as my friend opposite, from the business community and from other experts. We want to make sure that when we move forward on these measures, as we have on the double-dipping, that we do so in the best way possible for our economy and for those affected. We will be doing that and are doing that.

These dire warnings that somehow this is going to cause huge economic problems for the country are simply not true. Many experts have said that as well. I hope my friend will be reassured by that.

•(1115)

Mr. Alan Tonks (York South—Weston, Lib.): Mr. Speaker, I am attracted to the statement that the parliamentary secretary made in terms of a level playing field. I am sure she would agree that a level playing field is one thing within the Canadian context and it is quite another thing within the global context.

Many of those same experts that the parliamentary secretary has cited in fact have also given the other side of the coin with respect to capital transfers. The situation being in source countries for capital investments in Canada, there is a regime in place that is similar to interest deductibility.

My question is one of confidence. How do people really accept the government's position that there will not be irreparable harm in terms of value added impacts on the Canadian economy for this particular initiative on interest deductibility when we see on the income trust front there has been huge harm done to people who have lost their savings?

In particular, how can there be confidence when I am looking at a T-205 form which indicates that there actually is an increase in the taxable income of a quarter of a per cent in spite of the pronouncements by the government that it has reduced taxes for those on incomes below \$35,000? That is not a fact.

How can the Canadian public have confidence if this relatively small issue has such an aberration, if you will, in fiscal legerdemain when, on the larger front, there is reason to believe that there will be a huge impact on the Canadian economy in terms of shifts of capital and the ability for Canadian firms to compete in the global economy?

Ms. Diane Ablonczy: Mr. Speaker, I can advise the hon. member that all developed countries work to minimize tax avoidance. Some countries do it in one fashion and other countries do it in another fashion. International tax treaties and tax arrangements dovetail. Of course, there are always changes. Whereas one country might allow a deduction in one area, it might tax in another area. We have to look for a relative balance and parity in taxation measures between and among people active in the global marketplace. The member can be sure that we are working on that all the time.

With respect to the purported losses on income trusts, Jack Mintz of the Rotman School of Business said this year that the Liberals are creating market uncertainty by extending false hopes to investors. The Liberals need to take yes for an answer. We have dealt with it and they should support it.

The Globe and Mail said that Toronto Dominion Bank data comparing the selling prices of 16 trusts now in play to their value before the tax was imposed basically say that firms are offering to buy our trusts for an average premium of about 30% above the prices the trusts were trading at before the tax announcement.

Time does not permit me to read the other commentary on this, but I would be happy to show my hon. friend. The bottom line is that this has not caused huge harm to the vast majority of investors. In fact, some of them will actually make money from these new arrangements.

We need to be fair and balanced when we address these issues. I urge the Liberals to do so.

•(1120)

Mr. Dean Del Mastro (Peterborough, CPC): Mr. Speaker, I would like to preface my comments by saying that I also heard the comments from the Liberal member directed at the NDP member from Winnipeg and found them to be exceptionally disrespectful and really uncalled for. They have no place in the House.

The Liberal finance critic, the member for Markham—Unionville, said that the government's policy is stupid. I would like her to comment on his comment that he made on Bay Street a couple of weeks ago when he said that we support the agriculture industry, that we subsidize farmers, so why should we not subsidize corporations, why should we not be doing this.

The other day the hon. member for Markham—Unionville saw that the Canada Revenue Agency gave a specific example of double-dipping where it went to court with a Canadian corporation and lost because this tax loophole exists.

Does the hon. parliamentary secretary think that comparing double-dipping to subsidizing agriculture in this country, an industry that was decimated under the Liberal government, indicates that that member has any understanding of the problem whatsoever?

Ms. Diane Ablonczy: Mr. Speaker, if I may, I would also like give a kind word to my hon. friend from the NDP. She and I do not agree on things a lot of the time, but I always find her very good to work with and a very fine finance critic, very experienced and very knowledgeable. So, I too regret that we are getting into personal aspersions.

The fact of the matter is that every tax system has a series of supports for various sectors of the economy. These are good and useful, and helpful things to ensure that various sectors, various businesses, can succeed in the whole scheme of the global economy.

As I was answering the previous question, there are always arrangements which allow us, in this context of global competition and competitiveness, to succeed. But that is not to say that we should not ensure that these series of arrangements of subsidies, of tax breaks, are fair and balanced.

Business of Supply

When we see two committees of this House plus the Auditor General, plus a special panel, and other experts saying that a particular tax loophole is unfair, we are going to address that. I think Canadians appreciate that we have the courage to rebalance the system where it needs to be but continue to lower taxes for everyone.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, the Liberal party has chosen to introduce an opposition motion today that raises a good number of points for which we are far from having ideal solutions. Having said that, this motion demonstrates how the approach of the Conservatives lacks attention to detail. They have not really found a way to solve the problems. However, the motion offers solutions that I find inadequate. Therefore, the Bloc Québécois will vote against this motion, as it is presented.

The government has not properly dealt with some problems. For example, GST rebates for tourists comes to mind.

An announcement was made but it was recognized, after the fact, that there were problems in terms of organized tours, as well as outfitters and duty-free shops. They have corrected part of that, but not everything has been settled. Since there was some improvisation, the result was that major changes had to be made later.

It is the same for income trusts, except that it is even more serious.

During the election campaign, the government said that it did not want to change the rules of the game.

Some of my fellow Quebecers, who are not necessarily supporters of the Bloc Québécois, have told me that they put their savings into these entities. They thought that the rules of the game were clear, but they were changed without notice. They want to know whether a solution can be found to this problem.

We have listened to them. We have to abide by the principle that companies and trusts pay their share of income tax. On the other hand, is there no solution that would counteract the negative effects this is having, particularly for individual investors? We have to put a little more thought into finding a solution. This is another example of the government's ad hocery.

On the question of deductibility, that remains to be seen, because the bill that will allow this part of the budget to be implemented has to be tabled first. Everyone has to know the rules of the game.

Next Monday, it seems, the Minister of Finance will make a speech to clarify the situation. However, it is obvious that the government has been very inept, and has more or less thrown the baby out with the bathwater. It sent a very ambiguous message: that the interest will no longer be deductible when investments are made for the good of our economy, even though a number of countries in the world apply that rule. On the other hand, not enough attention was drawn to the fact that this was going to eliminate tax avoidance. More work will be needed on that subject.

The Liberals have introduced a very partisan motion. When considering economic issues like these, it is a little dangerous to try to go too fast. Strangely, they seem to be reacting that way because the Conservatives went too fast themselves.

On the question of interest non-deductibility, in order to do the job, the measure must obviously target only the abuse, very precisely. We must ensure that we achieve that result. It will not be easy, because these are very complex questions. It would be wise to think about it very carefully.

The Liberal critic is talking about a working group to discuss it, and the Minister talked about the need to fine-tune things. Maybe they could get together.

It is important that a clear and moderate message be sent to the economic community and the public as a whole. I think we could agree on that.

The government says that it wants to tackle tax havens. In fact, the Standing Committee on Finance is meeting to consider the questions raised in a motion by the Bloc Québécois. The ultimate tax haven, the one the government should be taking on, is Barbados. Canadian companies that invest money there, knowing that the interest rate there is very low, can bring those profits back here without being taxed. That is not the general rule in tax treaties. Ordinarily, they provide that when money is invested in another country, it is taxed when it returns to Canada, if the two tax systems are not equivalent. But under the Liberal government, a little paragraph was added—in section 5907—exempting that money from taxation, with the result, according to the Auditor General's 1990 estimates and the extrapolation by Statistics Canada, that this income amounts to \$4 billion annually. It comes in from Barbados and it is not taxed.

● (1125)

I believe, at a rough estimate, that we end up losing some \$800 million in income tax revenues. Obviously this money that businesses do not pay—because they take advantage of this tax haven—is money that others pay, middle class people and all taxpayers who do their part. This also means less money that could be allocated in part to social programs. On one hand there are companies that can bring home profits without being taxed, and on the other there are people who are paying too much in taxes because of this.

That is a considerable amount of money. There is a way of settling this problem, namely by quite simply getting rid of section 5907. This very concrete and practical measure could be implemented. It would immediately have a very significant effect and it would send the following message to all taxpayers: we are trying to make the situation a bit fairer; we do not tolerate this sort of situation. This is a tax loophole with the ability to disappear clearly and neatly, if the practical solution is applied. However, as far as interest deductibility is concerned, it is not easy to know what the solution is.

So there is a problem. The Liberals are dealing with it in one way in the motion, but in our opinion a lot of things are getting all mixed up at once. This issue is being associated with the fact that there are a lot of foreign takeovers of companies. This may be one element, a variable that is taken into account, but it is also the result of several years of operation in Canada, during which people were told that this is a free market and we would see, in the end, whether we were winners.

Business of Supply

A detailed analysis of this question is needed. It is true that many Canadian companies are buying foreign companies. The net result, though, even if there are more that buy foreign companies, as far as the size of investments goes, we are clearly in the red. This matter must be examined. The solutions, however, are systemic, and a much broader policy will be needed than the one found in the motion we are discussing today.

The first aspect in the motion is the issue of non-deductibility. The second aspect is the issue of trusts.

There is a big problem with income trusts because people have to pay their taxes. It became clear that the mechanism that was created for a certain kind of capital was being used by companies in sectors that clearly did not need it. A trend was developing, especially in telecommunications. It became a way to get a tax break without producing wealth.

I think that the underlying principle was unacceptable. That being said, the way they did it was also unacceptable because they pulled the rug out from under investors without warning after having told them that the rules of the game would not change. People who had saved up \$50,000 or \$100,000 or \$200,000—their life savings or at least a substantial portion thereof—were deprived of income that, in many cases, they had worked for their whole lives. I can well understand why people who have been affected by this issue are angry.

So how should we react to the Liberals' motion? Apparently, according to the Liberals' proposal for income trusts, people should be taxed according to the alternative solution the Liberals proposed, which was summarized in the 14th report of the Standing Committee on Finance.

Let us not forget that this report was the product of a consensus indicating that solutions had to be examined. The Bloc Québécois proposed a simple solution: extending the moratorium, the transfer period, from four to 10 years. The Liberals suggested another proposal that we consider unacceptable. As such, that part of the Liberals' motion is totally unacceptable to the Bloc Québécois because they are trying, in a roundabout way, to make it all non-taxable. I think that that aspect of the motion has no future.

The bottom line is that there is now a perception among electors and the general population that some people are more equal than others when it comes to taxation. Because of the complexity of the systems, because of what has been developed over the years, because of the expertise that some companies may have access to, there are some people who maximize their tax benefits, to the limit and to the extreme. Hence the reaction of wanting to do away with the tax advantage.

• (1130)

We must take the time to think and look at how these things are determined to ensure that at the end of the day, the reaction is sensible and rational. Sometimes, the possibility of tax savings should be available, because it has positive impacts on the economy. But we must find ways to stop abuse from happening.

The Liberal motion also refers to the fact that the government's two measures are the cause of foreign takeovers. I do not think that a direct causal link can be made in this way, but the fact remains that

we must address the phenomenon of foreign takeovers of Canadian and Quebec companies.

In Quebec, we are obviously now carefully assessing what the impact of Alcoa's takeover of Alcan would be. All the consequences of such a takeover must be reviewed, because based on the information I have seen, this transaction would mean that 37% of all of this new giant's aluminum production would come from Quebec.

Are there not in fact benefits to be gained from this kind of transaction? We must have a closer look at this and ensure that the existing legal mechanisms concerning foreign investment review are fully utilized. In that respect, we must ensure that our legislation is consistent with the new, current economic reality of globalization. Ultimately, when a transaction is being assessed for its relevance to the Canadian economy, important social factors must also be considered, such as the impact on employment in certain regions, for instance, and the repercussions of such a transaction on older workers. Not only will this serve to correct some purely economic aspects, but it will also take into account other types of impact we can expect to see.

This motion is a bit of a hodgepodge of a number of conditions. In my opinion, its current wording is a little outdated, considering our current reality. On one hand, with respect to interest deductibility, the minister announced that he will make a statement next Monday that will make his position clear. On the other hand, yesterday, the day before the debate on this motion, the Liberal finance critic himself suggested that an expert panel should examine this issue.

Perhaps we need to head more in this direction, in order to ensure that the Standing Committee on Finance, which is currently working on these issues, can complete its work, reach some conclusions and make some recommendations, especially since we can sense the government's desire to achieve some real results and outcomes. I thank the government for its support of the Bloc Québécois motion to study the issue of tax havens. This proves that they want to have a closer look at these issues. However, we must be prepared to study all situations. Certain aspects have to do with interest deductibility. There is also the matter of the treaty with Barbados, which, in my view, is a key factor.

I hope that the Standing Committee on Finance can produce a report on which there is as much agreement as possible, with recommendations that will have an impact as soon as possible. Maybe we can set as our deadline the fall economic statement or, at the latest, next year's budget. Clearly, if the work of the Standing Committee on Finance should result in a recommendation to abolish section 5907, which enables companies to bring \$4 billion in profits from Barbados back to Canada without paying taxes, that would send a message to Canadians that their elected representatives have identified a fundamental inequity that must be corrected. I think that would be a key recommendation.

Business of Supply

In my opinion, the committee should take a thorough look at interest deductibility. This week, we met with experts from the Canada Revenue Agency, who are very cautious about these and other issues.

• (1135)

It is not easy to get figures. The government needs to be more transparent.

The message that should be sent to people at the finance department or the revenue agency or to other government experts is that we need information in order to make the right recommendations.

We need to stop playing hide and seek with money, or else we will encourage the current perception that there can be inequity in the tax system, but it cannot be addressed because it is protected by people behind the scenes.

We have a wonderful opportunity to move forward and correct this situation in the Standing Committee on Finance. Personally, I hope that this will be the best way of ensuring that, at the end of the day, we can make recommendations to address these issues.

Regarding income trusts, Bill C-52 is already before us. The budget has been adopted and now must be implemented. What we must do is keep listening.

We have to listen to people who have suffered serious losses, those in a position to provide arguments on this issue. Maybe we should hold a debate in the fall, and, in a future budget, determine what is feasible. Nonetheless, we must always respect the principle of tax fairness and strive to make changes that will improve the situation, allow more fairness in taxation and take into account any potential impact on the economy.

We can learn from this motion and keep the following in mind. When the government makes announcements on economic investments—primarily in the budget and on other occasions—it should make sure that it has considered every possibility and not present half-baked initiatives. Otherwise, we are sending economic stakeholders a mixed message. That is what the government has to be aware of now in the matter of deductibility of interest expenses. There needs to be a clearer message.

Consider the example I gave on the GST rebate for tourists. Again, there is still some work to complete. Often it is not just a matter of small details, but things that have a major economic impact. These days, we must always consider the big picture in the context of globalization.

Like everyone else, the representatives of the multinationals in Canada—whose head office may be in the United States or elsewhere—are well aware of the conditions on investments. We should not have to kneel down to these companies. We should make sure the representatives from Quebec or Canada within these multinationals have what they need to get authority from their head offices in order to capitalize on factors that would attract the companies and create the right conditions to move forward.

We thought the Conservative government would have been particularly sensitive about the importance of these issues, but we are

seeing the opposite and it is quite surprising. The government, which says it defends business interests, has introduced a number of initiatives that lack polish, that need fine tuning, especially on aspects that could have been planned or have already been studied. These initiatives could have been introduced and implemented in a very clear manner.

I am not saying that decisions can always be made that work for everyone. Sometimes we must make decisions even if some people will be penalized. However, in the end, the criteria to be considered are transparency and respect for what has been proposed. If ever there is a need to reverse a decision or way of doing things because a party, having come into power, realizes that it was mistaken, then a way must be found to penalize the fewest possible people.

Promises made during an election campaign—such as the one pertaining to income trusts—are in some ways moral commitments, contracts entered into with the voter. In this case, the Conservatives have broken this moral contract. Therefore, we are right to bring forward our proposals. However, the way in which the Liberal Party is proposing to move forward in this motion, today, is unacceptable. With regard to the proposed solutions, the motion does not reflect comments made about interest deductibility. With regard to income trusts, it is even worse, because the proposal does not resolve the basic issue of the need for tax equity.

• (1140)

[*English*]

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, in this debate it is important to look at some of the facts and I would comment that just earlier today there was an interesting fact given apparently by the member for Winnipeg North where she said that the Liberal Party over the last 13 years received \$280,000 in donations from CAITI, the Canadian Association of Income Trust Investors. That organization did not even come into existence until January 2007. I believe there is a problem here.

I would like to ask the member who spoke most recently a question, since the Bloc has announced that it is not going to be supporting the motion, which in fact deals with abuses but also promotes tax fairness. Is he aware that \$7.5 billion of tax revenue is lost to the Government of Canada, \$6 billion of that due to the private equity takeout of income trusts, income trusts that have been bought at fire sale prices since this terrible punitive tax was announced on October 31, 2006, and a further \$1.5 billion of revenue with regard to the privately urged buyout of Bell and Telus?

Tax fairness means that we have to have a system which ensures that Canadians continue to have the support of the tax revenues from Canadian business and industry. However, when we have these private equity buyouts, and they are structured in a way where Canada gets zero, that is why we have lost \$7.5 billion a year projected. That is compared to the so-called tax leakage of the finance minister over six years of only \$5 billion. It makes no sense. Why is the Bloc not supporting the motion?

Business of Supply

• (1145)

[*Translation*]

Mr. Paul Crête: Mr. Speaker, I would like to thank my colleague for his question. As to the comments made by the NDP and the Liberals, I will leave it to them to sort it out.

First, the major problem with the whole tax fairness issue is the Barbados convention and the \$4 billion that comes back here from Barbados tax-free. We think there is a simple solution to this problem, a solution that should have shown up somewhere in the Liberals' motion.

The second reason we do not support the motion is the disconnect between the Liberal critic's statements about an action plan not unlike the one the government wants to implement, and the motion, which attacks the government from a very partisan perspective.

Given that we are being asked to vote on the text of the motion, that is not nearly good enough. We are facing a huge problem on the issue of fairness and income trusts. The Conservatives promised one thing but are doing another. That being said, the situation could not be allowed to go on because everyone has to pay their share.

With respect to income trusts, all of the tax experts helped companies figure out how to turn income trusts into a tax efficiency tool without necessarily creating wealth. As such, changes had to be made.

That is why the Bloc will not vote for this motion.

I will conclude by saying that the Bloc Québécois believes that the Liberals' adjustment proposal as written in the motion is not an acceptable way to deal with income trusts.

[*English*]

Ms. Diane Ablonczy (Parliamentary Secretary to the Minister of Finance, CPC): Mr. Speaker, I listened carefully to my friend's speech. I appreciate the fact that he made a good attempt to be fair and balanced on these issues while still getting a few good whacks in at the government, but I want to ask him about his position with respect to the issue of the double deduction for one interest expense.

The member said that he felt it needed more study. I did mention in my remarks that this tax loophole had been studied already by the House finance committee, the House public accounts committee, the Auditor General and the Jack Mintz committee, and all of those recommended that the loophole be plugged.

Why would the Bloc still have concerns or reservations about it and feel that needs more study because I think it has been studied to death and the government really should have moved on it a while ago, and we did move now?

[*Translation*]

Mr. Paul Crête: Mr. Speaker, I thank my colleague for her question. In the wake of the government's announcement, we voted for the budget. We believe that some tax loopholes must be closed.

But there are major financial implications. The budget implementation bill will be introduced shortly. I am very anxious to see how the minister will clarify the issue in his speech on Monday.

The government's announcement has caused an outcry, and companies' reactions are having a significant economic impact. People need assurances that the part that enables companies to compete internationally is good. However, tax avoidance looks like a business subsidy. We therefore need to find a way to address this issue.

I will give an example. A small business in my riding won a \$30 million contract from England, but may have to buy a small company there to manage operations. In a case like this, interest deductibility is valuable if it helps the business grow. It could also have negative consequences, though, and I do not need to mention any examples of that here. This is what we must prevent. That is why it will be important for the committee to seriously examine the budget implementation bill and for the government to make a serious proposal.

Once the bill is introduced, no further amendments can be made on this issue. Let us hope that all the necessary consultations will have taken place and that if we take different positions, we will find ways of ensuring that the final answer benefits Canada's economy but still produces satisfactory tax fairness. The measure announced in the budget is interesting, but the message is not clear and is causing an outcry. We need to find a solution that gives us the tax fairness we want.

• (1150)

[*English*]

Mr. Paul Szabo: Mr. Speaker, on the interest deductibility question, the member will know that the United States, Japan and Europe all provide interest deductibility. The member also knows that Canada has enjoyed interest deductibility for over 30 years.

I have not seen the analysis myself, but I am told that should Canadian companies lose the opportunity to deduct interest on foreign acquisitions, it will put them in a position where other countries that have that opportunity will have a 37% bid advantage. In other words, they can pay 37% less and still have the same outcome. Without the deductibility, Canadians could not possibly be competitive in terms of international trade and competitiveness.

Why is it that the member wants to put Canada at a disadvantage to the United States, Japan and Europe? What is the explanation?

[*Translation*]

Mr. Paul Crête: Mr. Speaker, I do not think my colleague listened to my speech. I do not want the Quebec or Canadian economies to be at a disadvantage in international competition. We put up a great fight for the aerospace industry, we are continuing with the technology partnerships program, and we got the government to provide adequate assistance to the industry so that it can be competitive on a global scale.

Business of Supply

Tax fairness is important. If the public has the perception that a measure is not fair, it will be difficult to uphold it. In this case, the tool is used by a number of countries, as my colleague said, and I agree. This is why I hope the review of tax havens and the budget implementation bill by the Standing Committee on Finance will produce a balanced solution that will provide the necessary tools to help businesses as well as a fair system in terms of taxation.

In conclusion, I will repeat that the best move we could make now would be to eliminate the advantages of the treaty with Barbados, which allows \$4 billion in profits to enter Canada without being taxed. That is a real scandal that should be put right as soon as possible.

[*English*]

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Mr. Speaker, I am pleased to hear the member for the Bloc address this issue from the point of view of it being a grab bag of many issues on the whole front of corporate taxation. He clearly identified the failure of this motion in terms of some of the most egregious tax loopholes and corporate giveaways this country has ever seen. I appreciate the fact that the Bloc has made a difficult decision to oppose this motion for very good reason.

I stand here today to comment on the arrogance of this Liberal motion, and the audacity and bravado of Liberals to bring forward such a motion dealing with corporate tax loopholes, giveaways and tax havens that have been around through many years of Liberal government and still are not addressed by members opposite.

I have listened very carefully to the heckling from my colleague across the way, the member for Mississauga South, and I want to begin by pointing out that the arrogance of the Liberals and the corporate ties of the Liberals most clearly comes to mind given the instant line, the instant phone call, between members of the Liberal Party and the Canadian Association of Income Trust Investors.

It is interesting that the member stands in this House or heckles from his seat at about the identical moment that I received a threatening email from Brent Fullard, who is the coordinator for the Canadian Association of Income Trust Investors. I find it rather curious to see this kind of ongoing tactic of intimidation and threats that have been used by this association when it comes to anyone who opposes the Liberal position. I certainly find it reprehensible that the Liberals would immediately adopt that same kind of line and tactic.

I want to say very clear for the record that my concern generally about the Liberals has been made more clear by the fact that the statistics we have received indicate the donations that have been made by members of the Canadian Association of Income Trust Investors to the Liberal Party and to leadership contenders, including I might add the member for Kings—Hants who received a donation in his leadership bid. The member for Kings—Hants received \$5,000 from James Kinnear, president of Pengrowth Energy Trust, one of the founding members of the Canadian Association of Income Trust Investors.

Now that is a pretty small amount in comparison to the amount of money that actually went to Bob Rae, which was in the neighbourhood of \$40,000. Yet, it is about in the same neighbourhood as the amount of money that went to the leader of the Liberal

Party. I have not even mentioned the money that went to the leadership campaign for the member for Etobicoke—Lakeshore.

I raise this today because in fact there are huge questions about why the Liberals felt so compelled to take up the cause of the Canadian Association of Income Trust Investors. They feel so compelled today to defend this organization and the member representatives of this organization, and have no compunction about standing in this House and identifying with Brent Fullard and the president of this association when he writes me that I need to publish an immediate retraction of my supposed false statements and assertions made, otherwise I will face a lawsuit.

Mr. Paul Szabo: Say it outside.

Ms. Judy Wasylycia-Leis: Is that not interesting? The member still continues to bluster from his seat because in fact the Liberals are having a hard time dealing with the fact that—

Mr. Paul Szabo: You have to say this outside.

Ms. Judy Wasylycia-Leis: Mr. Speaker, the member is suggesting I should say this outside the House. I will be glad to say outside the House what I have just said here.

• (1155)

The founding members of the Canadian Association of Income Trust Investors donated heavily to the Liberal Party to the tune of \$282,000 over the last decade and about \$53,700 to leadership contenders in the last Liberal leadership race. I specifically mentioned the amounts for the leader of the Liberal Party, the member for Kings—Hants, and others.

Hon. Scott Brison: Have you ever received union money, Judy?

Ms. Judy Wasylycia-Leis: My question today is, did this money have any influence—

The Deputy Speaker: Order, order. The member for Kings—Hants will have an opportunity to ask questions and make comments after the member for Winnipeg North is finished.

• (1200)

Ms. Judy Wasylycia-Leis: Mr. Speaker, I am glad you called him to order. I have found it difficult this morning to listen to what I consider to be very sexist comments of a personal nature and I find that it continues now.

It is interesting. Maybe it has something to do with the fact that today is his birthday and so, on behalf of everyone in this House, I would be happy to wish him a happy birthday and ask him to relax and consider what we are talking about today.

We are debating the question of corporate giveaways, tax havens and tax loopholes at a time when Canadians are finding it hard to make ends meet, and are finding that their share of income taxes went up and up on a personal basis, while corporate taxation is going down and down.

Perhaps the member for Kings—Hants needs to be reminded how he has made some very curious statements over the years himself, going back to a few years ago when he suggested that the Kyoto protocol was written on the back of a barf bag. That was changed to the Kyoto protocol being written on the back of a napkin.

Business of Supply

Let us get our facts straight. Let us understand that whether we are talking about Kyoto, or we are talking about corporate loopholes, or talking about income trusts, or income interest deductibility, we have to ensure that we are talking from the basis of facts and from the point of view of trying to understand why a party that had 13 years to address this serious situation chose not to. The Liberal Party chose not to close tax loopholes such as Barbados and today is standing up in the House and defending two programs that have been identified as a way to give more and more money to corporations at a time when Canadians are struggling and paying more and more of their income tax to support government programs.

Canadians want balance. They want an understanding that the government is prepared to apply a measure of fairness. They have seen none of that from the Liberals. The Conservative proposals to date may be somewhat confusing. There may be some need for clarification, but at least the Conservatives have identified some areas of corporate taxation that are not justified and have to be dealt with.

The motion we have today is interesting because it really is a rare 12-year-old blend of Liberal corporate friendly neglect of tax havens and tax loopholes with the Liberal corporate friendly neglect of income trusts. That is the essence of this motion.

Only the Liberals, and we have seen it again this morning, have the nerve to drag out their past failures to act for ordinary Canadians rather than corporations and get self-righteous about it at the same time. Only Liberals can do that. Is there no end? Is there no end to the lengths the Liberals will go to help feather the bed of Canada's corporate elite?

It is not a hidden fact, not unknown information, that Canadian corporations will take advantage of any existing tax havens and loopholes to avoid paying their fair share of taxes. The role of government is to deal with those loopholes that are unfair and allow for income to be hidden and taxes to be avoided. It is something we pleaded with the Liberals to do for years.

I want to go back to the whole Barbados tax haven debate. We raised in 2003 the Barbados tax haven and the fact that the company owned by the present member for LaSalle—Émard, the former prime minister of this country, former leader of the Liberals, had used the Barbados tax haven as a tax avoidance measure. That was clearly, irrefutably stated in 2003 when this whole issue was dealt with by the Ethics Commissioner.

I quote again from the dialogue that went on between the representative of the member for LaSalle—Émard and a member of the committee investigating this:

Question: Why did you move your shell companies to Barbados in 1995?

Answer: We moved them to Barbados because of the change in the Canadian tax rules.

• (1205)

I could go on. There is no shortage of evidence to show that in fact this was a tax haven that was used by Liberals, it was a benefit to Liberals, and the Liberals stand today refusing to address that issue.

There is a real question for the Conservatives today. They have dealt with income trusts. They have dealt with interest deductibility. Will they finally deal with this outstanding issue left by the Liberals? Will they finally close the Barbados tax haven? Will they finally shut down this lucrative vehicle for Canadian companies to hide money, companies such as Merck Frosst, which is being audited for putting \$2 billion in the Barbados tax haven and not paying taxes?

Is that not enough of a reason for the government to act? Is that not enough of a justification for the Conservatives to make a commitment in the House today that they are going beyond interest deductibility measures and income trust provisions to deal with tax havens and all other loopholes, havens and hidden arrangements that allow businesses to avoid paying their fair share of taxes?

What is at stake here is that hard-working, honest Canadians are left to pick up the slack. There is nothing about that in this Liberal motion. There is nothing about how the balance shifted between the corporations and individual hard-working Canadians over the last 10 years that the Liberals were in power. There is nothing in the motion that says we will actually work to ensure that corporations pay their fair share of taxes and ordinary Canadians will start to get a break. There is not a word.

Why is that? The Liberals have a chance to bring a motion to this House and what do they do? They bring something that stands up to defend corporations and the likes of these companies I have just mentioned, companies that want to see the income trust program maintained exactly as it was because they stand to benefit. They are companies like Brompton Funds, Gluskin Scheff and Associates, Borden Ladner Gervais, Lawrence Asset Management, and Pen-growth Energy Trust; the list goes on of people, organizations, businesses and trusts that are part of the Canadian Association of Income Trust Investors. Yet those Liberals stand here and get all excited because we have identified the fact that there are donations going back and forth between these organizations and the Liberal Party.

I think the question for Canadians is legitimate. What kind of influence has this had on the Liberal Party? Why has it taken such a clear stance against cracking down on corporate loopholes? What is behind this whole support of big banks and big corporations?

I suppose one could argue that the Liberal finance critic's connections to Bay Street are reason enough, but surely we leave some of the hats we have worn in previous lives at the door when we enter this place, try to do what is in the best interests of the public, and put in place good public policy. We have not seen evidence of that to date.

In fact, as a good example of this, just two days ago at our finance committee I attempted once again to convince committee members to call upon the banks to give to the committee and to Parliament information pertaining to the costs of providing ATM services, to give a breakdown of those fees and to enunciate the profits involved in that particular operation.

Business of Supply

Those were reasonable requests, I believe. Canadians have a right to basic information. The banks have a responsibility to be somewhat transparent and accountable to Canadians. That is why we have a Bank Act. That is why this place spends a great deal of time on banking legislation.

However, would members believe that except for two Liberals, the rest, including the Liberal finance critic and the former Liberal finance critic, voted against that motion? It is not surprising that the Conservatives did as well. Surprisingly, the Bloc supported the Liberals and the Conservatives on this, so we are left with no motion and with no message from this place to ask the banks to provide basic information.

• (1210)

I am not talking about a motion at the finance committee to call on the government to end ATM fees, although certainly that is something that I think has to be addressed by this place. I was simply asking for this place to ask for information that the consumers of this country have a right to know.

What are the different fees that banks are charging? Under what terms and circumstances? What are the costs? What is the profit margin? How do the banks justify the huge profits and the price gouging, which is so evident when it comes to ATMs?

Here is our example of what is wrong with the Liberals in this place and their supposed concern about the public good: when push comes to shove, each and every time Liberals stand up against consumers and on the side of big banks and big corporations.

Now, to talk about the issue of foreign investments, those members are making the spurious connection between the problem of foreign takeovers of Canadian businesses and the interest deductibility and the income trust programs. There is no connection.

In fact, I would hope by now that members clearly would have read some of the expert advice. Let us go back to Jack Mintz, who actually called for the removal of this interest deductibility provision, the double-dipping, a number of years ago. Perhaps he has changed his mind now. We are not sure, given the fact that the Liberals are using his name, but it was clear back when the Auditor General made this recommendation, and on numerous occasions, that Jack Mintz made this recommendation.

Others made this recommendation because in fact it is a case of revenue being lost to Canada because of an escape hatch, because of double dipping, because of corporate interests taking advantage of a provision that was not intended for double dipping but which has become so.

I would hope that members might have listened very carefully and might have read the letter we received from the Canadian Labour Congress. I know that members on the Liberal side often like to cite the CLC and Ken Georgetti's words in many of their debates and like to create the illusion of being on the side of workers. They pretend that they are all in favour of ending anti-scab legislation and then they turn around and vote against it. Or they pretend they are in favour of cracking down on poor working conditions and lack of pay equity and they do not take any measures when they have their chance to do so.

However, I would hope that in this debate they would at least listen to the words of Ken Georgetti and the CLC, who have written very clearly to the minister and to parliamentarians expressing support for the promise in the budget to end the corporate tax deductions for interest on debt used to finance foreign affiliates, stating:

At a time when Canada has lost 250,000 manufacturing jobs, Canadian tax dollars should not be used to subsidize the transfer of such jobs out of the country. Ending this subsidy for foreign investment will raise revenues needed to finance vital public investment and help to promote business investment in Canada.

I see that my time is at an end. Let me say that obviously we vehemently oppose this motion. We stand up for working Canadians and ordinary families. We believe that it is time for public policy, government actions and federal budgets to reflect the growing gap between the very rich in our society and the rest of us. The fact is that we are dealing with a 30 year high in terms of that gap in income.

We are dealing with the fact that fewer and fewer people are controlling all of the wealth in this nation and more and more Canadians are working harder and harder to make ends meet, without support and without public policies that benefit them. It is time to change that. The Liberals are going in the wrong direction.

Mr. Patrick Brown (Barrie, CPC): Mr. Speaker, I am wondering if the member can further touch upon who the Liberal Party is really in cahoots with on this. There was an interesting comment by a previous Liberal cabinet minister when she wrote her article on February 21, 2007 in the *Ottawa Sun*. She said:

—only the Liberals can benefit from a “grassroots” lobby to reverse the income trust decision.

The only problem? The “grassroots” is not grassroots at all. It is a big money, orchestrated effort, which would leave ordinary taxpayers holding the bag.

What are the member's thoughts about who the Liberal Party is really in cahoots with and in what world would a political party try to side with those who are trying to evade the Canadian tax system? What it really boils down to is taking advantage of regular taxpayers, hard-working Canadian taxpayers. Why would the Liberal Party get involved with a group that has taken on this very unfortunate approach?

• (1215)

Ms. Judy Wasylycia-Leis: Mr. Speaker, I certainly appreciate the question and the opportunity to elaborate, although I cannot fully understand the motives behind the Liberal motion today or behind any of their other decisions on public policy matters that are in the interests of corporations and totally against working people, ordinary families and middle class Canadians.

Time and time again the Liberals have come forward with motions in this place, with projects for the finance committee and with recommendations that fly in the face of any kind of progressive policies that will actually ensure benefits for all Canadians.

Routine Proceedings

I can only say as I said in committee when the Liberals so vehemently denied my request for information about bank fees, something that still boggles the mind, that it is hard to believe the Liberals would oppose a motion as simple as mandatory disclosure of ATM fees, or that they would vote against public accountability for proposed bank closures, or that they would vote against the limitation of cheque holds to 24 hours; or that they would vote against disclosure of security breaches leading to identity theft, or that they would vote against adherence to an international standard in handling consumer complaints, or that they would vote against increased penalties of banks for violations.

I could go on with my absolute disbelief at the Liberals' actions today, yesterday and over the past number of weeks and months. All I can say, as I said in committee, is that the Liberals seem to be more interested in supporting those on Bay Street and not at all interested in ordinary people who live on Main Street. Main Street runs through my constituency of Winnipeg North. It is one of the most hard pressed constituencies anywhere in this country, with very serious economic problems. It has seen all banks abandon our community. It has seen small businesses struggle as governments refuse to deal with problems about how to access credit and how to engage in reasonable business at the community level.

Mr. James Bezan: Mr. Speaker, I rise on a point of order. There have been discussions among all parties and I think if you were to seek it you would find there is unanimous consent for the following motion: That, in relation to its study on the Canadian agriculture policy, eight members of the Standing Committee on Agriculture and Agri-Food be authorized to travel to Washington, D.C., from May 14 to 16, 2007, and that the necessary staff accompany the committee.

The Acting Speaker (Mr. Andrew Scheer): Does the hon. member have unanimous consent to move this motion?

Some hon. members: Agreed.

Some hon. members: No.

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, earlier the member for Winnipeg North asked a question of the leader of the official opposition. I would like to quote from the blues. She said: "We did a little digging in terms of the Canadian association that is sponsoring all these libellous ads and found it very curious in fact that over the last 13 years the Liberals received about \$282,000 from the Canadian Association of Income Trust Investors. In the leadership race they delivered about \$39,000 to Bob Rae in his leadership bid and \$6,000 to the Leader of the Opposition. My question is did that money influence his decision today?"

I have been advised by the Canadian Association of Income Trust Investors that it did not come into existence until January 2007. It could not possibly have made those donations.

During her speech, the member then went on to advise the House that she had received a threat from the Canadian Association of Income Trust Investors. I would like to read into the record what the Canadian Association of Income Trust Investors wrote to the member by email today at 11:04 a.m. It states:

You need to publish a[n] immediate retraction of your false statements and assertions made in today's House of Commons today about our association funding the Liberal Party. CAITI did not come into existence until January 11, 2007. Please provide evidence to support you[r] statement that we have funded the Liberal Party to

the tune of some \$280,000. We have provided no funding to any political party directly or indirectly' Never have, Never will.

Please advise immediately.

In the absence of an immediate response, CAITI will pursue legal recourse.

The member has immunity in the House. She can say whatever she wants, whether truthful or not, but she cannot say those things, I believe, outside the House. Will she go outside the House and say the same things to the media and expose herself to the consequences of misleading of the House of Commons?

• (1220)

Ms. Judy Wasylycia-Leis: Mr. Speaker, it is interesting how the connection between the Association of Income Trust Investors and the Liberal Party is so close.

Let me clarify for—

Mr. John Cannis: Go outside and say it.

Ms. Judy Wasylycia-Leis: Perhaps the members will give me a chance instead of blustering and yelling from their seats, as has been their custom all morning.

As I already clarified in the House, if there was any suggestion that I was implying that the association itself, without any of its representative membership, made these donations, I have apologized for that and clarified it.

What I have said and I will say outside the House or anywhere because I am not seeking any immunity is that founding members of the Canadian Association of Income Trust Investors made a total of \$282,000 in donations to the Liberal Party since 1993 and, in the year 2006, made donations to the Liberal leadership contenders to the tune of \$53,700. These are founding members of the Canadian Association of Income Trust Investors who have lobbied this place day in and day out for many months and who are tied to the hips of members in the Liberal Party.

Does the member for Mississauga South and others think it is acceptable for that association to be putting out personal ads that reference me with words like "Hail Judy!" and, "What do you really know about finance?" What about the one that states my name and then states "Finance critic or Judas?" Based on the reactions of members of the Liberal Party, they clearly support this kind of irresponsible, unethical and libellous advertising.

ROUTINE PROCEEDINGS

[English]

COMMITTEES OF THE HOUSE

AGRICULTURE AND AGRI-FOOD

Mr. James Bezan (Selkirk—Interlake, CPC): Mr. Speaker, there have been discussions and I think you would find unanimous consent for the following motion. I move:

That, in relation to its study on the Canadian agriculture policy, eight (8) members of the Standing Committee on Agriculture and Agri-Food be authorized to travel to Washington, D.C. from May 14 to 16, 2007, and that the necessary staff accompany the committee.

The Acting Speaker (Mr. Andrew Scheer): Does the hon. member have unanimous consent to move this motion?

Business of Supply

Some hon. members: Agreed.

The Acting Speaker (Mr. Andrew Scheer): 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)

GOVERNMENT ORDERS

[English]

BUSINESS OF SUPPLY

OPPOSITION MOTION—FINANCE

Hon. Scott Brison (Kings—Hants, Lib.): Mr. Speaker, the NDP member likes to present this as some sort of battle between Main Street and Bay Street when in fact all Canadians, regardless of where they live, benefit from head office jobs here in Canada. Why does she believe it is a good thing for Canadian companies to pay tax when companies in the U.S., Japan and Europe do not pay tax?

Why does she believe that it is in our long term economic interests, and I am talking about all Canadians regardless of where they live, to lose head office jobs in Canada? How can she justify her position on this issue, which is one that would essentially destroy Canadian competitiveness in jobs, and at the same time demand that governments take action to stop international takeovers of Canadian corporate assets?

I questioned her economic capacity earlier because of the fact that she represents an economic position on one hand where she is saying that we must stop foreign takeovers of Canadian corporate assets when in fact she supports a policy by the government to encourage foreign takeovers of Canadian corporate assets to destroy Canadian jobs and to hurt people on Bay Street and Main Street.

Why is she supporting Wall Street in her assertion that we should actually help the big takeover artists on Wall Street take over Canadian companies? Why is she supporting—

• (1225)

The Acting Speaker (Mr. Andrew Scheer): The hon. member for Winnipeg North.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Mr. Speaker, whenever anyone disagrees with a Liberal, that Liberal needs to put down the other person by suggesting that the person knows nothing about the economy. That has certainly been the strategy of the member for Kings—Hants who probably should be a little more guarded in his comments given his e-mail of November 22, 2005 dealing with the income trust file.

I would suggest that the member and his party consider the error of their ways on these two files, income trusts and interest deductibility. They should consider the following question. Why would Canada give up tax revenue to create economic activity and tax revenue in other countries? It would be to increase the profitability of Canadian banks that already are rolling in profits to the tune of \$19 billion.

If the member is so concerned about the questions pertaining to other countries' taxation policies, he should be standing in the House today and making the recommendation that we start taxing corporations on a worldwide basis, something that he fails to consider. He never considered it when he was in the Conservative government and has never considered on the Liberal benches.

An hon. member: He's consistent.

Ms. Judy Wasylycia-Leis: He is consistent, as my colleague points out. However, I think it is high time that we recognize the exact purpose of these measures and the motives behind the Liberals' motion.

Ms. Yasmin Ratansi (Don Valley East, Lib.): Mr. Speaker, I will be splitting my time with the member for Kings—Hants.

I rise in the House today to speak to the Liberal motion, which reads:

That...the government's mistaken policies with respect to interest non-deductibility and income trusts are making it increasingly difficult for Canadian businesses to succeed internationally, while making Canadian businesses increasingly vulnerable to foreign takeovers, thus putting Canadian jobs, head offices and investment at risk....

Budget 2007, the second Conservative budget, contains what the former chairman of the Canadian Tax Foundation, Allan Lanthier, called "the single most misguided policy to come out of Ottawa in 35 years".

I am not referring to the disaster caused by the Conservatives in the income trusts sector last October. I will return to that issue later. Rather, I refer to the tax measure tucked away on page 242 of budget 2007 regarding interest deductibility and foreign affiliates. It would easily throw a major hurdle in front of Canadian firms who want to make foreign acquisitions by removing the interest deductibility from money borrowed to carry out those transactions.

As I was listening to the member for Winnipeg North, I was flabbergasted by her lack of knowledge to the fact that it is the small and medium size enterprises that create jobs, that are in an expansion mode and in a growth mode. Those are the businesses that create jobs. Why would she be against those corporations trying to expand? Where would her constituents find jobs? Who creates those jobs?

While the Conservatives may fancy themselves as a party of free enterprise, the fact is that the Minister of Finance has no credibility. I would refer to the article by their biggest supporter, Diane Francis, talking about the total incompetence on the cabinet benches of the Conservative government.

As we move forward and we look at who the real job creators are, the engine of competitiveness, we destroy them by removing that interest deductibility. The Canadian Council of Chief Executives, Tom d'Aquino, has said that the decision to remove this deductibility may seriously undermine the competitiveness of Canada's home-grown champions, the companies that are most active and most successful in building global businesses from head offices in Canada.

Business of Supply

I would hardly call that faint praise for a budget that is ironically entitled “Aspire”. What does it aspire? Does it aspire to remove the economic security of Canada? Does it aspire to destroy Canadian companies? That is what interest deductibility does.

We live in a global competitive world. We need to be smart and let our companies, the small and medium size enterprises, which are in expansion mode, expand.

I am afraid that what the Minister of Finance calls a tax loophole is actually a competitive edge for Canadian firms to compete globally on an even playing field with firms enjoying similar tax measures in the United States, Japan and Europe. It is beyond me why the minister is so determined to hobble the Canadian economy.

According to tax specialist, Neal Armstrong:

it is typical for a Canadian parent company to arrange most of its borrowing in Canada, then use the funds to invest in foreign acquisitions.

However, the Conservatives want to take this tool away from business. It makes no sense whatsoever.

As Mr. Armstrong points out, the result is that Canadian banks will lose income from those loans and in turn the government will lose the tax benefit from that income.

Mr. Armstrong goes on to say:

And that doesn't do us any good, because the bank in the foreign country isn't paying any [Canadian] tax.

What should businesses in Canada expect from the proposal of the Minister of Finance?

Tax specialist, Karen Atkinson, predicts that many companies will have to “jump through hoops” to create financing structures, calling the finance minister's proposal a “make-work project for lawyers and accountants”. Is that what we want to do? We must remove red tape in order to make our companies competitive. We do not need to hobble these companies.

● (1230)

Len Farber, a former senior official at the Department of Finance, is equally baffled by the proposal. According to Mr. Farber, what the minister calls double dipping is what gives Canadian corporations the competitive edge internationally. He suggests that the minister could have the measure apply to only foreign multinationals operating in Canada but exclude Canadian companies. That is why the Liberal motion today calls on the Minister of Finance to rethink his strategy and enter into meaningful consultation.

At this stage, I would like to congratulate my hon. colleague, the member for Markham—Unionville, who has done a splendid job in bringing this issue to the attention of all Canadians. The hon. member is a well-recognized economist and former minister who eloquently points out that:

[It] is not that we should oppose foreign ownership, but that we should oppose tax measures that tilt the playing field in favour of foreign companies and at the cost of homegrown Canadian companies.

This is not the first major misstep by the Minister of Finance. I am still receiving desperate letters and phone calls from constituents in Don Valley East who took the Conservatives at their word when they made an election promise to not tax income trusts.

Thousands of investors, many of them seniors, lost the bulk of their retirement savings because of this finance minister, when he broke his promise in October last year. What are my constituents going to aspire to when half of their savings have been wiped out by the Conservatives' incompetence?

Sadly, it is a fact that many of the Prime Minister's cabinet just do not have any experience in the business world. The result is simply bad policy and bad business environment.

Instead of tapping into this country's entrepreneurship, the Conservatives are hobbling Canadian businesses. Instead of being proud Canadians, being economically independent and competing in the global market, we are hobbling our Canadian companies, our pride, our enterprise, and our ability to create and maintain jobs.

Instead, we are now becoming economically dependent on other countries and foreign takeovers. In the past few weeks we have seen foreign takeovers by China, the United States and India. Where are the high-paying jobs going? They will go south, or anywhere, except stay in Canada.

The policy of non-deductibility is not a very intelligent policy and I would like to urge the government to rethink it.

● (1235)

Mr. Chris Warkentin (Peace River, CPC): Mr. Speaker, I would like to ask the member across the way if she agrees with the Ontario finance minister. I know that there has been some discussion about income trusts for some time. Obviously the finance minister made an effort to ensure tax fairness.

I will just read what Greg Sorbara, who is currently the Liberal Ontario finance minister, said in a letter he wrote to the committee:

“I'd like the committee to know in principle that the Government of Ontario supports the federal government's efforts to ensure fairer taxation through changes to the tax treatment of income trusts. We believe that these changes will protect the federal and provincial revenues from significant tax leakage. Ontario supports federal transition rules as they appear to be flexible enough to allow trusts to proceed with reasonable growth while ensuring that there is no unfair advantage over the transition period. It's an example of sometimes, when you're in government, you just have to do what you think is right”.

I wonder if the member across would agree with her provincial Liberal counterpart or if in fact she would disagree?

Ms. Yasmin Ratansi: Mr. Speaker, it just amazes me how very uninformed the Conservatives seem to be on economic matters.

Business of Supply

When they make a promise to constituents, to Canadians, that they will not tax income trusts, and then they break that promise, there is no trust left of the Conservatives by Canadians. Seniors have lost money. It is seniors we are talking about. Where is the social justice? That is incompetence to the hilt.

Then we go and hobble our very own homegrown Canadian businesses that create jobs by not allowing interest deductibility. What are we trying to do?

I have been to the Fraser Institute and seen that they would like to have private enterprise and private everything. Where are we going to go as Canadians if we do not have economic security or economic independence?

I would like to say to the member opposite that the *National Post*, which is a friend of the Conservatives, talks about the flip-flop of the Minister of Finance, who is really not very competent. An article by Diane Francis, who is a real good friend of the Conservatives, talks about how the whole cabinet lacks economic astuteness. Cabinet ministers do not know globalization. They do not understand it. They are hobbling along because they do not know economics.

Mr. John Cannis (Scarborough Centre, Lib.): Mr. Speaker, during the election the Conservatives made a promise that they would not touch income trusts, as it was initially being proposed before the election. Now the Conservatives are trying to spin this promise that they went back on that they do not want to hurt the seniors and their incomes, but they want to address the corporation side of things.

I have a lot of seniors in my riding and in the emails and communiqués that I have received, it has impacted their way of life for the future. We have to keep in mind that these seniors today are not income generators and cannot work a couple of hours of overtime to offset it. They depend on a certain income to at least maintain the lifestyle that they dreamed of and now it is being taken away. Could the member please elaborate on the seniors aspect? The Conservatives are trying to misrepresent it again.

Ms. Yasmin Ratansi: Mr. Speaker, I have a lot of seniors in my riding who have written to me and who have stated that they trusted the Conservative government when it made a promise that it would never tax income trusts.

They invested their money in income trusts, and suddenly, lo and behold, on October 31, we got this 31% tax and seniors lost their savings. The market took a dip. We have lost \$35 billion in total. How are the seniors ever going to recover it?

I would like to bring something to the attention of the House. The NDP has always claimed to be the party of social justice, but it has worked against seniors, against Kelowna, against Kyoto, and against everything, and it has lost—

• (1240)

The Acting Speaker (Mr. Andrew Scheer): Resuming debate, the hon. member for Kings—Hants.

Hon. Scott Brison (Kings—Hants, Lib.): Mr. Speaker, I am pleased to rise today on this debate, but I am saddened by the nature of this debate. The Conservative government has inherited the best fiscal situation, the best economic environment, of any incoming government in the history of Canada. Even though it was a great

economic environment and a great way to start based on the Liberal record of strong economic management, we cannot rest on any laurels. We live in a hyper-competitive, global environment where companies and countries are either moving ahead or they are falling behind. We cannot simply sit still.

A smart country, like a smart company, makes good decisions based on what is best to address the challenges and opportunities of the next 10, 20, 30 years, the next century. We have a government that instead of focusing on the challenges and opportunities of the next century is too focused on this week's polls. It is making decisions based on short terms, based on what is popular right now at the expense of the long term competitiveness of our Canadian economy, Canadian companies, Canadian investors, and ultimately Canadian workers.

We do not have smart decision making coming from the government and the sad thing is that we have Conservative economic incompetence propped up by NDP economic ignorance. This is a toxic combination for the long term competitiveness of Canadians and for the long term job security of Canadian workers.

I would like to refer briefly to the recent commentary by Diane Francis, the *National Post* columnist. She said:

Canada's biggest competitive disadvantage is our poor governance model, politically and policy-wise.

When referring to the Conservative government's handling of some of these issues, she added:

I dread to imagine what the discussion around the federal cabinet table was last fall concerning measures such as income trusts or interest deductibility restrictions. Did anyone bring up the potential, unintended consequences? Was a huge menu, and range of varied options the topic of lively, heated and lengthy discussion? Were the nuances of capital market reactions, or taxation matters, debated? Was the obvious alternative of cutting taxes on dividends instead of trashing income trust promises a subject of great discussion? Were the studies, commissioned by the previous government, and its many other solutions, reviewed carefully over days and nights by all cabinet members so they could deliberate in an authoritative fashion? Or was talk just about how to finesse the treachery to seniors and Alberta about a promise broken?

It is clear that the government made the wrong decisions in both cases. Conservatives have imperilled the competitiveness of Canadian companies. They have hurt Canadian economic sovereignty and have exposed Canadian equities to unparalleled levels of foreign takeover activities.

I really do believe and have tremendous faith in the ability for Canadian companies to compete and succeed globally. We have global success stories that are based here in Canada. In fact, there are companies like Onex and Magna that are building and continue to build global success stories based here in Canada. But the fact is that the Government of Canada ought to partner with these success stories and be a partner in progress as these companies move forward.

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In today's global environment, economically, a company is either acquiring or is being acquired. A company is either growing or is getting smaller. It cannot sit still. We represent a fairly small percentage of the global economy here in Canada. We represent about 1.5% of global capital markets as an example of that, so because of the challenges and opportunities of globalization and the pressures of it, Canadian companies cannot grow exclusively within Canada. For Canadian companies to grow, it requires acquisitions outside of the country. Other governments in other parts of the world understand this.

• (1245)

The fact is in countries like Japan, the United States, Britain, countries in Europe, basically every country in the industrialized world, if a company invests in another country or purchases a company in another country, the company can write off the interest on that investment against domestic earnings. That is a tax practice that is global. That is a tax practice that is well accepted and is part of the competitiveness of those companies in those countries.

It is unspeakably naive and economically ignorant to believe that we are not hurting Canadian companies by exposing them to the competition from around the globe and at the same time imposing on them a tax measure that companies in other countries do not face.

If we are really interested in owning the economic levers here in Canada, if we are really interested in our economic sovereignty, why would we expose our Canadian companies to the fierce global competition that exists now, and at the same time tie their hands behind their backs by imposing on them a tax that no other industrialized country imposes on their domestic industries? It is wrong-headed.

The fact that the Conservative government has to depend on the support of the economically ignorant NDP on this speaks to this. I knew that the Conservative government was not progressive socially, but with this measure it is not even conservative economically.

The fact is that the Conservatives have talked over the years about reducing corporate taxes. I want to clarify. I really believe in reducing income tax, personal and corporate. The hon. member has mentioned that this is a government that actually cut the GST, a consumption tax, to raise income tax.

The Prime Minister calls himself an economist. If economists were a licensed body, he would have lost his licence over that one, because there is no economic body in the world that would endorse increasing an income tax to help compensate for the decrease of a consumption tax. It was bad economic policy. It was bad for competitiveness. It is consistent, though, with the government on a number of decisions that it is making, including hurting Canadian competitiveness with this latest tax measure, eliminating the interest deductibility on foreign investments.

As I was saying, the Conservatives have spoken over the years about the importance of reducing corporate taxes, but I want to explain to them that what we are supposed to do is reduce corporate tax rates, not to reduce corporate profits and not to reduce the actual base. Their measures will reduce the corporate tax base. In fact, perhaps over time they will not reduce corporate taxes by eliminating corporations from Canada. The Conservatives will, with the support

of the NDP, drive those head office jobs out of Canada, drive those Canadian international success stories like Alcan and BCE out of Canada.

They will create the opportunities for firms on Wall Street and international takeover firms to acquire the key components of the Canadian economy. Not only will what they do hurt Canadian economic sovereignty, it will kill jobs and our ability to actually build our economic capacity and to chart an independent direction as a country in the future. If you do not own your economic levers in a country, you really do not control the future destiny of your country.

Since the government's decision on income trusts, we have seen a flurry of takeovers of the energy trust sector. That has hurt our economic sovereignty. A key industry in Canada is energy. We are seeing as a result of the interest deductibility decision an increase in the rate of foreign takeovers and bids here in Canada, the latest discussions around Alcan, and the Bell Canada discussion. That is a government that threatens to take the Canada out of Bell Canada.

On another issue, the industry minister has said on Wall Street recently that he is interested in eliminating the foreign ownership restrictions on Canadian Telco. The government is not only weakening Canadian corporate interests and exposing them to takeover interests, but it is actually putting in place tax and regulatory measures that will lead to the hollowing out of Canadian corporate assets and the end of Canadian economic sovereignty.

• (1250)

Mr. John Cannis (Scarborough Centre, Lib.): Mr. Speaker, while listening to the member a thought which came to mind was that under the Mulroney government there was a sellout of Canada, but under the new Conservative government that has been accelerated.

I enjoyed very much how the member for Kings—Hants put it, in using third party, not necessarily endorsement, but qualifiers when referring to Diane Francis. It reminded me of what two Conservative premiers, Premier Williams of Newfoundland and Labrador and Premier Rodney MacDonald of Nova Scotia said in terms of renegeing.

I want the member to explain the competitiveness aspect. Yesterday in the House of Commons the Minister of Finance was asked a question on this issue. His response was that they want to create a level playing field.

Would the member please elaborate on that a little more? From what I have heard and read in following the story, I cannot see it creating a level playing field. It seems to me that there are rules for others outside Canada and a policy being proposed that in essence is going to weaken Canadian companies. Could the member please clarify that? I do not see a level playing field as the Minister of Finance is saying.

Hon. Scott Brison: Mr. Speaker, I appreciate the question from the hon. member. It is an important one.

Business of Supply

The fact is we have never seen as competitive an economic environment globally as that which exists right now. What the government has in fact done by eliminating the interest deductibility for foreign investments is actually tilt the balance toward foreign competitors to help them take over Canadian companies, as we handcuff the Canadian companies and reduce their capacity to build competitiveness and to take over firms in other countries.

The Liberal Party as part of this motion is proposing tax reform, bringing together tax experts, people such as Jack Mintz and Roger Martin from the U of T. We propose bringing together the kinds of people who can help us shape the best possible tax policy to build a richer, fairer and greener Canada, to make Canadian companies global success stories, to help create the kind of environment for Canadian companies to be leaders in what will be the fastest growing area of the 21st century economy, and that is clean energy.

We have to bring the three Es together, the economy, energy and the environment and to make Canada a global clean energy superpower, with the kinds of tax policies that enable Canada and Canadian companies to grow, to invest, to diversify and to build head office competence and jobs here in Canada. That is what it is all about. That is the kind of policy that can build long term economic success for all Canadians.

When the Conservatives talk about levelling the playing field, what they are doing is levelling corporate Canada. They are levelling Canadian competitiveness completely.

Mr. Dean Del Mastro (Peterborough, CPC): Mr. Speaker, the motion we are debating today is a sign of how much the official opposition has lost touch with Canadians and how misguided the Liberals' approach to the economy really is.

While the Liberals dithered and defended tax loopholes, double-dipping and shifting the tax burden from the large corporations to working families, in just 13 short months we have made courageous decisions that are in the best interests of all Canadians. In the last two budgets and last November's economic update, this government has introduced a host of innovative, comprehensive initiatives for businesses that significantly enhance their capability to meet the demands of evolving global markets.

The Liberals have voted against and opposed measures embraced by business and recognized by experts. I would like to take a few minutes to highlight a few important examples of the measures the Liberals have opposed, specifically our comprehensive package to reduce corporate taxes and enhance competitiveness of businesses across this country.

As the Minister of Finance has noted on many occasions, our economic fundamentals are solid. We are experiencing the second longest period of economic expansion in Canadian history. Core inflation remains within our set range of one to three per cent. Our unemployment rate is at its lowest in at least 30 years, perhaps 40, with more Canadians working than ever before. We are on the best fiscal footing of any country in the G-7. In fact we are the only member of the G-7 with ongoing budget surpluses and falling debt burden.

Mr. Speaker, I would also like to note that I am sharing my time with the member for Oshawa.

This government believes strongly that Canadian businesses and entrepreneurs are the engine of our economy helping make all of Canada strong.

The official opposition is grasping at straws, trying to find doom and gloom amid all of Canada's great prosperity that we currently see. If the Liberals were really committed to an examination of tax abuses, why did they not act when they were in power? Why did they not listen to the advice they asked for?

It was hard for the Leader of the Opposition to set priorities when in power, and he is showing the same flaws in his latest musings on the economy. Advantage Canada, Canada's new government's plan, created five advantages to help set out a clear priority for a strong Canada, and the reaction was positive.

On Advantage Canada, the Canadian Chamber of Commerce said that the finance minister has recognized the importance of productivity to the long term health of our economy, business growth and Canadians' standard of living. It said that Advantage Canada "is a great road map. It's got all the elements of things we need to do".

Budget 2007 provides a clear series of measures to secure the aforementioned advantages. It demonstrates this government's commitment to a comprehensive approach to building a strong Canada.

For example, our commitment to achieve an entrepreneurial advantage includes a plan to support our two million small businesses. They work hard. They create jobs. They make Canada work. The last thing they need is excessive government red tape and needless regulation to slow them down, the kind of red tape that the former Liberal government left in place.

The Canadian Federation of Independent Business said about our plan:

[Advantage Canada's] focus is certainly the key issues that our members say [the government] should be focused on, whether it's debt, taxes, a skilled workforce or the whole red-tape and paper burden.

For example, we are reducing the number of annual tax filings and remittances for more than 350,000 small businesses in Canada. For some smaller businesses, the number of tax filings and remittances could drop from 34 to as few as 10, a 70% decrease.

We are also strengthening Canadian businesses through building a tax advantage. This will allow us to attract and retain business investment. We are helping small businesses succeed to spur innovation and growth that will lead to more jobs and higher wages for all Canadian workers.

Budget 2007 introduced new measures that will lower Canada's tax rate on new business investment. This will encourage investment and job creation, and help Canadian businesses to compete on the world stage.

● (1255)

In addition, we are assisting manufacturing and processing businesses by making the major investments needed to meet the rising global competition by providing a temporary accelerated write-off of capital investments in machinery and equipment.

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This government is decisively addressing the issue of helping employers meet immediate skill shortages. For example, budget 2007 proposes a series of improvements to the temporary foreign worker program designed to reduce processing delays and more effectively respond to regional labour and skill shortages. New measures include expanding the online application system, maintaining lists of occupations where there are known shortages of workers and processing work permits more rapidly. This will ensure that the process of hiring skilled foreign workers for not only large but also small and medium sized enterprises is easier, faster and less costly for employers.

On a larger scale, budget 2007 provides a number of measures that will help Canadian businesses invest, compete and win in the global marketplace.

Canada, historically, has benefited from vibrant, competitive capital markets. With the mobility of talent, capital and ever intensifying global competition, developing leading edge principles and rules to govern our capital markets is key to creating and sustaining the Canadian advantage.

In budget 2007, Canada's new government put forward a plan for creating a Canadian advantage in global capital markets. It focuses on four key building blocks: First, enhancing regulatory efficiency through a new approach to securities regulation based more on principles and tailored to the unique makeup of Canada's capital markets; second, strengthening market integrity by pursuing the highest standards of governance and by enforcing our laws more vigorously; third, creating greater opportunity for businesses and investors by pursuing free trade in securities with the United States and the other G-7 countries; and fourth, improving investor information by introducing a new principles based disclosure regime for bank investment products with complex features.

Another important initiative to support businesses is our global commerce strategy to ensure that Canadian businesses can fully participate in global market opportunities. In addition, Canada and the United States have agreed in principle to update the Canada-U.S. tax treaty to facilitate cross-border investment and commerce.

Canada is strong because our businesses, large and small, are strong. For example, just yesterday Statistics Canada noted that direct Canadian investment abroad hit \$523 billion, a gain of \$63.7 billion over just last year, or a 13.8% increase over 2005. That was the fastest percentage increase since the technology boom of 2000.

It is clear that this government is unquestionably committed to helping our businesses compete and succeed.

The official opposition has voted against every one of these measures designed to create a global advantage for Canadian businesses. It did not get the job done when in power, which is why its current rhetoric rings hollow.

With the implementation of budget 2007, we will have generated a significant enhanced capacity for our economy to succeed for the benefit of all Canadians.

• (1300)

Mr. John Cannis (Scarborough Centre, Lib.): Mr. Speaker, the Mulroney Conservatives did not get the job done to sell out Canada

and this new, so-called reformed, Conservative government will get the job done.

I have a couple of questions for the member. First, let me clarify that we on this side are not portraying doom and gloom. On the contrary, what we are saying is that a policy that exists internationally should not be taken away because it would create a uncompetitive edge for Canadian companies.

The member for Peterborough said, "13 months ago we made a courageous decision". I want to remind the hon. member that just over 13 months the Conservatives did make a courageous decision, a decision I agree with, that it would not touch income trusts for the sake of seniors and the companies. By this courageous decision, I guess he meant that they had to renege on that decision.

I and all other members in this chamber have received e-mails, letters and phone calls from seniors. What is he going to say to seniors on the incomes lost and the lifestyles they planned that have now been taken away from them?

Mr. Dean Del Mastro: Mr. Speaker, there are so many inaccuracies in the member's statement that I do not know where to begin.

I will start with the one he noted on the past PC government that ruled Canada from 1984 to 1993. He might be interested to hear that McGill University actually pointed out that that government had the strongest economic performance record in more than half a century, much stronger than his government's performance, which benefited from the decisions made by that Conservative government, which were difficult at the time.

This government has also made very difficult decisions predicated on tax fairness for all Canadians. The Liberals may not want tax fairness. They want to stand up for their buddies on Bay Street, the big money influence, who they do not think should pay any tax.

I have a lot of middle class Canadians in my riding of Peterborough who pay a lot of tax and they want tax fairness. The Liberal Party should support it. I am disappointed that the member does not.

• (1305)

Ms. Denise Savoie (Victoria, NDP): Mr. Speaker, it is interesting to listen to my colleague's intervention as he makes his party out to be the apostles of productivity.

I wonder what he would have to say to all the employers in my region who have thousands of employees waiting for days in passport lines because the Conservatives, after over a year of being in the House as the government, have taken very little action until recently, but are still refusing to open more passport offices in rural areas or introduce measures that would allow the extension of passports so people would not need to renew so often. I see line-ups daily going right around the block for thousands of people who tell me that they have had to take days off.

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Mr. Dean Del Mastro: Mr. Speaker, however off topic the member's question may be, I will answer it because I think it is a good one.

I actually think that underlines more failures of the previous government. The western hemisphere travel initiative is not new. The previous government was asleep at the switch. It did nothing. Our government has increased the ability to process passports by over 20%. We have extended the hours at passport offices right across Canada and we have added new features so that members of Parliament can have direct access to work on problems.

I would like to get back to the issue at hand, which is tax fairness. I know the NDP members support tax fairness. In fact, the finance critic for the NDP has taken a lot of hits from associations like CAITI, an association that is putting a lot of money into the Liberal Party to bring forward motions like this which are absolute nonsense. CAITI and the Liberal Party may not support tax fairness but Canada's new government absolutely does, and I am proud to stand with it.

Mr. Alan Tonks (York South—Weston, Lib.): Mr. Speaker, my colleague across indicated in his speech quite an understanding of the global markets and the conditions he cited, the accelerated capital tax write-off for machinery, which will be very important in the global economy. He talked about global capital markets and he cited four areas where the government is taking an initiative.

However, he also cited that \$523 billion abroad in Canadian capital investments in fact is the higher order of capital investment through Canadian investors. Does that not give him cause to reflect, with that degree of integration of capital movement through other markets than the United States markets, that this may be an ill-conceived strategy? Is the government sure that it has the research and back-up to prove that this will not be ill-conceived?

Mr. Dean Del Mastro: Mr. Speaker, the hon. member has made a very good point. If we are going to bring in tax fairness we need to be very careful in what we are doing. The Minister of Finance has been very clear. He said that what this will come down upon is the issue of double-dipping.

A case was brought forward at the finance committee the other day where the CRA pointed out a specific example of a Canadian firm that borrowed \$200 million from a tax haven of at 10%. The firm deducted the \$20 million expense but it loaned the money through another tax haven to another subsidiary that also deducted the exact same tax savings in the United States.

That is what we need to put an end to. We are not opposed to interest deductibility for investment abroad. We want to encourage Canadian companies to grow and be globally competitive. We also want to bring taxes down broadly but in order to do that double-dipping must stop.

I know the hon. member, if he understands the problem, which I am sure he does, supports us on that. Double-dipping must end.

Mr. Colin Carrie (Parliamentary Secretary to the Minister of Industry, CPC): Mr. Speaker, I thank the member for Peterborough for his excellent speech and his excellent responses to questions.

I am pleased to have the opportunity to debate the importance of international investment to Canadians and to their continued prosperity.

Canada's and the world's economy has fundamentally changed over the past two decades. The dramatic reduction in communications and transportation costs, combined with successive rounds of trade liberalizations and countries' efforts to liberalize their investment regimes, have encouraged greater international competition for capital, technology and markets.

The growth in international flows of capital or foreign direct investment has significantly outpaced the growth of trade in GDP over the past two decades.

World inward investment more than doubled during the 1980s, more than tripled during the 1990s and may well quadruple by the end of this decade. This is a trend that Canadian firms and consumers benefit from, and I will explain how.

The benefits of foreign investment are well-established. First and foremost, foreign investment creates jobs for Canadians. Foreign investment fosters a more competitive domestic economy. Foreign companies investing in Canada create healthy competition for domestic firms, resulting in more efficient production that benefits consumers through lower prices and more innovative products and services. There is significant evidence that increased competition leads to greater use of new technologies among domestic manufacturing plants and that productivity spills over from foreign controlled plants to domestically controlled plants.

Foreign investment also provides Canadian companies linkages to markets. Foreign investment enables Canadian firms to be integrated into global value chains. More must be done to encourage the two way flow of foreign direct investment that helps to galvanize the global value chain. Canadian companies have increased their involvement in China and other overseas countries through contracts with foreign companies and by setting up facilities. Why? It is to tap into these fast growing economies, to secure these markets and to capitalize on Canadian and international advantages.

The vast majority of multinational enterprises driving the global investment trends are our historical trade and investment partners: the United States, Europe and Japan. Combined, they are the source of over 80% of global investments and the destination for two-thirds of global investments.

In addition to our traditional trade and investment partners, new competitors are entering the global stage, namely, China, India, Russia, Mexico and Brazil. With this rise, is the expansion of FDI from emerging economy multinationals. As a result, developing country investments abroad now account for one-tenth of global FDI.

Business of Supply

My constituents of Oshawa know firsthand the benefits of FDI and international trade. In 1875, Colonel R.S. McLaughlin relocated his Canadian-owned McLaughlin Carriage Company to Oshawa. After developing a stable and profitable Canadian company, McLaughlin Carriage was sold to the U.S.-based automotive manufacturer General Motors, in 1918.

Since that time, General Motors has invested hundreds of millions of dollars into our region, creating hundreds of thousands of good paying jobs and investing millions into our community. Oshawa now boasts of hosting General Motors of Canada's national headquarters, Canadian Regional Engineering Centre, and North America's largest manufacturing facility. The results have been the development of a strong economy in the region, hundreds of millions of dollars in spinoffs and economic benefits, and a better community.

Granted, over our history there have been some tough times and job losses due to economic slowdowns and pressures from the vast global economy but my constituents and I know, wholeheartedly, the benefits that foreign direct investment by General Motors has brought to Oshawa.

As I have just explained, as an open economy, Canada benefits from international trade and investment. While we are witnessing that companies from around the world are increasingly becoming global in order to remain competitive and enhance their prospects for growth in output and employment, Canadian firms are doing the same and more so.

Over the years, increases in merger and acquisition activity have led to concerns about the hollowing out of Canada's corporate sector. A recent study by the Institute for Competitiveness and Prosperity looked at the number of Canadian globally competitive companies present in Canada in 1985 and the number we had in 2006. The study showed that we had 33 global leaders in 1985. The list included firms like Hiram Walker, Northern Telecom, Canada Malting and Bombardier, to name a few. If Canada is being hollowed out, one would expect that the number of such firms would have declined but the number of Canadian-owned globally competitive firms had grown to 72 by 2006, more than twice as many as we had in 1985. Firms added to the list include Research in Motion, Magna and MacDonald Dettwiler, firms that are recognized as world leaders today.

•(1310)

In fact, the report shows that Canada is growing globally competitive firms at a rate that exceeds the rate of foreign acquisitions. Based on this analysis, the institute has concluded that Canada is clearly not being hollowed out.

The findings of the institute's study are consistent with an earlier study by Statistics Canada. Statistics Canada analyzed trends in the number of head offices and head office employment in Canada between 1999 and 2005. It also finds little evidence that Canada is being hollowed out. In fact the report shows that the number of head offices in Canada and the amount of head office employment actually grew and that foreign controlled firms were the dominant force are driving this growth.

The report concludes that the effect of foreign ownership has not been to reduce the number of head offices in Canada, nor head office

employment. As a result of foreign investment, more new head offices were created than lost and employment in head offices was as high after the merger or acquisition than had occurred before. In view of these facts, it is difficult to argue that foreign ownership of Canadian firms is associated with a falling number of head offices and declining employment opportunities.

Recognizing the importance of international investment flows into the country, Canada has a broad framework in place to ensure the efficient flow of investment, while at the same time protecting Canadian interests.

The Investment Canada Act is a key part of that framework. The act provides a mechanism to review significant acquisitions of Canadian businesses by non-Canadians and to determine if it will be of net benefit to Canada. I will take this opportunity to describe how the Investment Canada Act works.

The administration of the act is shared between two ministers and their respective departments. The Minister of Canadian Heritage is responsible for the review of investments involving cultural businesses and the Minister of Industry is responsible for the review of all other investments. Acquisitions are allowed only, when on balance, the transaction is likely to be of net benefit to Canada.

In making his determination, the act requires that the Minister of Industry consider the following factors: first, the effect of the investment on the level and nature of economic activity in Canada; second, the degree and significance of participation by Canadians in the Canadian business or new Canadian business; third, the effect of the investment on productivity, industrial efficiency, technological development, product innovation and product variety in Canada; fourth, the effect of the investment on competition within any industry or industries in Canada; fifth, the compatibility of the investment with national industrial economic and cultural policies, including those enunciated by a province; and sixth, the contribution of the investment to Canada's ability to compete in world markets.

As part of the review process, we consult with the federal government department with policy responsibility for the industry sector involved in the proposed acquisition, with the Competition Bureau and with all the provinces in which the Canadian business has substantial activities or assets. I can assure members that any investment reviews conducted under the act are done with such rigour and a view to ensuring that the interests of Canadians are promoted.

I will leave members with four main points today.

First, the Government of Canada recognizes the importance of foreign direct investment to the continued growth and prosperity of the Canadian economy and to Canadians' standard of living.

Second, while there may be a large number of high profile Canadian firms being acquired, the act allows us to ensure that these investments are beneficial to Canadians.

Business of Supply

Third, detailed studies suggest that head office employment, particularly in foreign controlled firms rose between 1999 and 2005. FDI into Canada has been and continues to be beneficial.

Fourth, the Government of Canada is committed to ensuring that Canada continues to attract foreign investment in order to sustain economic growth and productivity.

• (1315)

Hon. Shawn Murphy (Charlottetown, Lib.): Mr. Speaker, regarding the whole issue of interest deductibility, what we have going on in Canada is total confusion. In the budget document the Minister of Finance stated that interest would not be deducted in foreign operations. Every day since then he has issued a new statement. It would be interpreted narrowly, he would talk about two years, three years, 10 years. He is now talking about double-dipping, and now they are introducing this concept of tax fairness.

It is crazy. I just came from a meeting of the finance committee. There are five experts who are shaking their heads. We need some sanity in the system.

When will the minister bring some sanity to the system? Right now all we have is uncertainty?

Mr. Colin Carrie: Mr. Speaker, I will state, unequivocally, that the minister is bringing some sanity to the tax system. He is trying to change what the debate is about today. The debate today is about tax fairness. We are looking at the Liberals' idea of tax fairness versus the Conservative view of tax fairness.

What we are looking at is closing loopholes. The Liberals may want to change the channel a little, but they cannot hide from their record. Let us look at their record. Perhaps the Liberal member may know of a Liberal finance minister in the past who may have closed tax loopholes for ordinary Canadians, but perhaps he knows of a Liberal finance minister who did not close loopholes for his own company.

Maybe he knows of a former Liberal finance minister who perhaps had a Canadian company and fired all those employees. Then moved his company offshore. Why? Perhaps it might have been to partake in some loopholes that were left open by the Liberal government of the time.

This government is committed to fairness. We are committed to ensuring that everyone pays their fair share, unlike the previous Liberal government, which for its friends it had loopholes, but made average Canadians pay more because of that.

• (1320)

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, fairness sounds like a fairly good term to use. The Prime Minister is on the record as saying that the greatest fraud is a promise not kept. He promised in the last election that he would not tax income trusts, never.

Then, on October 31 last year, that promise was broken and a 31.5% punitive tax was imposed on income trust investors. It wiped out \$25 billion of wealth of 2 million Canadians, many of them seniors and those providing for their retirement nest egg.

Fairness means ensuring that things are happening equitably. Why do seniors have to be the target of a draconian tax measure? That is not fairness.

Mr. Colin Carrie: Mr. Speaker, it is all about fairness. He talks about seniors. Under the previous Liberal government, seniors suffered under its taxation policy.

Our Minister of Finance has taken a leadership role. He has introduced, for the first time, pension splitting. Right now in Oshawa we have thousands of pensioners. They were struggling under the backward Liberal plan. They had choices to make such as whether they would lose their houses because of the taxation of the Liberal Party. The minister has listened to pensioners. He knows that by raising the deductibility of seniors, it will be better for most seniors, especially the seniors in Oshawa who are benefiting so much from pension splitting.

Mr. Gary Schellenberger (Perth—Wellington, CPC): Mr. Speaker, I know the hon. member represents Oshawa. How does he feel the foreign direct investment affects the auto industry?

Mr. Colin Carrie: Mr. Speaker, we had an opportunity last year to visit manufacturers of motor vehicles, and I thank the member for his participation.

When we were in opposition, the Conservative Party took the lead on manufacturing. We did a study for the first time ever. Our auto caucus went across southern Ontario. We visited every manufacturer of motor vehicles in Canada. We had the opportunity to visit General Motors, DaimlerChrysler, Ford, Honda and Toyota.

One of the things that became obvious was none of those were Canadian companies. They are all foreign owned. Our manufacturing sector across Ontario has benefited so much from foreign direct investment through the top-quality jobs. We have unbelievable economic spinoffs because Canada welcomes these companies.

The Conservative government is going to prove to the world that we are still welcoming those countries in a fair and profitable way. We want Canada to be leaders in the world.

Hon. Keith Martin (Esquimalt—Juan de Fuca, Lib.): Mr. Speaker, I will be splitting my time with the hon. member for Scarborough—Guildwood.

This is an issue that all of us have heard from our constituents at length. There is a big push across the country to get the Conservative government to mend its ways and reverse the devastating policy initiatives it has made since it has come into office. The Conservatives have not only affected individuals by raising taxes, particularly on the poor, but they have also negatively affected the private sector, the small to medium sized businesses. These businesses are the heart and backbone of our country. They provide the jobs that generate the tax revenues that allow any government to have the resources to deal with everything from health to education.

Business of Supply

Let us take the first big blunder by the government, and we are dealing with that today. It is the issue of income trusts. I remember, as do all members of the House, what the Prime Minister said when he was in opposition before the last election. He put his hand on his heart and said, "Whether it is death taxes, or taxing income trusts, a new Conservative government will never let this happen". He said that to all Canadians. What did he do when he came into power? He took his hand off his heart and announced to all Canadians that he would tax income trusts.

We all knew there were problems with income trusts. In fact, the former finance minister, who currently sits in the Liberal caucus, had put out solutions and said that we should look at this. The government today, the then opposition, castigated the Liberals for even thinking about it, saying that they would never do it.

As a consequence of the hand on heart promise by the Conservative Prime Minister, millions of Canadians from coast to coast put their faith in him. They thought they could trust that individual and put their hard-earned moneys into income trusts.

Who are these people? Many of them are grandmothers and grandfathers. They are individuals who have limited resources and require a standard and ongoing reliable source of income in order to provide for themselves in their elderly years. People with limited funds and had very little to spend put their money into income trusts based on the promise of our current Prime Minister.

When the Prime Minister taxed income trusts, he ripped off and destroyed \$25 billion of Canadians' assets, ordinary Canadians, many of whom are poor, or have limited resources or are retired. He robbed \$25 billion of their hard-earned moneys, moneys in capital that they can never ever hope to recover.

Imagine, if these individuals were our grandmothers, grandfathers, fathers or mothers who had their moneys robbed at one of the most sensitive times of their lives. That is what has happened.

It has also caused companies to be open for takeover. As a result of the government's gross and irresponsible mismanagement, we have seen, through this income trust blunder, 15 takeover attempts in the last five months and another 15 strategic takeovers in critical sectors. That is a direct result of what has happened.

We have also seen a number of other takeovers as a result of income trusts plunging in value, others coming in from outside of the country and taking these assets from Canadians. In other words, what the government has done by lying to the public is it has allowed others from outside the country to rob Canadians of their assets. That is unthinkable. Frankly, I do not know why the government does not say that it made a mistake and that it will change this, but I know it will not. I will get to that a little later.

On the income deductibility issue, for Canadians who are watching, it will not allow Canadian companies to be on a level playing field. Countries such as Japan and many others allow their companies to deduct interest on moneys that they borrow in order to acquire companies abroad. When our companies are deprived of doing that, we are hamstringing them and preventing them from competing with other countries globally.

● (1325)

By doing that we not only prevent our ability to expand, because we are a trading nation, but we also prevent our country from growing economically and as a result prevent the creation of jobs and the tax base that I thought the Conservative government would understand. But it does not.

Frankly, I do not understand why, other than to talk about how decisions are made in that caucus and how decisions are made in government today, which is vastly different from the way things were made before. In other words, we have a very small number of people in the Prime Minister's Office, including the Prime Minister, and a tiny number of people around him, who make all the decisions, who tell cabinet ministers what to say and what to do, and tell them what not to do and what not to say. That deprives cabinet ministers and backbench government members from being able to do their jobs and represent their constituents.

It prevents the bureaucracy from being able to provide the intelligent, informed, and knowledgeable opinions that they have and advice that they could give to any government regardless of stripe. The reason why this happens is that the Prime Minister is a follower of the political philosopher Leo Strauss from the U.S. who believes that a small number of people are predestined and predetermined to rule a country.

Because we have a small number of individuals doing this within the Prime Minister's Office, including the Prime Minister, and because this is made with a very small number of individuals without adequate checks and balances, that is why we are seeing the blunders that the government is committing today.

The normal checks and balances that have been there forever are now gone. Frankly, I have never seen it before, where a Prime Minister erodes the power of the media in asking questions that are required and erodes the power of the public sector to engage not only government members but also opposition members.

We as opposition members regardless of stripe are deprived and prevented from being able to access the knowledge, abilities and information from government workers in the public service. We cannot even get the briefings that we need when we need them because it is shut down by the Prime Minister's Office.

What does that do to democracy? It erodes the fundamental pillars that we have in our country. That hurts everybody. It hurts the government, the Prime Minister, opposition members, it hurts democracy and worst of all, it hurts the public, the people who rely on us to do our job for them.

A symptom of this is the ridiculous situation that took place with Shane Doan. Why do we have issues like this coming to the forefront when we should be dealing with health care, which never comes to the forefront in the House, and yet the average wait in an emergency department now is 8 to 12 hours? The 8 to 12 hours, when one is sick in emergency, is a crisis and it should be something that the House should be dealing with, with the provinces. But do we hear about it? No, we do not hear about it.

Business of Supply

Do we hear about the poor? No. Why? It is because the government raised taxes on the poor. It lowered the basic personal exemption and it raised the lowest tax rate on the poor. How unthinkable is that at a time of surpluses? Why are we not dealing with issues like poverty reduction? Why are we not dealing with issues, pragmatic solutions to deal with the environmental crisis? Why are we not dealing with the aging workforce that we have? Why are we not talking about the demographic time bomb that is coming through our country like a tsunami, that is not even being addressed in the House? Why?

These are the solutions that members across party lines can put their competent minds to, to deal within the interests of the public service and in the interest of the public. We have great people in our country and in the House. We have wonderful ideas in the House, outside of the House, in the public service, across our country and around the world. We could be a place in the House where we could adopt those solutions and apply those solutions in the interest of the public. Why are we not doing that?

It is in part, as I said, because we have a Prime Minister and a new government that is focused on trying to win elections and not serving the public. The public service has been subsumed to private interests in the case of the government and in doing this, it has weakened everything that we wish to do, from trying to deal with proper economic solutions that it is failing at, and we have two today on income trusts and income deductibility, to social program renewal, the environment, defence and foreign policy where it is missing in action frequently. These are the issues Canadians care about.

• (1330)

These are the issues that Canadians pay our salaries to do for them. These are the issues the House should be consumed with and yet it is not. I hope that the public gets mad enough to demand from the government and the Prime Minister the responsible actions that they demand of a competent Canadian government and a competent Canadian institution. I hope they do it and they do it soon, and we will be there to help them.

Mr. Dean Del Mastro (Peterborough, CPC): I think the public will get angry, Mr. Speaker. I think they are going to get angrier with an official opposition that does not believe Canadians should have any say in who represents them in the Senate or that there should be mandatory minimum sentences for gun crimes, or how about taking the effects of big money out of politics. I think they will be angry all right, but I think they are going to be angry at the official opposition.

The member spoke at length about the markets and so forth. I would hazard a guess he probably has not looked at the markets. Does the member know that the TSX is up over 17% since October 31, 2006? Does he know that? I doubt it. Additionally, does the member know that the TSX income trusts index is up over 5% since October 1, 2006? Does the member know that? I doubt it.

Let me tell the House something else the member does not know anything about. It is about a government with the guts to make a decision that has to be made because we know when the Liberals were in government they did not do it. The Auditor General pointed out problems to them in 2003. They did nothing. They did not care about tax fairness at all.

I will tell the House something else. They also did not care that the gap between rich and poor was getting so wide under its government that it was absolutely despicable. I ask the member this. Why does he not support tax fairness?

• (1335)

Hon. Keith Martin: Mr. Speaker, perhaps I could educate the member on a couple of facts. Number one, he is right that the TSX is up, but does the member not acknowledge that income trusts are lagging away behind the TSX? Why is that happening?

I will tell the member the reason why income trusts are lagging behind the TSX. If the member would put aside the rhetoric, put aside the propaganda that has been given to him by his people, he might be able to open his eyes and ears and listen for a moment to the fact that income trusts have actually lagged behind the TSX. That is part of the proof demonstrating what a horrible mistake that the government made.

If the Canadian public was so happy about income trusts, why are we seeing this coast of coast furor on the part of those people who have been severely penalized? If this is such a happy moment and that the government made such a wise decision, why are we finding this massive anger across the country among individuals from coast to coast who are so angry about this that they have engaged in a national campaign to try to convince the government to change it. These are ordinary folks.

I hope that the hon. member would inquire about this with his own Minister of Finance and also ask a couple questions. Why did the government raise the taxes on the poor? Why did it lower the basic personal exemption? These are the questions that he should ask.

Ms. Denise Savoie (Victoria, NDP): Mr. Speaker, like many members in the House, I have received many letters from seniors who have been caught in the problem of income trusts and who have been misled either by bad financial advice and by the promise of the current Prime Minister to not tax the income trusts, and thus have found themselves in this situation.

Throughout this issue, the NDP's principal focus has been to find a fair solution that best serves the interests of ordinary Canadians. We have consistently fought to close the corporate tax loopholes.

Last year the NDP called for a moratorium on new income trusts in order to give adequate time to resolve the problems in a way that would help and would do the least damage to ordinary Canadians. I wonder where the Liberals were when the NDP called for a moratorium and a transition strategy on this issue?

Hon. Keith Martin: Mr. Speaker, I want to say to my hon. colleague from the NDP that we offered quite a few solutions to the government when it put this catastrophic policy in place.

Business of Supply

I will talk about a few of the principles that we have articulated in the interest of the public. The first is that we minimize the loss of savings for Canadians, we preserve the strength of the income trusts sector, we create tax fairness by eliminating any tax leakage caused by the income trusts sector, and we create tax neutrality by eliminating any incentive to convert from a corporation to an income trust purely for tax purposes. Those are the principles that underline a whole series of solutions that we put forward and the leader of the Liberal Party has articulated very clearly.

I encourage members of the public to please take a look at the series of solutions that we have offered to the government. We want to work with Canadians from coast to coast to offer those solutions that are relevant to their concerns with respect to income trusts, to fix this problem so that Canadians at least in some part will be able to recover a little of their assets. Also, we will avoid, we will not avoid it because the devastation and destruction has been done; however, we will somehow be able to mitigate to some small degree the devastation that the government has wrought upon our private and public sector.

Hon. John McKay (Scarborough—Guildwood, Lib.): Mr. Speaker, thank you for the opportunity to speak to this motion and about the astonishing level of incompetence in the government, mixed with equal measures of deceit and dishonesty.

We should have known better when the Conservatives introduced the GST decision. There is hardly an economist on the planet who thinks this was a good idea except the third rate economist who sits over there in the Prime Minister's chair. How in heaven's name was it a good, sound, economic, and competent public policy to raise income taxes and lower consumption taxes?

I have in my hand last year's income tax return and this year's income tax return. I was amused by how the members opposite started howling when we actually read on the T-1 that the base rate in 2005 was 15%. When we go to this year, T-1 for 2006 is up to 15.25%. Raise the income tax, lower the consumption tax, but surely that is exactly reflective of the economic incompetence of this particular government.

It gets worse, though. After that we had the income trust decision. After campaigning and saying, "We will not touch income trusts", the Conservatives did a complete about-face and taxed income trusts.

This is really quite extraordinary because we have a dishonest decision. On its face and in its facts it is a fundamentally dishonest decision to campaign on one thing and do the opposite when one is in government. The Conservatives say that they had to do it because there was tax leakage. We asked to be shown the tax leakage and what do we get? Eighteen pages of blacked out documents. That is really very helpful. We can do an analysis on 18 pages of blacked out documents.

Then they get into the idiotic notion that they have put out 18 pages of blacked out documents and they ask Mr. Gordon Tait, a respected economist with BMO, if they could have their 18 pages back. How hilarious. Four months after they put the documents out, they want them back, but of course by that time, they are on billboards across the nation. In fact, the document is posted on Bank Street right at Wellington in the bus shelter. Talk about a hilarious keystone cops type of comedy over this income trust fiasco. If it was

not so tragic and if it was not so costly to so many people, it would be hilarious.

Then we have the budget bill. Popped into the budget bill is this thing about interest deductibility. It says the Conservatives are against tax havens and for tax fairness, and they want to make sure that everybody pays their fair share, et cetera.

I just came from the finance committee. My hon. colleague was there with me. We had five witnesses, some of the most respected economists and tax experts in the country. They said that the last time the Income Tax was amended, it took 14 years of consultation by the various affected parties to amend the Income Tax Act, because there are all kinds of competing interests.

The Conservatives said we have 81 bilateral tax treaties with other nations. We do not just drop a nuclear bomb in the middle of all of those negotiations and of that act without expecting consequences to occur. Of course, consequences have occurred.

We see income trusts leaving the country in droves, and how much tax revenue will we get from them? I do not expect we will see too much if those income trusts are now sited in other jurisdictions. We lost all that tax revenue. So much for tax leakage. This is not tax leakage, it is a tax hemorrhage.

Now we have basically open season on Canadian companies, which now have to compete in the marketplace. They cannot deduct their interest, but everybody else can. That just simply raised the cost of acquisition to Canadian companies. For the love of Pete, does that make any sense at all? Could we possibly think of anything more incompetent?

● (1340)

It only gets worse. We have the idiocy of the GST thing. We have the incompetence and the dishonesty of the income trusts. We have the deceit and incompetence of the interest deductibility decision.

I just want to read for members what people have said about this last decision. Allan Lanthier, retired senior partner at Ernst & Young, and past president of the Canadian Tax Foundation, called the government's decision on interest deductibility "the single most misguided policy I've seen out of Ottawa in 35 years".

Claude Lamoureux, chief executive officer of the Ontario Teachers' Pension Plan, incredulously said:

This is unbelievable. I don't know who in [the Department of] Finance looked at this. I can't believe any sensible person would do this.

These folks are not friends of the Liberal Party of Canada. These folks are speaking because they know something. As all of the expert witnesses were saying, where is the consultation? If in fact there is consultation, we can address whatever issues are thought to be important.

Why would the Conservatives disadvantage Canadian companies? Why would they kneecap them in the marketplace? What is going on here? Why would they encourage companies to just go south or go anywhere other than Canada?

Any time the government starts talking about tax fairness, Canadians immediately have an instinctive reaction to reach for their wallets, because they know something bad is about to happen.

Business of Supply

Like many people in this chamber, I believe in the marketplace. I am not a big fan of over-regulation, but I really think it is crazy and idiotic to go and tilt the marketplace in favour of foreigners.

Why in heaven's name would the government take away the opportunity from Canadian companies to deduct interest but not be able to take the same deductibility issue away from foreign companies? Why would the Conservatives put a huge for sale sign on the income trust sector? Why would they pass a withholding tax that benefits foreign people acquiring Canadian companies? Why would they pass that and then combine them all together so that they hugely disadvantage Canadian companies competing in the marketplace?

This is incompetent, this is deceitful, and it is dishonest.

I will quote the CEO of Manulife, who said at a shareholders' meeting, "I sometimes worry that we may wake up one day and find that, as a nation, we have lost control of our affairs".

Let me close with this. After a review of the useful qualifications of the cabinet and the Prime Minister, Diane Francis wrote in the *National Post*, the in-house organ of the Conservative Party, an article entitled "Canada Inc. needs better governance...". She stated:

I dread to imagine what the discussion around the federal cabinet table was last fall concerning measures such as income trusts or interest deductibility restrictions. Did anyone bring up the potential, unintended consequences?

Was a huge menu and range of varied options the topic of lively, heated and lengthy discussion?

Not in this caucus. Not in this government. This is a one-man show. The article continued:

Were the nuances of capital market reactions, or taxation matters, debated?

What is \$35 billion among friends, right? So they wiped out a whole bunch of peoples' savings plans. So what if Canadian companies cannot acquire abroad? Does that really matter? The article continued:

Was the obvious alternative of cutting taxes on dividends instead of trashing income trust promises a subject of great discussion?

I suspect not. The article continued:

Were the studies, commissioned by the previous government, and its many other solutions, reviewed carefully over days and nights by all cabinet members so they could deliberate in an authoritative fashion?

Or was talk just about how to finesse the treachery to seniors and Alberta about a promise broken?

Or did it zero in on how this would affect voting results in Quebec?

I could not have said it better. And that is what the government's friends are saying.

• (1345)

Mr. Dean Del Mastro (Peterborough, CPC): Mr. Speaker, I listened intently to the hon. member's comments. Many members in the House may well remember that when the hon. member was serving as parliamentary secretary to the minister of finance in the former government he actually was out in front of his government. I believe that he believed in tax fairness, because he was on the record on several occasions as saying that the government of the day needed to move toward taxing trusts.

Then he was kneecapped by the then minister of finance from Wascana, who decided no, the Liberals would tax dividends instead. It did not work. They did not understand that a lot of it was foreign-held investment.

What I would like to ask the member, since he does sit on the finance committee with me, is whether he remembers the words of the governor of the Bank of Canada, who said, "Clearly, there has been a very significant tax incentive to use the income trust form of organization in cases where this would not have been the appropriate form of organization...".

Further, the Bank of Canada governor went on to say that "the tax system was actually creating inefficiencies in capital markets—inefficiencies that, over time, would lead to lower levels of investment, output and productivity".

Is that what the Liberal Party is arguing for here today? Lower levels of investment, opportunity and productivity? Is that what the member is standing up for? Less tax fairness and more breaks for buddies? Why does he not believe in tax fairness?

• (1350)

Hon. John McKay: Mr. Speaker, we have just had a major contribution to the biomass in this country.

The governor actually was quite reasoned about this. I do not think the governor was endorsing \$35 billion worth of destruction of people's capital assets. I think the governor actually would have endorsed this comment by Diane Francis:

Were the studies, commissioned by the previous government, and its many other solutions, reviewed carefully over days and nights by all cabinet ministers so they could deliberate in an authoritative fashion?

Nothing was done. The Conservatives do not have the studies. The documents that were presented by the finance minister were all blacked out. The Conservatives do not have the basis for making the decision they made, and then, to add insult to injury, the finance committee offered a solution based upon the Liberal solution and the Conservatives ignored it.

Mr. David McGuinty (Ottawa South, Lib.): Mr. Speaker, I would like to put to my colleague, who gave a very good speech, a couple of other facts and get his reaction in terms of how he thinks past behaviour affects future behaviour in terms of economic competence.

Here we have three members of the government's cabinet, the Minister of Health, the Minister of the Environment and the Minister of Finance, who left their previous incarnation in the province of Ontario and left behind a \$5.6 billion deficit, a \$20 billion increase in the provincial debt through money borrowed on international markets, and a \$30 billion infrastructure deficit. As well, they announced the budget in a car parts factory.

Finally, we see, as the member has pointed out, GST cuts that make no sense and a tax deductible transit pass that is ridiculous, and 250,000 child care spaces never materialized.

My question for my colleague is this: how can we believe anything this Minister of Finance says given his past record and the legacy of misery he left the province of Ontario?

Statements by Members

Hon. John McKay: Mr. Speaker, I share the hon. member's concern. I think it is a well-founded concern. We saw what the Conservative government did in Ontario, which was a disaster. It has been left to the successor Liberal government to dig out from underneath the mess, the same way that Bill Clinton in the United States had to dig out from the previous mess of the Bush administration and now is watching as the Bush administration trashes all of the good work that the Clinton administration did over the course of eight years.

We had Mr. Chrétien and Mr. Martin digging out from the mess left behind by the previous Mulroney government. Is there a pattern here or does economic competence only reside on this side of the aisle? It is certainly not over there.

[Translation]

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Mr. Speaker, I am pleased to rise here today to speak to this motion presented by the Liberal Party. We are talking about two issues here: interest deductibility on loans to finance foreign investments and the income trust issue. The Liberal motion addresses these two subjects, but it does not deal with tax havens, on the whole, which is unfortunate. I would point out that this is not all that surprising, considering the appalling Liberal record when it comes to tax havens. For years, they allowed companies—such as Canada Steamship Lines—to transfer back to Canada, exempt from taxation, profits earned in tax havens or quasi-tax havens such as Barbados.

As for interest deductibility on foreign investments, we in the Bloc Québécois believe it is a little early to condemn the government. Indeed, we have not yet seen the details of the measure in the form of a notice of ways and means, and we have not yet seen the minister's exact position on this. The government's attitude could be criticized, however, because, once again, it has taken an amateurish and poorly thought out approach. It has unleashed what was obviously a poorly thought out decision on the markets, without having analyzed the repercussions of that decision. This is not the first time this has happened. We have seen it in the past, and it is a shame to see how sloppy this government is. We see this in other files that do not necessarily all fall under the Minister of Finance. This is true of the summer career placement program, which is in a complete shambles. The organizations still do not know how much funding they will be receiving in the coming weeks, despite their urgent needs.

Just because the government acted quickly on this matter does not mean the opposition should do the same. We do not think it is wise to condemn this initiative before we know what is to come. The issue of interest deductibility concerns us. We feel it is important for Quebec and Canadian companies to be able to remain competitive and expand abroad. However, we are also extremely concerned about any issue involving possible tax evasion.

We know, just as well as the government and all officials do, that this provision on interest deductibility for foreign investments is used by companies to avoid paying taxes. This is commonly known as double-dipping, in other words, a company deducts the same interest in two, and sometimes more, different jurisdictions. It pays taxes on interest income in jurisdictions with extremely low or non-existent tax rates and deducts interest income in jurisdictions where tax rates are very high, or at least higher, which is the case in Canada, for example.

In the Standing Committee on Finance, we are currently discussing and analyzing this issue. We believe it would be appropriate to await these results, to have the bill, the government's notice of ways and means before making a definitive statement on this.

As for the second part of the Liberal Party motion on income trusts, I think the Liberal Party's record, as well as the Conservative Party's, is pathetic. Unfortunately, I understand that I will not have enough time to address this second matter immediately. I am sure I will have a chance to continue after question period.

● (1355)

The Acting Speaker (Mr. Andrew Scheer): The hon. member for Jeanne-Le Ber will have five minutes after question period to finish his presentation.

STATEMENTS BY MEMBERS

[English]

DEMOCRATIC REFORM

Mr. Leon Benoit (Vegreville—Wainwright, CPC): Mr. Speaker, after just 14 months in Parliament, the Conservative government has already implemented many of the democratic reforms advocated by my constituents for the past 15 years.

For example, we have instituted fixed election dates, banned corporate and union contributions to political parties, implemented a five year ban on lobbying for ministers and others, protected whistleblowers, and enhanced the ability of the Auditor General to follow the money to more effectively scrutinize spending.

However, when it comes to making the Liberal dominated Senate more accountable, things are not going quite as well. In fact, Liberal MPs have stalled on allowing elections for senators to replace those who are forced to leave the Senate because they have reached the age of 75. Unbelievably, the Liberal dominated Senate has held up for almost a year a two paragraph bill which would replace lifetime appointments with eight year terms.

While the Liberals continue to stand in the way of democratic reform, this Conservative government is taking action to restore accountability through democratic reforms.

* * *

● (1400)

HUMAN RIGHTS

Hon. Judy Sgro (York West, Lib.): Mr. Speaker, Father Thaddeus Nguyen Van Ly is a Roman Catholic priest and prominent Vietnamese citizen involved in many pro-democracy movements and activities in support of greater religious freedom in Vietnam.

Statements by Members

Father Ly was arrested early on the morning of the 17th of May, 2001 in his church as he prepared to celebrate mass. Father Ly's peaceful activities in support of his religious and political views date back many years. For his ongoing imprisonment and continuous non-violent protests, Amnesty International has adopted Father Ly as a prisoner of conscience.

At a trial on March 30, 2007 where no lawyers were present and Father Ly was forcibly not allowed to speak, his support for a pro-democracy movement has led to him being sentenced to an additional eight years in prison.

Let me be very clear. I am calling on the Prime Minister and the Minister of Foreign Affairs to demand and secure Father Ly's immediate and unconditional release.

* * *

[*Translation*]

GILLES VILLENEUVE

Mr. Guy André (Berthier—Maskinongé, BQ): Mr. Speaker, this week we are marking the 25th anniversary of the passing of the famous Quebec Formula 1 driver, Gilles Villeneuve, who lost his life in a tragic accident during the Belgian Grand Prix trials.

From a young age, Gilles Villeneuve had a real passion for automobile racing. With his great determination and immense talent, he quickly made a name for himself and climbed up the ranks of automobile racing before finally being hired by the most prestigious of the Formula 1 teams: Ferrari. His spectacular driving, daring and memorable passing manoeuvres made him a formidable competitor who was widely admired.

I would like to thank all the organizers and volunteers associated with the Gilles Villeneuve museum in Berthierville who, on the occasion of the 25th anniversary of his death, have staged an outstanding exhibition recalling the talent and achievements of this great Quebec race car driver.

* * *

[*English*]

CHILD CARE

Ms. Olivia Chow (Trinity—Spadina, NDP): Mr. Speaker, today we will conclude our study of the NDP's early learning and child care act. I thank my colleagues for their support.

Strong child care legislation is the step the Liberals did not take and the Conservatives refuse to take.

A recent letter I received from a constituent in Toronto said:

The issue for our family isn't so much the money, but the availability of safe, flexible, stimulating daycare. What's money if there's nothing to buy?

There is nothing to buy. There are no spaces for everyday families to feel secure knowing their children are being cared for in high quality, affordable early learning and child care centres. Our country is failing its children.

A recent international Save the Children report indicates that Canada has fallen from fifth to 25th on its indicator. Poor early learning and child care services are to blame for our abysmal showing.

This Mother's Day, I urge the Prime Minister to turn the landmark bill into law so Canada will finally achieve a national child care program.

* * *

COMMONWEALTH AIR TRAINING PLAN MUSEUM

Mr. Merv Tweed (Brandon—Souris, CPC): Mr. Speaker, members of Brandon's Commonwealth Air Training Plan Museum welcomed American Ambassador Mr. David Wilkins, who unveiled a plaque in honour of the American airmen who trained, fought and died with the Royal Canadian Air Force during the second world war.

At the beginning of the war, Canada had 4,000 people in the RCAF. At the peak of the war, Canada had the fourth largest air force in the world with 253,000 members.

Brandon's Commonwealth Air Training Plan Museum, which is located at the Brandon airport, contains the best collection of artifacts, and captures and highlights much of this period of our history. There are also a number of World War II airplanes displayed that are still in working condition and are used on special occasions.

I could not end my comments without mentioning veterans like Archie Londry and Reg Forbes who, along with many others, continue to provide leadership in what is becoming a world-class museum.

I invite all my colleagues to visit this impressive museum the next time they are in western Manitoba.

* * *

MENTAL HEALTH

Hon. Carolyn Bennett (St. Paul's, Lib.): Mr. Speaker, this week marks mental health awareness week, a week to open the eyes of Canadians to the reality of mental illness.

Mental illness affects more than six million, or one in five Canadians. Of the 10 leading causes of disabilities worldwide, five are mental disorders. Close to 4,000 Canadians commit suicide each year and it is the most common cause of death for people 15 to 24 years of age.

● (1405)

[*Translation*]

For too long, Canadians who suffer from mental illness have lived in the shadows. Too few Canadians realize what a heavy burden mental illness imposes on society and too few people who suffer from it seek our help in times of need.

[*English*]

We call upon the government to get the mental health commission running as soon as possible. There is important work to do to reduce the negative stigma about mental illness among the general population and health care professionals, and to promote the positive effects of best practice in prevention, diagnosis and medical treatment.

*Statements by Members***WILMA DOWNING**

Mr. Dave Batters (Palliser, CPC): Mr. Speaker, I rise today to pay tribute to the late Wilma Downing, a renowned high school teacher in my riding of Palliser.

Ms. Downing taught English, health and physical education at Sheldon-Williams Collegiate in Regina from 1956 until 1990. During those 34 years, she attended any athletic event featuring her beloved Spartans. She was also famous for baking cookies for her students and fellow staff members.

Besides being caring and conscientious with her students and colleagues, Ms. Downing helped lead the Spartans to 25 city track championships and nine girls' city basketball championships.

Even after her retirement, Ms. Downing continued her important role in Regina's athletic community. In 2004 she was inducted into the Regina Sports Hall of Fame to recognize her tireless voluntary work.

I was pleased to meet Ms. Downing last fall after the Sheldon football team won the provincial championship.

Sadly, Ms. Downing passed away earlier this year from cancer. I am proud to give thanks for her life and her contribution to our community and to wish her family all the best.

* * *

[*Translation*]

2/3 WALK

Ms. Caroline St-Hilaire (Longueuil—Pierre-Boucher, BQ): Mr. Speaker, tomorrow May 11, La Marche 2/3 will be held in Montreal. This walk was instituted in 1970 by the CLUB 2/3, an educational and international cooperation organization in Quebec that works with young people in Quebec, Canada and countries in the southern hemisphere.

The theme of this 37th edition of the walk has to do with changing the world. Taking part in the walk will be thousands of young people who are very concerned about this cause and dedicated to it.

The walk is an opportunity not only to celebrate their dedication and what they do to promote a fair, equitable world in which people show solidarity with one another but also to peacefully denounce the injustices of the world economy and demand a fair distribution of the wealth of this world.

La Marche 2/3 is an appeal for citizen involvement. The message that these young people are sending through this walk for international solidarity should be seen as an appeal for us to join forces with them. The government should therefore seize upon this message and direct the necessary efforts and resources into making significant strides toward achieving the millennium objective of eradicating extreme poverty in the world.

[*English*]

MENTAL HEALTH

Mr. Steven Fletcher (Charleswood—St. James—Assiniboia, CPC): Mr. Speaker, it is my pleasure to inform the House and all Canadians that the week of May 7 to 13 marks the 56th anniversary of National Mental Health Week in Canada.

The Canadian Mental Health Association's message for this week is to achieve a better work-life balance. Some of the ways to achieve this balance include: schedule brief breaks throughout the day; create a buffer between work and home; and participate in daily exercise activities. Individuals can empower themselves by researching the programs, policies and benefits at their workplace. These are just some of the ways in which a better work-life balance can be achieved.

Canada's new government has made significant investments to reach out in practical and compassionate ways to promote mental health and to assist those who have mental illness to recover and live full and productive lives.

Please join me in wishing all those who work for mental health a very successful week.

* * *

HERSHEY PLANT CLOSURE

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Mr. Speaker, today is a very sad day for the workers at the Dartmouth Hershey plant. It was announced yesterday that Hershey will close operations resulting in the loss of almost 600 jobs as part of an international restructuring plan.

Each of us can imagine the effect this will have on families in our community. Employees, many of whom dedicated their entire working life to Hershey and Moirs, now find themselves looking for work.

This is a time for our community to come together and help. I will work with the union and management to ensure fairness for workers. I will work with other elected officials from all parties to provide a common effort and work with government departments like Service Canada to ensure the transition for the workers is as smooth as possible.

I offer my heartfelt sympathies to the workers being displaced, some of whom I know. I know my colleagues in the House from the Dartmouth-Halifax region feel the same way.

Let us all do everything possible to work for a positive outcome for the loyal workers of the Hershey Moirs plant in Dartmouth.

Statements by Members

● (1410)

*[Translation]***SAINT-HUBERT AIRPORT**

Mr. Daniel Petit (Charlesbourg—Haute-Saint-Charles, CPC): Mr. Speaker, for several weeks the Bloc members have taken a keen interest in the upgrading of the Saint-Hubert airport. This is nevertheless a very recent interest. Why is the Bloc being opportunistic by suddenly taking an interest in the future of this airport?

Until very recently, the Bloc members only talked about Mirabel airport. In fact, no mention was made of the Saint-Hubert airport in their platform. Even in 2004, the regional platform of Bloc candidates in the Montérégie region, including the member for Saint-Bruno—Saint-Hubert, made no mention of this airport.

Does the Bloc's new position now favour the development of the Saint-Hubert airport over that of Mirabel?

The eternal opposition can ask questions and write press releases but it will never be able to do anything to upgrade a single airport in Quebec, much less ensure the development of the aerospace industry.

* * *

*[English]***THE ENVIRONMENT**

Ms. Peggy Nash (Parkdale—High Park, NDP): Mr. Speaker, Toronto has just suffered through two consecutive smog days that are severely affecting the health of Torontonians.

Toronto Public Health estimates that 1,700 Toronto residents die prematurely each year due to air pollution but the Conservatives have announced a plan that will not get the job done on smog and climate change. This plan is no match for the breakthrough Bill C-30 as rewritten by the NDP-led all party committee.

Last week our leader called on all opposition parties to unite to force the new clean air and climate change act to a vote in the House. However, instead of using their opposition day today to achieve real results on smog and climate change, the Liberals have decided it is more important to protect their corporate friends.

In my party, we walk the talk. Next week the NDP will use its opposition day to call on the government to bring forward the clean air and climate change act to Parliament for debate and a vote.

Thirteen years of Liberal inaction is not an excuse for falling further behind. Toronto families and all Canadians are counting on us to finally get the job done.

* * *

CANADIAN EXECUTIVE SERVICE ORGANIZATION

Ms. Yasmin Ratansi (Don Valley East, Lib.): Mr. Speaker, this year marks the 40th anniversary of a unique Canadian organization.

Since 1967, the Canadian Executive Service Organization, CESO, has successfully completed over 40,000 projects in 50 different countries, including Canada's aboriginal communities. CESO volunteer advisers are Canadians who share their professional

experiences with those in need to strengthen the economies and build more self-sufficient communities.

I am, therefore, proud to report that one of my constituents, Mr. Charles Scott, recently returned from Sri Lanka where he helped train 32 people in the management of a large dairy operation that has been facing problems with sales and distribution.

A dedicated professional and a true volunteer, Mr. Scott and many Canadians like him have made a positive impression throughout the world ensuring that Canada is a respected member of the international community.

I ask all members of the House to recognize the important contribution that Mr. Scott and his fellow CESO volunteers are making on behalf of Canada.

* * *

*[Translation]***GASOLINE PRICES**

Mr. Robert Vincent (Shefford, BQ): Mr. Speaker, the price of gas has again reached record heights. In addition to hurting several sectors of the Quebec economy, including manufacturing, the price of gas has a direct impact on consumers' budgets.

On May 8, the House of Commons voted in favour of the Bloc Québécois motion to give more power to the commissioner of Competition to conduct thorough investigations of fluctuations in the price of gas and to establish a petroleum monitoring agency. We hope that the government will respect the will of the House.

Perhaps this time the Conservatives will set aside their incredible arrogance, shelve their demagoguery, and show respect for democracy by moving forward with the motion adopted. Otherwise, Quebecers will remember this government's indifference towards the decision of the majority of members on this important matter.

* * *

*[English]***DWIGHT WILSON**

Mr. Glen Pearson (London North Centre, Lib.): Mr. Speaker, I rise today in honour and humility to pay tribute to a World War I veteran, Dwight Wilson, who passed away yesterday at the age of 106.

Mr. Wilson personified the spirit and courage of all Canadians when he volunteered for our armed forces in 1916. Being a minor, Mr. Wilson was twice discharged from active duty but his determination is representative of all the young men who fought for Canada in the Great War.

As our country sadly loses our last veterans of World War I, it becomes vital that we not let the memory of their ultimate sacrifice be forgotten and that we honour the hundreds of thousands of brave Canadians and Newfoundlanders who fought in World War I.

On behalf of all parliamentarians in this room, I wish to pay our respects to Dwight Wilson and express our deepest sympathies to his family and loved ones.

We shall never forget.

* * *

• (1415)

CANADA ELECTIONS ACT

Mr. Ed Komarnicki (Souris—Moose Mountain, CPC): Mr. Speaker, scarcely a year ago, the Liberal Party was led by a man who vowed to end the tyranny of “who do you know in the PMO”. In a way, that dream has come true for in the Liberal Party today it is no longer “who you know”, but “who you owe”.

Candidates for the recent Liberal leadership are in hock to the tune of \$2.6 million, almost all of it owed to titans such as Rod Bryden, Stephen Bronfman and John Rae. That is five times what the entire Liberal Party raised in the first three months of this year.

However, relief is on the way, not for the indebted Liberals, but rather for future candidates. Canada's new government has introduced legislation that will end the practice of using loans to evade, yes, evade, contribution limits.

Never again will a party leader start his new job accompanied by a briefcase full of IOUs and his own personal collection agent. The accountability with respect to the loans bill will close this last loophole in our election financing laws, ushering in a modern era of clean politics.

ORAL QUESTIONS

[Translation]

AFGHANISTAN

Hon. Stéphane Dion (Leader of the Opposition, Lib.): Mr. Speaker, yesterday, I asked the Prime Minister the same simple, crucial question three times and, as he often does in this House, he avoided it. Canadians and our troops deserve a straight answer from him, so I am asking the question again.

Is our government in talks with NATO or any of our NATO allies to come up with a plan for replacing our troops in Kandahar in February 2009?

Right Hon. Stephen Harper (Prime Minister, CPC): Mr. Speaker, no such negotiations are currently under way, and our NATO allies do not currently expect us to make a decision.

[English]

Hon. Stéphane Dion (Leader of the Opposition, Lib.): Mr. Speaker, it is not for NATO to ask for the replacement of our troops. The fact is that our combat mission in Kandahar will end in February 2009 and the responsible thing to do is to facilitate the replacement as we did in Kabul in 2003.

Why does the Prime Minister not want to act responsibly and engage NATO right now?

Right Hon. Stephen Harper (Prime Minister, CPC): Mr. Speaker, I can say with great certainty that our allies appreciate the

Oral Questions

fine work that Canadian troops are doing in Kandahar and, to my knowledge, they are not seeking Canada to withdraw from its international responsibilities in any way.

[Translation]

Hon. Stéphane Dion (Leader of the Opposition, Lib.): Mr. Speaker, the Prime Minister is confirming that his opinion is that of his government and that our combat mission in Kandahar should not have a deadline.

Are we to understand that there is no deadline for the Kandahar mission, yes or no? The Prime Minister's claim that he would respect the February 2009 deadline was, once again, doublespeak.

Right Hon. Stephen Harper (Prime Minister, CPC): Mr. Speaker, we left it up to Parliament to decide, and Parliament decided to extend the mission to February 2009.

[English]

However, I can say with great certainty that the men and women in uniform for our allies no more appreciate the games of the opposition than the men and women in uniform for Canada.

Mr. Michael Ignatieff (Etobicoke—Lakeshore, Lib.): Mr. Speaker, we cannot get development, diplomacy and defence to work together in Kandahar if we have muddle, misinformation and mismanagement in Ottawa.

We cannot win the hearts and minds of people in Afghanistan if all they see are troops, tanks and guns. Afghans need to see new wells, new roads and new schools.

Our military is looking for help from our development people but our development people are missing in action.

When will the Prime Minister get control of this mess, fire his Minister of National Defence and get some real coordination between diplomacy, defence and development?

• (1420)

[Translation]

Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC): Mr. Speaker, I would like to report what is going on in Kandahar in terms of development. This year alone—and I went there again recently—we have spent \$39 million, which is eight times more than the \$5 million the former government spent in Kandahar.

We are making progress there. I visited the villages and communities. I met Afghan men and women. The Afghan people do appreciate our development efforts.

Oral Questions

Mr. Michael Ignatieff (Etobicoke—Lakeshore, Lib.): Mr. Speaker, the growing number of civilian deaths in Afghanistan has shaken the faith of the Afghan people in the mission and in the Karzai government. The Afghan senate is now urging that diplomatic ways to end the conflict be considered.

What discussions are currently underway between the Canadian government, our NATO allies and the Karzai government regarding an expanded diplomatic strategy?

[English]

Hon. Peter MacKay (Minister of Foreign Affairs and Minister of the Atlantic Canada Opportunities Agency, CPC): Mr. Speaker, as the member opposite would know, Canada is playing a major role in terms of our continued contact within the Karzai government. We have representatives from our embassy, including our new ambassador, Arif Lalani, in constant contact in Kabul with government officials.

I can also inform the member that the decisions being made with respect to discussions with the Taliban are discussions that are made by Afghan officials. This is a democratically elected government under President Karzai. Those decisions are his to make and we are advised constantly of the discussions that do take place.

* * *

[Translation]

GASOLINE PRICES

Mr. Pierre Paquette (Joliette, BQ): Mr. Speaker, a study released today confirms our fears. Consumers in Quebec and Canada are paying too much for their gas. According to the study, the price per litre is 15¢ too high, and production costs cannot account for this. This unexplained difference raises the question of whether the oil companies are really competing with one another. Competition is a federal jurisdiction.

Will the Prime Minister shoulder his responsibilities and act on the Bloc Québécois motion passed on Tuesday in this House by amending the Competition Act to strengthen it and give the commissioner of competition and the Competition Bureau more power?

Hon. Maxime Bernier (Minister of Industry, CPC): Mr. Speaker, I am pleased to answer my opposition colleague, because he is being a bit inconsistent in this House today. He is calling for lower gas prices for Canadians and Quebeckers, yet the Bloc Québécois is supporting Bill C-288, which will drive up gas prices in Quebec by \$1.50 to \$2.00 a litre. That is the Bloc Québécois for you: inconsistent and incompetent.

Mr. Pierre Paquette (Joliette, BQ): Mr. Speaker, the problem is that prices are inflated because of the oil companies' excessive profits. On Tuesday, the minister confirmed that the refining margin was 22¢ a litre. That is three times the average margin early in this decade. The price at the pump comes under Quebec's jurisdiction, we know, but the refining margin is a question of competition, which is a federal jurisdiction.

Is the Prime Minister aware that by refusing to give the Competition Bureau more power, he is condoning a situation that is hurting consumers and the economy yet benefiting the oil companies?

Hon. Maxime Bernier (Minister of Industry, CPC): Mr. Speaker, if my friend wants to give the Competition Bureau more power, I invite him to vote for Bill C-41, which gives the Competition Bureau greater power to conduct investigations. The Bloc Québécois has been blocking Bill C-41 for some time.

That said, the Bloc Québécois should also know that gas prices are due to a shortage of inventory in the United States, a breakdown in the production chain. Oil inventories are being built up, and you will see that market forces will soon drive down gas prices again, if Bill C-288 is not adopted.

Ms. Paule Brunelle (Trois-Rivières, BQ): Mr. Speaker, we keep hearing that when the price of crude goes up on the international market, the price at the pump increases as well. In the past few days the price of crude has dropped, but the price at the pump has remained high.

Does the Minister of Industry have a new explanation for us today?

Hon. Maxime Bernier (Minister of Industry, CPC): Mr. Speaker, I just gave an explanation a few minutes ago in response to the previous question and I will repeat it for the Bloc Québécois. The Bloc has been here in the House for 13 years and in all that time it has never understood how the free market economy works. It is my pleasure to explain it to them.

It is quite simple. The price of gas is set by world markets and depends on a number of factors: supply and demand, a basic economic principle. We are currently experiencing a supply problem.

• (1425)

Ms. Paule Brunelle (Trois-Rivières, BQ): Mr. Speaker, I would like to remind the minister that we are not talking about the price of gas as set by the world market. We are talking about the refining margin. The study found that oil companies used hurricane Katrina as an excuse to increase their refining margin from between 5¢ and 7¢ to more than 20¢.

How can the Prime Minister tolerate this laissez-faire attitude and what is he waiting for to rein in the oil companies by giving the Competition Bureau more power to conduct a thorough investigation into the price of gas?

Hon. Maxime Bernier (Minister of Industry, CPC): Mr. Speaker, the Competition Bureau is an independent agency and if the Bloc Québécois wants to bring this matter before the Competition Bureau I invite it to go there and file a complaint.

That said, it is important for Quebeckers to realize that the Bloc Québécois and the Liberal Party are in favour of Bill C-288, which will increase the price of gas for Canadians and Quebeckers. That is the position of the Bloc Québécois. It is a position that does not respect market forces and goes against the interests of Quebeckers and Canadians.

Oral Questions

[English]

MINISTERIAL EXPENSES

Hon. Jack Layton (Toronto—Danforth, NDP): Mr. Speaker, something has changed for the better here in the House today. The government has decided to stop calling people names who call for negotiations to end the war in Afghanistan. Let us hope it stays on that track.

[Translation]

On another subject, after the Minister of Labour, the NDP has learned that the Minister of Transport, Infrastructure and Communities has regularly used a private jet but has not disclosed his travelling expenses. These ministers have been caught in a flagrant cover-up and lack of transparency.

Can the Prime Minister tell us who else among his ministers is not complying with the Treasury Board rules on transparency?

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, the leader of the NDP has some problems with the facts.

[English]

The fact is that all the expenses of ministers do get disclosed in accordance with government policy.

What I like about these questions is that they give me the chance to compare the record of Conservative ministers with their predecessors in the Liberal government. In fact, members will find that the Minister of Transport has been very mindful of taxpayer dollars and spends a lot less. For example, on hospitality in his first year he spent \$965. His Liberal predecessor spent \$15,000 on wine and dining. Who is being responsible? It is the Conservative minister.

Hon. Jack Layton (Toronto—Danforth, NDP): Mr. Speaker, despite all the bravado, the facts are rather clear, and that is that it took the NDP to uncover these expenses.

The labour minister and the transport minister have tried to fly under the radar when it comes to revealing the expenses of their travel. It is pretty clear.

Arthur Shafer, director of the Centre for Professional and Applied Ethics at the University of Manitoba asked a very good question and I would like to ask the Prime Minister the same question.

If they are spending money in legitimate, appropriate and proper ways, they have nothing to fear from disclosing it. However, if it is appropriate, why are they not disclosing it? Why are they hiding it?

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, as I said, all these expenditures are disclosed in accordance with government policy. The leader of the NDP simply has his facts wrong.

However, I will stop picking on the Liberals for a change because this was a question from the NDP.

I did talk a few days earlier about his habit when he was at city council, even though he lived downtown, to use that chauffeur driven limousine 194 times in one year instead of his bicycle to get a

few blocks to city hall, but I left one thing out. That was despite the fact that he had a free public transit pass at the same time. He was using a gas-guzzling limo instead of public transit. I cannot believe it.

* * *

[Translation]

FINANCE

Hon. John McCallum (Markham—Unionville, Lib.): Mr. Speaker, today five experts at the Standing Committee on Finance were unanimous about three things: the Minister of Finance should abandon his deductibility plan; he should also create a working group as recommended today by the Liberals; and he should focus on dumping the debt and not on double-dipping.

Will the Minister adopt the Liberal plan that was unanimously endorsed yesterday by five experts?

• (1430)

[English]

Ms. Diane Ablonczy (Parliamentary Secretary to the Minister of Finance, CPC): Mr. Speaker, what the government has done is endorse recommendations from this House, from the public accounts committee, from the finance committee, from the Jack Mintz committee on business taxation and from the Auditor General to get rid of a loophole whereby the same expense can be deducted twice.

I do not know why the Liberals are against that, as far as the committee goes, to examine taxation. In fact, the Liberal Party is behind the curve because the government committed to do that in the budget two months ago.

Hon. John McCallum (Markham—Unionville, Lib.): Mr. Speaker, it is the hon. member who is behind the curve. She should update herself from seven years ago.

Jack Mintz has abandoned the government and is opposing the government. The co-author with Jack Mintz is Allan Lanthier. Do members know what he said about the government plan? He said that it was the worst thing to come “out of Ottawa in 35 years”.

It is time she got her facts straight. Does she not understand? Everybody out there understands that the minister is out of his depth and that he is creating uncertainty and chaos. It is time to adopt the Liberal plan.

Ms. Diane Ablonczy (Parliamentary Secretary to the Minister of Finance, CPC): Mr. Speaker, a great deal was left out in that torqued rhetoric. The fact is that many experts are saying that it is completely inconceivable that the Liberals would support a plan whereby the same deduction is claimed by a taxpaying corporation twice. The member knows that very well; in fact he himself said that these kinds of loopholes should be shut down.

I thought that was the Liberal plan. Why does the so-called plan keep changing every day?

Hon. John McKay (Scarborough—Guildwood, Lib.): Mr. Speaker, I would like to hear the member name one expert who endorses this plan. The finance minister is in the process of doing a reverse takeover on himself.

Oral Questions

First he says that he is against all deductibility and then he says that he is not really against all deductibility, only if it is two years from now. He then changes his mind again and says “after 10 years but not a minute more”. Now that is really decisive.

Now he is saying that we should forget all interest deductibility, that he is against double-dipping. What the minister knows about double-dipping could be learned at the Dairy Queen.

Before the minister changes his mind again, and because this is a budget measure, will he table before the House a precise ways and means motion on what he means?

Ms. Diane Ablonczy (Parliamentary Secretary to the Minister of Finance, CPC): Mr. Speaker, I would urge my friend opposite to read the budget in which the minister said very clearly that our government would make the tax system more fair so that we could reduce taxes for everyone, and that included double-dipping, double taxation reductions, claiming the same deduction twice for the same expense.

The minister also said that we would form a panel to advise on going after more loopholes and more tax havens, which is exactly what we are doing.

Hon. John McKay (Scarborough—Guildwood, Lib.): Mr. Speaker, that is the problem. We actually have read the budget, as have the witnesses at the finance committee today who were unanimous. They were all appalled by the budget provisions.

Amending the Income Tax Act, which was 14 years in the making, and amending 81 bilateral treaties without consultation, is unheard of and unthinkable.

Before the minister does more damage to the nation's finances and before he embarrasses himself further, will he table a precise ways and means motion in the House?

Ms. Diane Ablonczy (Parliamentary Secretary to the Minister of Finance, CPC): Mr. Speaker, the member is well aware that the minister has made his intention with respect to this provision of the budget abundantly clear and will continue to do so until even the members opposite will finally get it.

* * *

[*Translation*]

AGRICULTURE AND AGRI-FOOD

Mr. André Bellavance (Richmond—Arthabaska, BQ): Mr. Speaker, the Minister of Agriculture promised milk producers that cheese made here would be made with milk from here, by making regulations governing cheese composition standards. We now learn that the regulations would not cover all cheeses.

Does the minister intend to honour the commitment he made in February and assure us that the cheese composition standards regulations will cover the production of all types of cheese, and not just some of them, and that it will not be as full of holes as Gruyère cheese?

• (1435)

[*English*]

Hon. Chuck Strahl (Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, CPC): Mr. Speaker,

the CFIA is undertaking a regulatory process that will deal with both domestic and imported cheese. It is currently in the prepublication phase of that regulatory process, consulting with both processors and producers of milk.

The consultative period will continue through prepublication and on to the gazetting. We will hear comments from all sides, from consumers, restauranters, et cetera. They will all be welcomed. They will be taken as part of that consideration but we are proceeding on two fronts, not only with article XXVIII, as we promised, but also on compositional standards for cheese products.

[*Translation*]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Mr. Speaker, what is happening is serious, because this government is preparing to flat out swindle dairy producers. These regulations would jeopardize the supply management system, and would certainly jeopardize agriculture in Quebec.

The Conservatives are no better than the Liberals, who opened up the borders to imports of cheese sticks, butter oil and milk proteins. And now they would allow labels like “pizza cheese” instead of “mozzarella”, to get around the rules.

If the minister is serious when he says he supports supply management, is he going to do something concrete to support it and review all of the measures he is preparing to implement?

[*English*]

Hon. Chuck Strahl (Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, CPC): Mr. Speaker, as I said, we are moving ahead with the regulatory process on compositional standards based on the moderator's report from the dairy industry working group.

I promised in my speech to the Dairy Farmers of Canada that we would proceed in that manner and that is exactly what we are doing. I also urged them at that meeting to sit down with the processors who deal with the issues contained in the moderator's report, issues like pricing and other things that are necessary for the sustainability of the industry.

We are proceeding. On compositional standards, I think up to 48 different cheeses have been identified and have compositional standards. It is proceeding as it should but there will be a comment period where all people will be allowed to intervene.

* * *

[*Translation*]

FISHERIES AND OCEANS

Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ): Mr. Speaker, the conflict between shrimp fishers and processors could force 500 families in the Gaspé who make their livelihood from processing this resource to turn to welfare. While the minister drags his feet, factory workers watch the weeks go by, weeks in which they could be working.

What does the minister intend to do to help resolve this conflict, which profits only the processors in his province?

Oral Questions

[English]

Hon. Loyola Hearn (Minister of Fisheries and Oceans, CPC): Mr. Speaker, the member made it quite clear, I believe, in his introductory sentence what it is all about. He talked about the conflict between fishers and processors.

That is exactly what it is. Fishermen in New Brunswick and Newfoundland and Labrador are making a deal with their processors and getting a half decent price.

The fishers cannot do it in Quebec. It is up to them. In the meantime, I understand the minister from Quebec is involved, meeting with them and maybe even the premier.

Certainly, we are ready and willing to cooperate, but we cannot solve the fishers' and industry's problem. They have to solve it themselves.

[Translation]

Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ): Mr. Speaker, quite frankly, that response is insulting to people who are out in the streets today.

Following a task force on the shrimp industry and a forum on fisheries, we expected to see some concrete action on the part of the minister, who, incidentally, has been given a very precise analysis of the problems facing the industry. They include exorbitantly high costs for fuel and permits, marketing problems, a tariff quota that is slowing down exports, and the unfair competition of foreign producers with questionable environmental standards.

The minister has the authority he needs to revive this industry. What is the minister waiting for?

[English]

Hon. Loyola Hearn (Minister of Fisheries and Oceans, CPC): Mr. Speaker, I have absolutely no argument with what the member says.

There are a number of issues including the tariffs going to European markets. However, we have about a 60% increase this year in the amount that can go in at the lower tariff. We are negotiating a much larger one, which will happen. We are also looking at other things we can do in relation to fee reduction, et cetera.

These things cannot happen overnight. What can happen is that the industry can do the same thing it is doing in the other provinces and that is to treat the workers fairly.

* * *

[Translation]

OFFICIAL LANGUAGES

Ms. Raymonde Folco (Laval—Les Îles, Lib.): Mr. Speaker, on Tuesday morning, the Standing Committee on Official Languages was to discuss the court challenges program. However, a few minutes before the meeting was to start and without giving any notice, the chair of the committee cancelled the meeting. Language rights groups are obviously very worried. The committee chair stated that there had been enough discussion about the issue.

Why are the chair and the minister puppets of the Prime Minister's cabinet? Will the minister ask the committee to resume its work immediately?

• (1440)

Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC): Mr. Speaker, the opposition knows very well that the committee makes its own decisions. But what about the position of the Liberals, who voted against our 2007 budget, a budget which allocated \$30 million for minority communities? And what about the remarks by Justin Trudeau, the Liberal candidate in Papineau, who advocates nothing less than the abolition of separate French and English education systems?

Ms. Raymonde Folco (Laval—Les Îles, Lib.): Mr. Speaker, they would do better to keep quiet.

Day after day, the Conservatives demonstrate that they do not care in the least about respect for official languages. The Commissioner of Official Languages confirmed that his office has received 117 complaints pertaining to the cancellation of the court challenges program.

Will the Minister for la Francophonie and Official Languages wake up one day and decide to defend the rights of linguistic minorities in Canada?

Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC): Mr. Speaker, as you know, the case is before the courts and so I will not comment on it. However, what about the position of the Liberals, who voted against our budget? What about the Liberal decision to cut \$100 million from funds allocated to communities between 1993 and 1997? In our last budget, our position on minority communities was very clear: we allocated \$30 million for communities. Unfortunately, the Liberals do not want these monies to be given to communities.

* * *

MINISTERIAL EXPENSES

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): Mr. Speaker, the Minister of Labour is not the only one who is playing hide and seek with his air travel expenses. So is the Minister of Transport, Infrastructure and Communities, except that he does not even need to rent a plane to travel. His department's fleet is at his disposal. Now, that is service.

What I want to know is why he is hiding the expenses incurred for his travels on his private jet. Will he say he is sorry? Will he tell us that he has been caught and that he will not do it any more?

[English]

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, as I indicated earlier, all these travel expenses are disclosed as required under the law. What they tell us is that Conservative ministers spend an awful lot less travelling in general than previous Liberal ministers.

In fact, when we talk about Challenger travel, former Liberal ministers travelled 300% more, 81 flights versus 27 for Conservative ministers.

Oral Questions

When we talk about these other flights, we can look at the Minister of Transport's predecessors, over three times as much on these types of flights.

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): Mr. Speaker, the numbers are lower because the government hides the expense and that is illegal.

The government is developing a culture of secrecy about the spending habits of cabinet ministers. First, the labour minister was caught hiding the expenses for his plane travel. Now we learn that the transport minister is also trying to cover up his travel expense claims, but we caught him. Ouch.

If the minister thinks that government business requires him to travel around the country, why does he not follow the rules and publish those expenses? Why not?

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker,—

Some hon. members: Oh, oh!

The Speaker: Order, please. Despite the howls of pain, we have to hear the answer. The hon. government House leader has the floor. We will have a little order, please.

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, I cannot believe that this member just accused his own colleagues, the predecessors, of hiding illegally \$95,572.93 in flights that they did not disclose in their public disclosures, but rather through the department disclosures.

If it is good for the goose, it is good for the gander. I do not think he really thinks they concealed \$100,000 of hidden stolen money. It was the \$40 million under the sponsorship scandal that disappeared and was stolen.

* * *

• (1445)

[Translation]

OFFICIAL LANGUAGES

Mr. Guy Lauzon (Stormont—Dundas—South Glengarry, CPC): Mr. Speaker, this week, the Minister for la Francophonie and Official Languages announced some good news for francophone minority communities: \$555,000 in support for the Alliance des radios communautaires du Canada and \$500,000 for the Réseau des cégeps et collèges francophones du Canada.

Can the minister tell us about other initiatives by the government to assist official language minority communities?

Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC): Mr. Speaker, I thank my colleague for his excellent question. Allow me to once again remind the House of our government's unwavering commitment to linguistic duality.

In our latest budget, we announced an additional contribution of \$30 million. Unfortunately, both the Liberals and the New Democrats voted against this budget. They decided to oppose

concrete investments that will enable young Canadians, in particular, to develop in their own language.

For his part, Justin Trudeau, the star candidate of the Liberals, even proposed the abolition of—

The Speaker: The hon. member for Winnipeg North has the floor.

* * *

[English]

PUBLIC SERVICE OF CANADA

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Mr. Speaker, yesterday's arrest of an employee with the Department of the Environment was a classy case of hitting a fly with a hammer. This is a very heavy handed approach I am sure designed to send a chill throughout the public service.

Author Yann Martel just sent the Prime Minister the book *Animal Farm*. Perhaps he should have sent another Orwell book, *1984*.

It is important to note that in advance of this year's budget many media organizations had full details of the budget documents, vital strategic information. Who leaked that secret information and why was no one arrested?

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, as the member for Winnipeg North knows very well, there are laws in place and oaths that public officials and public servants take that they must respect. When the police see that those laws have been broken, they do the appropriate thing, investigate and take action.

I know the member for Winnipeg North knows that, because without reference to a book but perhaps to a movie, it is kind of like *Groundhog Day*. After all, this is the principle the member for Winnipeg North was trying to advance when she asked the RCMP to investigate the income trust leaks.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Mr. Speaker, Canadians remember the good old dark days when the Conservative government simply fired whistleblowers and public servants who did not agree with government policy. Now the government simply calls in the police and puts them in handcuffs.

Recently, the Department of the Environment leaked government plans for incandescent light bulbs. Weeks before that, the budget was on the front page of national newspapers across the country. No one has been investigated, no one has been arrested, and no one has been charged.

Has the government asked the RCMP to investigate these leaks? Is anyone in the PMO about to be marched out in handcuffs?

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, the hon. member knows full well the importance of the laws respecting the confidentiality of government and cabinet information, the confidentiality that is required to be applied to them, and the obligation of the police to act.

It is the same law that applies federally. It is the same law that applies provincially, even in provinces with NDP governments like Saskatchewan and Manitoba.

AGRICULTURE

Hon. Wayne Easter (Malpeque, Lib.): Mr. Speaker, the Minister of Agriculture and Agri-Food is becoming infamous for taking money away from farmers, but his retroactive changes to the family farm options program is contemptible.

Cancelling the program in midstream three months after farmers completed their financial plans is an absolute betrayal of farmers. Officials have now confirmed this will take close to \$.25 billion out of low income farmers' pockets.

Why is the minister taking \$.25 billion away from hard-pressed farmers and why does the Prime Minister allow this betrayal of farmers to—

Some hon. members: Oh, oh!

The Speaker: The hon. Minister of Agriculture and Agri-Food.

Hon. Chuck Strahl (Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, CPC): Mr. Speaker, I think the hon. member was lighting his hair on fire, but it was kind of hard to tell.

He is the hon. member who, when I introduced the farm family options program, told me this was a disgusting program. He said it would empty the farms in rural Canada. He said it would depopulate the farm centres, that I had to stop the program, and it was a terrible thing.

We have made some changes to the program and we are going to give that money and much more to farmers, another \$1 billion announced this year.

The member for Malpeque just does not get it. We are here to help farmers. He has never helped farmers and he certainly is not helping them now.

• (1450)

Hon. Wayne Easter (Malpeque, Lib.): Mr. Speaker, the minister wants to talk about fire, but he is burning actual currency that farmers could have had that they could have put in their pockets to give their families some income.

This outrageous decision by the minister robs low income farmers of the opportunity for some financial redress. They had planned on up to \$18,000 per family.

Obviously, this is now a government that breaks its word. It is a government that talks accountability, but fails to live up to its commitments and it is a minister whose words of last year are now a broken trust.

Will the minister restore today the \$246 million that he took away?

Hon. Chuck Strahl (Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, CPC): Mr. Speaker, this is rich. This is the member who said that the farm family option program was a blame the victim program. He said I had to stop it. He put out a press release saying to stop this program and that it was the worst program we have ever seen.

I think there is some merit to it. We are going to continue it. It is a trial program and it is going to continue for another year, but we are

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putting that \$240 million and another \$1 billion on top of that to help farmers across the country.

He said in a press release that this was the worst program he has ever seen, that it is a blame the victim program, and I had to scrap it. Now that I have changed it, the poor member for Malpeque just does not get it.

* * *

[Translation]

AFGHANISTAN

Hon. Denis Coderre (Bourassa, Lib.): Mr. Speaker, we have a question today. In light of what the Prime Minister said earlier, there do not seem to be any negotiations between NATO and Canada over what will happen after February 2009.

Yesterday, his Minister of Foreign Affairs responded to a question from James Cudmore on CBC Radio. The question was quite clear:

[English]

“Were there discussions involving NATO and other allies for battle group replacements on the ground post January 2009?” The answer was the following: “You're putting me in a difficult situation because you know a lot of the discussions are in camera, not in public, and there were certainly discussions about the combat role played by countries”.

Who said—

Some hon. members: Oh, oh!

The Speaker: The hon. Minister of Foreign Affairs.

Hon. Peter MacKay (Minister of Foreign Affairs and Minister of the Atlantic Canada Opportunities Agency, CPC): Mr. Speaker, I know the member opposite has been around a long time. I know he poses as a defence critic. I know he holds himself out as an expert on many things, but I really do not think it would surprise him to know that at NATO meetings, where he was outside the room in fairness to him, there were discussions about the ongoing commitment of NATO troops in Afghanistan.

* * *

SOFTWOOD LUMBER

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Mr. Speaker, we all know the government is a one man show, but will the trade minister demonstrate some political courage and admit the softwood deal is flawed?

Today, we find out the U.S. trade representative, Susan Schwab, is in Ottawa to meet with the Minister of International Trade, in secret. Why is that? Is this another complaint? Maybe it is on stumpage fees. Are we heading into another court case?

Will the minister acknowledge that his deal is flawed and when will he stop selling us out to the U.S.?

Oral Questions

Hon. David Emerson (Minister of International Trade and Minister for the Pacific Gateway and the Vancouver-Whistler Olympics, CPC): Mr. Speaker, I think the hon. member is taking his economics lessons from the NDP. To begin with, Ambassador Schwab was not in Ottawa. There was no secret meeting. We have had conversations in the past. We have had telephone conversations. They have been very constructive conversations.

The softwood lumber agreement is maintaining stability in the industry at a time when the lumber market is absolutely in the tank. If we did not have the softwood lumber agreement, those companies would be poorer, workers would lose their jobs and we would be in trouble.

* * *

[Translation]

EMPLOYMENT INSURANCE

Ms. Johanne Deschamps (Laurentides—Labelle, BQ): Mr. Speaker, yesterday, at report stage, the House of Commons voted in favour of Bill C-269, introduced by the Bloc Québécois. This bill improves the employment insurance system. A majority of members supported the bill, which will require royal recommendation.

Will the government respect the decision of the House of Commons and grant this bill royal recommendation?

• (1455)

[English]

Hon. Monte Solberg (Minister of Human Resources and Social Development, CPC): Mr. Speaker, I point out that this government has moved to improve employment insurance benefits on several occasions. We have also lowered premiums. So far the opposition has voted in favour of private members' bills that would cost the EI fund \$6.2 billion every year, effectively bankrupting the fund and leaving workers holding the bag.

We cannot be that irresponsible. We are being responsible with the funds of workers and employers.

[Translation]

Mr. Yves Lessard (Chambly—Borduas, BQ): Mr. Speaker, the minister's figures are inaccurate. It is actually \$1.9 billion. The minister needs to tell the truth here.

By not respecting the democratic decision of the House of Commons, the government is saying no to the regions.

Does the government realize, however, that it is also saying no to increasing the period of benefits, that it is saying no to repealing the waiting period and saying no to increasing the coverage of income earned from 55% to 60%?

In short, does the government realize that it is saying no to unemployed Canadians?

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, you are the one who said no to this bill. This problem is that the Bloc Québécois is incapable of drafting a bill that is in order.

[English]

Those members cannot bring a bill that is in order. If they want to get their bills passed, they should try to learn how to write them so they are in order in the House of Commons.

* * *

[Translation]

FOREIGN AFFAIRS

Mr. Bernard Patry (Pierrefonds—Dollard, Lib.): Mr. Speaker, the Minister of Foreign Affairs refused to shed any light on the scandalous situation that occurred in his caucus.

The member for Mount Royal introduced a motion in committee to, first, denounce the Iranian president's explicit call to annihilate Israel and, second, to ask the Canadian government to ensure that the International Criminal Court conducts an inquiry.

Did the Conservative members of the committee vote against the motion at the request of the Minister of Foreign Affairs?

[English]

Hon. Peter MacKay (Minister of Foreign Affairs and Minister of the Atlantic Canada Opportunities Agency, CPC): Mr. Speaker, no, it was not.

* * *

JUSTICE

Mr. Dave Batters (Palliser, CPC): Mr. Speaker, sex offender Audrey Black of Moose Jaw was sentenced earlier this week to four years in prison for sexual exploitation and making child pornography. Black and her husband, Don, were both convicted of sexually abusing two young children they babysat.

I share the outrage of my constituents regarding these heinous crimes and I support their call for tough child protection laws.

Would the Minister of Justice please advise the House on what our Conservative government is doing to make our country safer for all Canadians, especially our most vulnerable citizens?

Hon. Rob Nicholson (Minister of Justice and Attorney General of Canada, CPC): Mr. Speaker, I thank the hon. member for his continuous efforts to fight crime in this country.

As Attorney General, I do not comment specifically on a case, but I want the House to know that this government is absolutely committed to the best interests and protection of children. That is why we introduced Bill C-22, the age of protection legislation, to protect 14 and 15 year olds from sexual predators. That is why we have introduced Bill C-27, to improve the process by which violent and repeat offenders will be kept in prison. That is why we introduced Bill C-9, to ensure that violent and serious offenders do not get house arrest.

We are absolutely committed to the best interests of children, victims, reducing crime in this country and—

The Speaker: The hon. member for Burnaby—New Westminster.

NATIONAL REVENUE

Mr. Peter Julian (Burnaby—New Westminster, NDP): Mr. Speaker, it did not take a long time for the Conservative government to look exactly like the old tired corrupt Liberal government. We are seeing scandals emerge. We are seeing a clear incompetence and the same sense of entitlement among Conservatives and their corporate backers.

Now we have the latest chapter in the sad book of Conservatives' betrayal of the public interest. We find out that the government has ripped up tax bills worth hundreds of millions of dollars owed by Sun-Times Media Group Inc.

Why do their corporate friends not have to pay the taxes they owe and how much do they give away?

Hon. Carol Skelton (Minister of National Revenue, CPC): Mr. Speaker, I appreciate the question, but I want to reassure the House that we ensure that all people who owe money to the Government of Canada pay their tax bills.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Mr. Speaker, that is clearly not the case. Sun-Times Media Group admits it owed \$605 million to Canadian taxpayers. That is following the many twisted financial transactions of its former CEO, Conrad Black.

Now it announces that for a few million dollars the IOU to Canadians has been ripped up. After all the controversy around Conrad Black's twisted financial transactions, the government has said, "No problem".

Why are the Conservatives giving multi-million dollar tax breaks to that American company?

• (1500)

Hon. Carol Skelton (Minister of National Revenue, CPC): Mr. Speaker, as I have said many times before, I cannot comment on cases. We take very seriously any complaints of deliberate non-compliance on taxes. We take corrective action. I want to reassure the member that we stand up for good taxpayers in our country.

* * *

CANADIAN HERITAGE

Ms. Tina Keeper (Churchill, Lib.): Mr. Speaker, the anti-culture government has broken another platform promise. It said that it would follow through on a national museums policy. For 16 months it has misled Canadians. It has demonstrated nothing but disdain for hundreds of museums across the country. It cut the much needed museums assistance program by 25% and it has provided no leadership and no vision.

Why does the minister care so little about heritage in small communities in Canada?

Hon. Bev Oda (Minister of Canadian Heritage and Status of Women, CPC): Mr. Speaker, the government does recognize the important role that museums play in cultural heritage. That is why we invested \$290 million in museums last year.

However, we recognize our responsibility. For 10 years, under the previous government, our national museums had leaky roofs and leaky basements. That is why we put forward \$41 million for the health and safety of the patrons of the museums and for the

Business of the House

structures of those museums, so we can continue to preserve our history.

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DEMOCRATIC REFORM

Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC): Mr. Speaker, Canadians know that the best way for citizens to hold their government to account is to vote. Yet voter turnout has been in decline in recent years.

In 1958, 79% of eligible voters cast ballots. This plummeted to 60% in 2004. It is clear more needs to be done to encourage people to vote. With today's hectic lifestyles, many people identified school, work and family responsibilities as their primary reasons for not voting.

Could the Minister for Democratic Reform please inform the House what measures he has taken to increase voter turnout in Canada?

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, the expanded voter opportunities bill creates two additional advance polling days on the two Sundays before election day. This is a modern, practical and realistic bill. It is an effective way to increase voter turnout in Canada by giving hard-working Canadians more opportunities to vote.

What is more, we hope that families will bring their children with them when they go to vote to help them to appreciate from an early age the civic duty and the opportunity presented by the right to vote in a free and democratic society.

This week we are taking action to strengthen accountability through democratic reform and we are doing it in a number of ways. Increasing voter participation and turnout is just one of those ways.

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BUSINESS OF THE HOUSE

Hon. Ralph Goodale (Wascana, Lib.): Mr. Speaker, I wonder if the government House leader would be good enough to describe the agenda that he has in mind between now and next week and the time that the House will rise for the May adjournment.

In his answer could also specifically indicate if he has been able to make a decision yet on the designation of the days for the consideration of estimates on the floor of the House of Common?

Could give us his assurance, pertaining to certain matters arising out of question period, if there is in fact an announcement related to taxation that the Minister of Finance proposes to make outside the House of Commons, that before the announcement is made, there will be the tabling in the House of the ways and means motion?

Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, as you are aware, this week is strengthening accountability through democratic reform week. It has been a busy week for the democratic reform family of bills.

Privilege

We sent out invitations for the first birthday of Bill S-4, the Senate tenure bill, which Liberal senators have been delaying for almost a year now.

While we are disappointed with the behaviour of Bill S-4's caregivers, we did have some good news this week with the successful delivery of two new members of the family: Bill C-54, a bill to bring accountability with respect to loans; and Bill C-55, a bill to expand voting opportunities.

There is more good news. We are expecting.

Tomorrow, I will be introducing an act to amend the Constitution Act, 1867, on democratic representation, which is on today's notice paper.

Bill C-16, fixed dates for elections, was finally allowed by the clingy Liberal-dominated Senate to leave the nest when it was given royal assent last week.

With respect to the schedule of debate, we will continue today with the opposition motion.

Friday, we conclude strengthening accountability through democratic reform week with debate on the loans bill, possibly the Senate consultation bill and, hopefully, Bill C-52, the budget implementation bill.

Next week will be strengthening the economy week, when we will focus on helping individuals, families and businesses get ahead.

Beginning Monday, and continuing through the week, the House will consider: Bill C-52, the budget implementation bill; Bill C-33 to improve our income tax system; Bill C-40, to improve the sales tax system; Bill C-53, relating to investment disputes; and Bill C-47, the Olympics bill, which help us have a successful Olympics. Hopefully, we can get to Bill C-41, the Competition Act.

If time permits, we will also call for third and final reading Bill C-10, the minimum mandatory sentencing bill.

Thursday, May 17 shall be an allotted day.

• (1505)

[*Translation*]

Wednesday, May 16, shall be the day appointed, pursuant to Standing Order 81(4)(a), for the purpose of consideration in committee of the whole of all votes under Canadian Heritage of the main estimates for the fiscal year ending March 31, 2008.

Thursday, May 17, shall be the day appointed for the purpose of consideration in committee of the whole of all votes under National Defence of the main estimates for the fiscal year ending March 31, 2008.

[*English*]

Finally, there is an agreement with respect to the debate tomorrow on the 13th report of the Standing Committee on Public Accounts. I believe you would find unanimous consent for the following motion.

[*Translation*]

I move:

That, notwithstanding any Standing Order or usual practice of the House, the debate pursuant to Standing Order 66 scheduled for tomorrow be deemed to have taken place and all questions necessary to dispose of the motion to concur in the 13th Report of the Standing Committee on Public Accounts be deemed put and a recorded division be deemed requested and deferred to Wednesday, May 16, 2007, at the expiry of the time provided for Government Orders.

The Speaker: Does the Leader of the Government in the House of Commons have unanimous consent to move the motion?

Some hon. members: Agreed.

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)

[*English*]

Hon. Ralph Goodale: Mr. Speaker, I rise on a point of order with respect to one specific item the government House leader referred to, the legislation having to do with the Vancouver Olympics.

I think this will be the first time the House has had the opportunity to consider that matter. I wonder if he might undertake some consultations among House leaders to see if there is a will in the House to expedite that item.

I understand there are some timing considerations pertaining to that legislation and we might be able to arrive at some understanding to move it expeditiously in the interests of the Olympics.

Hon. Peter Van Loan: Mr. Speaker, I thank the opposition House leader very much for that very kind offer and I would be very happy to take him up on that.

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PRIVILEGE

MODE OF TRANSPORT USED BY PUBLIC OFFICE-HOLDERS

Hon. Jack Layton (Toronto—Danforth, NDP): Mr. Speaker, I rise on a question of privilege.

I wish to correct the misinformation that has been put before the House by the government House leader and ask the minister to correct the record. It has to do with allegations of commuting back and forth by a city councillor, who happened to have been me, about seven years ago in Toronto.

I want to make it very clear that unlike the allegations that were put forward, I was not commuting back and forth between city hall and my home, which was a four minute bicycle ride or a 10 minute walk away. It takes a heck of a lot longer in a vehicle.

For the record, the facts of the matter are that I was president of the Federation of Canadian Municipalities. The city had a vehicle, not a limousine, a vehicle, driven by disabled workers, workers who had been injured on the job. The vehicle was used, instead of hiring a courier company, a limousine or a taxi to go to the airport or to deliver parcels, by 43 different councillors, all members of council, for practical purposes. It kept someone employed and saved the taxpayers money.

Business of Supply

Those are the facts of the matter. Being president of the FCM required a great deal of travel back and forth to the airport at the time.

One fact to be noted is that unlike the situation with the travel of government ministers, all of these facts are on the public record.

• (1510)

The Speaker: I am sure the minister appreciates the clarification offered by the hon. member.

GOVERNMENT ORDERS

[*Translation*]

BUSINESS OF SUPPLY

OPPOSITION MOTION—FINANCE

The House resumed consideration of the motion.

The Speaker: Before statements by members and question period, the hon. member for Jeanne-Le Ber had the floor. He still has five minutes to complete his remarks.

Mr. Thierry St-Cyr (Jeanne-Le Ber, BQ): Mr. Speaker, I would like to recall that I am splitting my time with the member for Chicoutimi—Le Fjord.

In the first part of my presentation, I talked about interest deductibility. I would now like to talk about income trusts. I was explaining how, like the Liberals in the past, the Conservatives have bungled this file.

We recall that under the Liberal Party, there were hesitations and contradictory statements by the then Minister of Finance on the future of income trusts. Would they be taxed, and how much, in the near future? There was a moratorium on income trusts, which was subsequently lifted.

In addition, an RCMP investigation was conducted further to some suspect stock market movements prior to the announcement on income trusts by the then Minister of Finance.

Still, the Liberals are not the only ones to have bungled this file. The Conservative government promised at the height of the election campaign that it would never touch income trusts and would not tax them. Some investors believed the Conservative government and invested massively in this type of company, thus inflating prices accordingly. Unbeknownst to them, they were taking a huge risk since they had faith in the word of the Prime Minister.

We know what happened. Last fall the minister announced that he was going to levy a tax on income trusts, contrary to the commitment that had been made. So he reneged on his promise and cheated the investors that had trusted him, and that is what is serious.

Basically the Bloc Québécois is obviously not against the fact that the income trusts are being taxed. We think that this business model can be applied in some cases, depending on the nature of the commercial activity, but it is not always appropriate. A company must not structure itself like this for the sake of tax considerations alone. That was the problem to be dealt with. An increasing number

of companies or corporations were turning themselves into income trusts.

This was becoming worrisome, particularly for our economy's productivity. Some companies, such as Bell and BCE, were forced to convert to income trusts to cater to their shareholders' wishes for very large profits in a very short time, even if it was not good for the company in the long term. Income trusts are required to redistribute all their profits each year, and they cannot set money aside to invest in the development and improvement of their business. In the long term, they are put at a considerable disadvantage. This must be fixed.

For these two reasons, we will vote against this motion. On the one hand, we have not finished examining interest deductibility, which needs some further work, and on the other hand, even if the Conservative government has betrayed investors by deceiving them into thinking it would not touch income trusts, this correction was necessary. The Bloc Québécois suggested extending the transition period to 10 years. Unfortunately, the Conservative government did not go for this proposal, which is too bad.

The last reason we will not support this motion is that it does not mention tax havens. This has been a longstanding battle for the Bloc Québécois since the Liberals were in power. We remember the epic battles we led so that businesses would no longer be able to avoid paying taxes in Canada by setting up shop in Barbados and other places.

Essentially, a clause in regulation 5907—if my memory serves me correctly—enabled them to bring back foreign-earned profits, tax free, even though they were not truly taxed in Barbados, where the tax rate is ridiculously low at 1% or 2% in extreme cases. We thought this was inappropriate.

• (1515)

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Mr. Speaker, first I would like to congratulate my colleague, the member for Jeanne-Le Ber, for his speech. Like him, I rise today to speak to the motion tabled by the Liberal Party with regard to income trusts.

As pointed out by my Bloc Québécois colleagues, we supported both the ways and means motion and the 2007-08 federal budget. The latter changes the taxation of existing income trusts, which will receive the same tax treatment as corporations at the end of a four-year transition period. Furthermore, it will no longer be possible to establish new income trusts.

There are reasons for our support. First, we must realize why corporations register as income trusts. In the March 2007-08 federal budget, the Minister of Finance indicated that, year in and year out, the different levels of government lost \$400 million in revenue because of income trusts. And this was before companies such as Bell and Telus announced that they would convert to income trusts which, in and of itself, would have inflated tax losses to about \$1 billion annually. This measure, which has allowed corporations to avoid paying significant amounts of tax, had to be eliminated.

Business of Supply

Furthermore, the income trust structure practically forces a company to pay 100% of its profits to its shareholders at the end of the year. Although the shareholders are the main beneficiaries of this measure, it has a negative impact on the economy. If the company retains part of the profits for an investment project, for instance, it must pay the maximum amount of taxes on that non-distributed revenue. This is why, in addition to the tax losses associated with the conversion of a growing number of income trusts for reasons that are strictly tax motivated, we must also look at the potential loss of productivity in our businesses, in the context of a serious productivity crisis in the manufacturing sector of Quebec and Canada. Between 2005 and 2006, Canada dropped from seventh place to tenth place in the world, according to the *World Competitiveness Yearbook 2007*.

Over the past few months, thousands of investors have been pressuring members of Parliament to reverse this decision. I am sure we have all met citizens who have come to us to tell their stories. In my riding, some of my constituents told me that the drop in the stock market cost them thousands of dollars. During the last election campaign, the Conservative Party promised not to touch income trusts. Investors trusted that party, trusted the government, and either kept such investments or acquired more, which meant that those investments became even more attractive and we saw an artificial inflation of the price. The Conservative government is therefore partially responsible, because it deceived thousands of investors during the last election campaign.

The Bloc Québécois supports this decision, but deplores the Conservatives' lack of honesty during the last election.

● (1520)

It goes without saying that steps had to be taken to eliminate the corporate practice of converting to income trusts in order to avoid paying taxes. Until now, only shareholders were taxed on dividends, not the trust itself.

I also want to mention the importance of keeping campaign promises to voters. A promise made to the people is sacred and must be respected. During the election campaign, the Conservatives had two options. They could easily have said that they would make changes once in power, or they could have avoided creating false hope by saying nothing about it. In other words, they should have stuck to what was in place and made a decision at the right time.

In 2006, companies that decided to convert to income trusts accounted for \$70 billion worth of market capitalization, and that is not including telecommunications giants BCE and Telus, which also planned to convert.

Canada has about 250 income trusts worth about \$200 billion in sectors ranging from real estate, oil and gas and telecommunications to food processing and manufacturing. The income trust craze was getting so big that it was endangering the national economy.

Again yesterday, the Bloc Québécois issued a news release demanding the elimination of tax havens. My colleague talked briefly about tax havens earlier. It would have been nice to see some steps taken against these tax havens, which are causing Canada to lose billions of dollars.

Given that some companies are taking advantage of interest deductibility to deduct interest charges in a number of jurisdictions, which is a form of tax evasion, and given that the Bloc Québécois is strongly opposed to tax evasion and the use of tax havens, we cannot support this motion. We will vote against the Liberal Party's motion.

Let us not forget that the bill concerning interest deductibility will be studied in committee, and that the Standing Committee on Finance will have an opportunity to submit its recommendations. Everyone will have the opportunity to suggest solutions to this problem during committee meetings.

The Bloc Québécois is very concerned about the increase in tax evasion in Canada. Canadian investments in tax havens between 1990 and 2003 soared, reached unprecedented levels, increased considerably. Canadian corporations invested large and growing amounts in countries recognized as offshore financial centres, particularly in the Caribbean. Assets held by the financial sector have practically increased tenfold, rising from \$8 billion in 1990 to \$72 billion in 2003. Barbados, where Canadian corporations operate 1,700 subsidiaries, is ranked the third most popular destination for Canadian capital abroad, after the United States and Great Britain.

Bill C-52 which is presently being studied by the House, amends the tax treatment of income trusts in order to eliminate the advantage of this entity over a corporation.

● (1525)

The Bloc Québécois has been giving thought to the issue of income trusts for a few years. We do not want income trusts to be abolished. One solution might be to introduce a minimum tax on income trust profits rather than preventing corporations from establishing themselves as income trusts.

With this bill, the government will impose a 21% tax for 2007 and will add 13% in subsequent years.

In closing, we will vote against the Liberal Party motion.

[English]

Mr. Charlie Angus (Timmins—James Bay, NDP): Mr. Speaker, I listened with great interest to my colleague's speech and also the question that he raised about the obligation of telling the voters where one really stands on an issue.

I think it is germane to this discussion, because what we are talking about is something that was unsustainable. The income trust bubble created by the Liberals was unsustainable. Yes, corporations have an obligation to give dividends to their investors, but they also have an obligation to reinvest in their business and in the economy and they have an obligation to pay taxes. What we had was a situation where some of our top economic drivers in the country were being turned into a feeding frenzy for dividend investors. These were not sustainable in the long term.

Business of Supply

The member for Wascana was one of the biggest promoters of this bubble that grew. The Conservative Party said it would support that bubble, but at the end of the day, as all bubbles do, it burst. I would suggest that perhaps the biggest burst was the credibility of the member for Wascana, which is why I think the Liberal Party is so adamant about dragging back this issue and trying to reclaim losses that cannot be recovered.

The fact of the matter is that this issue should never have been allowed to get this far. I would ask the member what he thinks about an economic policy, which seems to be driven by the Liberals and the Conservatives, to go for short term vote gains at the expense of a long term, holistic vision of building a national economy.

[Translation]

Mr. Robert Bouchard: Mr. Speaker, as I said in my presentation, we are voting against the Liberal Party motion. We are against it because it takes a step backward. We think this measure must be upheld.

However, we deplore the Conservatives' attitude during the last election campaign, when they informed Canadian and Quebec citizens that they would not intervene in income trusts. When they came into power, they did indeed intervene. This prompted a certain attitude in investors. Some had bought more, believing that the government would not interfere.

We must also criticize the Conservatives' attitude toward their broken election promise.

• (1530)

[English]

Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.): Mr. Speaker, I would like to ask my colleague whether he agrees or disagrees with the large philosophical thrust of his party versus ours. I believe he would have to agree that the 12 years of fiscal management by the previous Liberal government were extremely well done. That led the country to its first series of surpluses and what I think is the longest series of surpluses ever seen in the history of our nation.

Would the member share with me a great concern over the competence of the current Conservative government in the case of the income trusts? Obviously he is not going to support the motion, but could he explain why he then would support a decision by the government to break a promise that has led to a record number of takeovers by large foreign corporations, mostly American? These are takeovers of some very important energy and other income trusts in this country.

At the same time, the Conservative government is proposing, although now it is backtracking, to eliminate the interest deductibility for loans for foreign investments. That too is going to compromise Canada's ability to really compete in the world and workers' ability to benefit from what is actually a growing world economy.

[Translation]

Mr. Robert Bouchard: Mr. Speaker, as I was saying earlier, the real shame is the way the Conservatives' changed their mind on their election promise.

In taxation, measures must always be fair. In that respect, we must advocate taxing these trusts. I believe that would be the fairest measure for Canadians and Quebecers.

[English]

Hon. Roy Cullen (Etobicoke North, Lib.): Mr. Speaker, I will be sharing my time with the member for Newton—North Delta.

The misguided policies of the Conservative government, especially its finance minister, are making it increasingly difficult for Canadian businesses to succeed internationally. At the same time, Canadian companies are now particularly vulnerable to foreign takeover as a result of this government's income trust policy and, more recently, the wrong-footed corporate non-deductibility of interest proposal.

The Conservative industry and finance ministers stand by as strategic Canadian corporate icons are swallowed up by interests outside our borders. The worst is yet to come. Energy and other natural resource companies are special targets of private equity players awash with cash and of companies in emerging economies seeking more control over their commodity supply chain.

Already the list of recent foreign takeovers is staggering: Inco, Falconbridge, IPSCO, Dofasco, Algoma Steel, Fairmont Hotels, Labatt, CN, Four Seasons Hotels, and Hudson's Bay. Hudson's Bay is the oldest commercial corporation in North America. It received its royal charter in 1670 to develop the fur trade in Canada and it is now in the hands of outside interests. Canadian corporate icons Bell Canada Enterprises and Alcan are also in play as foreign takeover targets.

What does the Conservative government do? Nothing.

The Conservatives stand by and rubber stamp the takeovers, using the toothless provisions of the Investment Canada Act. Since the Investment Canada Act was passed in 1985, there have been over 11,000 foreign acquisitions of Canadian companies. No investments have ever been blocked under the Investment Canada Act.

The reason for this is that the current criteria under the act, with the exception of certain financial services, telecommunication, transportation and cultural industries, are strictly economic. The stated purpose of the Investment Canada Act is:

—to encourage investment in Canada by Canadians and non-Canadians that contributes to economic growth and employment opportunities and to provide for the review of significant investments in Canada by non-Canadians in order to ensure such benefit to Canada.

[Translation]

Typically what happens today is the following: a non-Canadian company wishing to acquire a Canadian company convinces Industry Canada that their transaction will result in more investment and more jobs. Industry Canada signs off, perhaps after achieving some modest concessions, and the deal is approved. They are all approved, Mr. Speaker.

Business of Supply

What happens in the medium to long term to the companies that emerge from these transactions after the dust has settled? Who monitors the commitments made? While it is difficult to get straight answers on this from Industry Canada, we have anecdotal evidence that would suggest that after the passage of time the acquiring company's real strategy emerges.

Plants are closed, corporate decision makers are located outside of Canada, and product mandates and core competencies are focused in jurisdictions outside of Canada. When hedge funds and private equity players are involved, we can assume that short-term increases in shareholder value are the goal. Assets are downsized, stripped and sold for short-term profit.

• (1535)

[*English*]

What should we do about this hollowing out of corporate Canada? Our Liberal government in the last Parliament introduced changes to the Investment Canada Act to give more power to the federal government to reject unwanted takeovers. This bill died on the order paper because of the January 2006 election and this Conservative government has not reintroduced similar legislation. This is not surprising at all, given the *laissez faire* attitude of the current industry minister and this government.

I have great faith in the markets, but markets alone do not always respond in ways that are beneficial to Canadians. That is why Canadians elect members of Parliament to the House of Commons, to protect and assert their interests, not stand by and watch while our national assets are being eroded.

In my view we should amend the Investment Canada Act and replace the current net benefit test with a national interest test, or at the very least, with a national security test. There are many countries that already have such criteria.

Companies wishing to acquire a corporation in the United Kingdom must demonstrate that the transaction is in the public interest. In Japan foreign takeovers are reviewed to ensure that they do not pose any public security, public order or public safety threats and that they do not have the potential to adversely influence the national economy.

Not surprisingly, foreign takeovers of strategic assets in countries like China, Mexico, Russia and India are difficult, if not impossible.

In Australia, a takeover must prove to the satisfaction of the Australian government that the proposed acquisition is in Australia's national interest. In Australia, national interest is considered in relation to the widely held concerns of Australians, its laws and policies, national security interests and economic development. In my view, Australia's approach to defining the national interest is a sound one.

Some argue that the national interest or public interest tests discourage foreign direct investment. We need to encourage, not discourage investments by foreign interests in Canada. I agree with that.

Let us look for a moment at the experience in Australia. Although it seldom occurs, Australia has used the national interest test to block large scale foreign investment. For example, in 2001, the Australian

government rejected an attempt by Shell Oil in a hostile takeover bid for an Australian energy company, Woodside Petroleum Limited. This \$10 billion Australian bid was rejected on the grounds that Shell would operate the company as part of its global portfolio and not in the best interests of the company itself. Does this sound familiar? Have we had similar concerns?

Following the decision by the Australian government, while there were market reactions in the short term, the impact was short lived. Foreign direct investment into Australia has grown from \$9 billion U.S. in 2001 to \$58 billion U.S. in 2004.

• (1540)

[*Translation*]

If we moved to a national interest test for foreign takeovers, how should we define this? As I mentioned earlier, I believe the Australian model is a good one. National interests need to be defined, as best one can, by policy, by regulation and with guidelines. We should have a debate around this in Canada.

In my judgment, Canadian companies that are of strategic importance to Canada because of their size and reach, companies that are focused on the development and environmentally sound exploitation of our natural resources, and Canada's energy assets should be subject to careful review and protected from foreign acquisition.

[*English*]

If Canada adopts a national interest test for foreign takeovers, will this impact on the ability of Canadian companies to grow and expand internationally? Not in the least, I submit. These Canadian companies will still have to meet the test imposed by those countries in which the acquisition target is located. How can there be retaliation when so many jurisdictions have national interest or national security tests of their own?

What will slow down international expansion is the rules the government has brought in on the non-deductibility of interest and also on the income trusts.

We must stand up for Canada. Where non-Canadian companies wish to acquire Canadian companies, it is often quite obvious what their agenda is. The question for us as parliamentarians to consider is, what is Canada's agenda, what is in our national interest? We cannot avoid this question. It is time to act.

Mr. Charlie Angus (Timmins—James Bay, NDP): Mr. Speaker, I listened with great interest to the fascinating pitch the member made. About halfway through I found my feet were starting to get wet and then I had to start tucking my pant legs into my socks because of the crocodile tears that were spilling over on the floor of Parliament from the member.

When I hear him talk about the toothless revisions of the Investment Canada Act, I am astounded. Of the 11,000 sell-offs of Canadian corporations that happened, under which party did they happen? They happened under that toothless party, the Liberal Party of Canada. That party stood by and told us that we did not need national protection, that we did not need a national standard. The Liberals stood back and allowed a massive sell-off of so much of our corporate sector.

Business of Supply

To come in the House today and to have the gall to stand up and say that the sell-offs of Falconbridge, Inco and Abitibi and other main Canadian companies are somehow due to income trusts is not only an abuse of the facts, but it is selling the intelligence of the Canadian people short. Canadians will remember that it was the member's party, when it was in government, that did nothing about toughening up the Competition Act and allowed so many of these sell-offs.

It was his party, under his prime minister, that created the concept of the flags of convenience. It was the former prime minister whose company had Canadian workers fired on the high seas and hired Filipino and Korean replacements, and had tax havens set up in the Barbados so that a man who was the prime minister of Canada did not have to pay his proper share of taxes.

I want to ask him how he has the gall to stand here now and talk about strengthening Canada's corporate sector.

Hon. Roy Cullen: Mr. Speaker, if the member for Timmins—James Bay has a problem with his trousers, he should get his tailor to properly adjust the length of them. Maybe someone should tell him that the floods are over.

With respect to what he said, he perhaps was not listening to what I said earlier. It was our government that brought in legislation to change the provisions of the Investment Canada Act.

Maybe the member does not read the newspapers, but I certainly do and I think many colleagues in this House do. We have seen the recent spate of takeovers. Those takeovers are a result of a number of things. They are a result of the fact that there are many private equity players awash with cash. It is a fact that it is a global economy. I do not think that should say that we stand back. It is time for us to reassess our Investment Canada Act and the criteria that we use. There are many countries that have a public interest test or a national interest test. It is time that we began to look at that.

Regarding the member's question about the tax havens, in this House I think there is a lot of misinformation that is being promoted. The member for Timmins—James Bay perhaps does not fully understand business economics, but the reality is that those in the international shipping business have to base themselves offshore. They have to have a flag of convenience or they simply cannot compete.

It is the same with respect to the non-deductibility of interest. Even though we might argue in this House that it is not a very wise policy, the reality is that if Canadian companies want to bid on companies abroad, that is what they are up against. They are up against companies that can deduct interest for the acquisition of companies abroad. We need to get a little bit of reality into the discussion.

• (1545)

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, I listened to the Liberal member give a selective history on the whole issue of protection for foreign takeover of our economy. I wonder if he could address the question so we are clear about this.

I believe he was correct when he said, but maybe I have misinterpreted, that it was in fact the previous Conservative government that took the teeth out of some of our important

legislation that would have made it possible to put to the test the question of national interest in our own economy before approving foreign takeovers of some of our major industries. I believe that occurred in the mid-1980s. Perhaps the member could confirm that. I think the unanswered question is really what happened since it was recognized by then that what was effectively happening was that there was a bean counter just counting the numbers of takeovers, with no opportunity to stand up against our national economy being hollowed out.

The Liberals came to power in 1993, and if I am not mistaken, on the eve of an election suddenly wakened to the fact that we needed to have such legislation in place. Now the Liberals are apoplectic that it died on the order paper just before an election, some 13 years after the Liberals came to power.

Am I not correct in that historical account? Although I think the real issue is what needs to be done in the future and who actually can be trusted to follow through, based on their record in this House. If I can finish by making a reference to the fact—

The Deputy Speaker: The hon. member will not be able to finish. The time for questions and comments has expired.

I will go to the hon. member for Newton—North Delta.

Mr. Sukh Dhaliwal (Newton—North Delta, Lib.): Mr. Speaker, I am very happy to speak to this motion because what we are addressing concerns an issue that is of crucial importance in my riding of Newton—North Delta. It is the issue of income trusts. There is no other issue on which I have received more phone calls, letters and e-mails from my constituents. I do not know how many times I have heard from them. Many voted Conservative and not Liberal in the last election and said that the government they voted for is not the one that would have reversed its position on this. If it did, my constituents would never have given it their conditional trust, never mind the responsibility to handle income trusts.

Because of the volume of complaints I received, I decided to hold a town hall meeting for those who had lost so much of their hard-earned savings. I listened and could not believe all I was hearing. These are ordinary Canadians who do not speak from positions of great wealth. Many are not in their peak earning years any more. Many cannot even dream of making up half of what they lost because of this decision.

I sat down with them in the town hall meeting and we talked about the real costs of this decision. We know the numbers: an estimated \$25 billion, an average of \$25,000 for each Canadian. However, the numbers are just the facts. They do not tell the story. They are too abstract. One cannot understand these losses until one actually sits down with some of the people who have suffered from this decision, but talking and consulting with the Canadian public does not seem to be a core strength of the government to begin with.

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One gentleman, Mr. Maurice Bouchard, was one of the Canadians who based his retirement plans on an investment portfolio that included income trusts. He is 60 years old. He has a mortgage and four children, one who has lost his chance to own a home because of this meanspirited decision by the government. Mr. Bouchard did not expect to be in this position. He has worked hard all his life. He has paid his taxes. He has been an active member of the community in Newton—North Delta.

Here in Ottawa where it is all about numbers on the books, we could use some of his clarity. For him it is very simple. He stated, "How can I tell anyone, my kids or grandchildren, that the high morality of one's word as a promise is still the foundation of our society...when our political leader of the day breaks his own word for no good reason?" That is a very good question. It is the one I cannot see the government answering any time soon.

It is not just those who are planning their retirement who were hit hard by this decision. I also received an e-mail from Mr. Bouchard's son. He is 23 years old, just starting out in life. He has worked hard doing overtime in labour jobs, rarely making more than \$13 per hour. This young man, Mr. Mark Bouchard, does not want to be a millionaire. He just wants what so many other Canadians want. He wants to own a home.

Of course, the government might not pay much attention to the property prices in my riding of Newton—North Delta, but let me make it simple. This young man put his savings for a home into income trusts. Those savings are gone now.

All I can say is that I wish the Conservatives had the wisdom to speak to ordinary Canadians like the Bouchards before they made their decision. We on this side of the House know that there were better ways to manage the file. That is what this motion is all about.

● (1550)

We all know that the government had the opportunity with the committee process to truly listen to Canadians before it broke its promise to them.

I know many of the measures in Bill C-33 are about tax fairness, avoiding tax havens, ensuring no Canadian has a tax advantage over another and for the principle of fairness, which is why I support the bill.

However, there is no fairness involved with this aspect of income trusts. My colleague, the hon. member for Markham—Unionville, the finance critic who worked so hard on tax reform in his role as a minister, put it very well. He said that this was a "nuclear bomb" approach to solving this problem. There were alternatives and he clearly outlined them in his speeches here in the House.

As for consultations, we heard about advisers on taxation but there are no better advisers on taxation than hard-working Canadian families, like the families in Newton—North Delta that were affected; families like those who spoke with me at my town hall meetings; and families like those who have written to me or phoned my office in numbers the House could not imagine. I have received more phone calls, e-mails and letters on this one issue than on any other issue.

If the government had consulted with the business sector it would have heard the same things too. It would have heard what many people wisely predicted but has now become a reality. The income trust tax has resulted in at least 15 takeover attempts in the last five months. Interest deductibility will just make this situation worse.

Again, the government has broken its promise to ordinary Canadians. It has mismanaged this file and it cost hard-working Canadian families over \$25 million in losses in one day. We could be waiting a long time for sound fiscal management from the government, as we had strong fiscal management from the previous government.

Time is money. Many Canadians are now wondering what happened to the sound fiscal management that 13 years of Liberal government brought in with 8 years of balanced budgets and the best economic performance in the G-8 countries.

It is not me who is saying this. In fact, if we go back to the *Economist* magazine, it says that Canada was one of the best countries, the second best country to Denmark, in which to invest. If we look at between 1990 and the time we left the government, Canadians were taking 11% more in their take-home pay after paying taxes. Many Canadians, like my constituents, want the old Canada back now.

● (1555)

Mr. Ed Fast (Abbotsford, CPC): Mr. Speaker, it is pretty clear from the comments of my colleague from British Columbia that he does not believe in tax fairness. He knows that some of the corporations in Canada are earning, not millions, but billions of dollars in profits. In fact, last year, EnCana, one of our largest oil and gas companies, earned \$7 billion worth of profits which it was planning on converting into an income trust.

Is my friend suggesting that EnCana should not be paying taxes on those profits?

We need to look at what the public says about this. *The Globe and Mail* said, "The Finance minister tackled a difficult issue that the Liberals could not muster the gumption to resolve".

The *National Post* said, "Everyone else has gotten the message. Why haven't the Liberals?"

The *Toronto Star* said the same thing. In fact, the member's own finance critic said, "It was absolutely the right thing to do". Sheila Copps and John Manley both said that the income trust decision was the right thing to do.

If the member believes that tax fairness should be the rule in Canada and that ordinary taxpayers should not bear the burden of having to carry the taxation that corporations normally carry, why will he not support the income trust decision that the government so courageously made?

Mr. Sukh Dhaliwal: Mr. Speaker, if we want to talk about third party quotes, I have two pages of them but I do not want to read them.

I want to go back to ordinary Canadians. I fully believe in fairness, which is why I supported not taxing the income trusts the way the government has. I am not talking about the millionaires or billionaires. I am talking about ordinary Canadians like the one I mentioned, Mr. Mark Bouchard, the fellow who wanted to build a house and live his dreams in Newton—North Delta. It is his dream that has gone down the pipe.

I have a quote here by John Priestman who is the managing director of the Guardian Capital Group. He says:

[The Minister of Finance] has dropped the ball on income trusts, he's dropped the ball on interest deductibility. . . he's dropped the ball on income splitting. He's promised us dramatic reductions in corporate taxes and individual taxes. How about capital gains? They've delivered on nothing.

● (1600)

Mr. Charlie Angus (Timmins—James Bay, NDP): Mr. Speaker, I listened with great interest to my colleague and I remember Bre-X. Many people in my riding lost money in Bre-X, people who invested because they thought this was a good investment. It was heart-breaking for them.

What is similar is that this was a bubble, like Bre-X, that was allowed to grow out of control. We know that it went from a relatively obscure form of investment to \$200 billion in capital holdings in just a few years. That is \$200 billion that was not being paid into taxes.

We have seen so many financial players who were about to switch over to income trusts and the Liberals made the decision at the time to go for cheap votes and refused to deal with it. The member for Wascana helped create this bubble beyond what it was and average people were hurt because of a government that was committed to short term political votes rather than a long term commitment to the economy.

If my friend says that he wants the old country of Canada back, what about the \$200 billion-plus of money that was diverted away from taxable income that would have helped average Canadians like the average Canadians in my riding who are seeing more and more costs downloaded to them because there is not a proper tax base?

Mr. Sukh Dhaliwal: Mr. Speaker, is what the hon. member or the NDP mean when they talk about protecting working class Canadians and tax fairness, the \$25 billion hit to the populace of seniors and ordinary Canadians like the person I mentioned earlier who wanted to buy a small house? If that is what it means to New Democrats, they should be supporting this motion.

On the other hand, the bigger issue is that the Prime Minister made a promise to Canadians that he would not abolish the income trusts.

Based on the Prime Minister's word, many Canadians went to the bank and invested their hard-earned money, and he broke his word to Canadians. I do not know how the member feels about ordinary working Canadians in my riding and in—

The Deputy Speaker: Order, please. The time for questions and comments has expired.

Business of Supply

MESSAGE FROM THE SENATE

The Deputy Speaker: I have the honour to inform the House that a message has been received from the Senate informing this House that the Senate has passed a certain bill.

* * *

BUSINESS OF SUPPLY

OPPOSITION MOTION—FINANCE

The House resumed consideration of the motion

Hon. Robert Thibault (West Nova, Lib.): Mr. Speaker, it is a pleasure to speak to the motion, a little earlier than anticipated but never too early.

This is another example of the Conservatives not having a plan to govern. We see this budget not as a plan for Canadians, nothing to aspire to, as the title would say, but as an interim document, a regroupment of sound bytes bringing us to an election.

The Minister of Finance had no intention of putting in place this elimination of the deductibility of interest for foreign investments. He did not know how to do it. He had no interest. It was a quick sound byte. It was tax fairness. He knew there would be some opposition to it and he would talk about tax fairness. In 20 seconds he can explain his side very well. However, now he has had months and all we hear are reversals where he is saying, no, not the elimination of interest necessarily but the double deduction of interest. Next week it will be something else.

I understand that on Monday he will be making a statement on this. I hope somebody is writing this one for him. I hope he has talked to people within the department. I hope he has talked to experts. I hope he is talking to the business community. I hope he is looking at what is happening in the international community, what we are competing against, what the people who are providing jobs must face day in and day out in that global business environment, and that he comes out with something that has a bit of logic.

We have seen a lot of this. We have seen during the campaign and the years before the campaign in my riding where they said that they would fix the problem of the Port of Digby. During the campaign, finally, we got the arbitrator's report on the Port of Digby. An arbitrator had been called in after serious allegations had been made by a member of the Conservative Party, questions that deserved to be looked at, I agree 100%, when the member from Colchester raised them, but the arbitrator came out and said that it was not the operators of the port who made the mistake, but that it was the federal government in the transfer.

It is true that the Liberals were in power at the time of that transfer. It was a mistake made by Transport Canada. It was previous to my being elected but it was a mistake by our government.

Now the Conservatives have the power. They have made the promise that they would fix it. It has been 16 months and we have seen no action. The same lines are being furnished by that department.

Business of Supply

Then we look at income trusts. They made the promise during the campaign that it would not tax income trusts. What happens? The first thing they do is tax income trusts: \$25 billion to \$35 billion of savings, primarily of seniors, lost, which is an unimaginably huge amount.

However, also important is the question of the hollowing out of Canada's corporate assets. These entities do not cease to exist. The ownership changes hands. If there is no vehicle to have that ownership within Canada, the ownership ends up in other countries, which is what we are seeing. We are seeing these valuable resources go to other countries.

There were problems with the income trusts in the way in which they were going but rather than surgically looking at the problems and fixing them, kapow, they dropped a nuclear bomb and wiped out the whole thing, except for real estate, which some of his friends must have understood because he agreed that it was a good vehicle for real estate investments and left the REITs, but they took out the other ones.

When the governor of the bank was before committee he said that there was a problem with income trusts and a problem with governance but that for certain investments, for certain sectors it was the proper investment. Energy was named as one of them.

I would like to advise the Chair that I will be sharing my time with the member for Scarborough Centre.

That was a fiasco with income trusts. Then we come to this famous question where we look at interest deductibility.

• (1605)

I will give an example of a company that is in manufacturing in Canada, that is in the transformation of products, raw materials, to manufactured goods. Let us look, for example, at the aluminum sector. To produce aluminum there needs to be energy and raw materials. One of them is bauxite. Sometimes, as a corporation competing on the market with international corporations, subsidiaries in other countries have to be bought. Mining operations have to be opened to get the bauxite. The way to do that is to borrow money, either domestically or internationally, and that has a cost, operate those facilities, and get the product, guarantee the resources, and guarantee to be able to continue to operate.

If the Minister of Finance's budget had put this in place, and the member just mentioned it, Canadian companies would no longer be competitive. No longer could companies compete with Spanish companies, American companies and European companies. They would be out of that market.

What is the only choice then? Sell the head office to a country where they can use that interest deductibility. There is no choice whatsoever.

I will give another example of the hollowing out. In military purchasing the Conservatives decided that to speed things up and give their chosen contractors all the work, that they would go with original equipment manufacturers, not only for the equipment, not only for the planes for example or the helicopters, but also for the in service support.

That in service support is very important because that is where Canadian companies have potential. That is where we can build. That is where we can develop and that is where we can compete.

I pay particular attention to I.M.P. out of Halifax, a home grown company. An immigrant came to our country and saw the potential, contracts with the military to work on Auroras, helicopters, Sea Kings, and 50% of his work is with the Canadian military. That gives him the capacity to compete internationally.

Out of Halifax and Quebec there are about 5,000 employees competing and selling in over seven or eight countries. He is providing about 5,000 jobs. There are a lot of people that I know who are retired military technicians. They go on to very gainful employment working for that company, creating value within Canada, competing with multinationals.

Now what is the situation? We have the contract, we hear, that Boeing is going to spend dollar for dollar on this contract in Canada. What the minister does not tell us is that Boeing gets to choose who it uses.

Imagine if I am a contractor and all of a sudden I have to go and beg rather than compete for my work with somebody who already has all the government work. He is guaranteed it. I have to go and beg for a little slice of that.

I would imagine that if that contractor is bidding against me in international markets that he is going to tell me that if I am going to get that work then do not bid against him on the international market. If I bid then I will be squeezed out of the Canadian market.

What is the result of that? Compound that with the ITAR rules that tells this employer who he can hire, what information he can have, and what data he can have. Then what happens to this company? There is no choice but to sell outside of Canada, to sell to another company. This is another example of hollowing out our Canadian assets.

I am not one of those economic nationalists who will say that we have to have all sorts of rules to make sure that nobody can compete to own Canadian companies. I believe that, given the right set of circumstances and a level playing field, our Canadian companies can compete in the world. We can buyout in other nations. We can compete with everybody.

But if we look at income trusts and if we look at OEM and ISS, and if we look now at interest deductibility, we are tilting the playing field away from Canadian companies. We are removing their competitiveness and all of a sudden they have no choice but to sell.

How can we ask these Canadian companies and shareholders within Canadian companies, to risk all the capital, the pensions, the future pensions of these shareholders who are the workers in our communities, and to risk everything to compete in a market where they are disadvantaged? I certainly hope that on Monday when the Minister of Finance does another flip-flop that he falls on the proper side this time.

Business of Supply

•(1610)

Mr. Ed Fast (Abbotsford, CPC): Mr. Speaker, my colleague is a well-respected member of the House, but the problem is that the more time one spends away from one's community, from one's riding, the greater the tendency to forget what hard-working Canadians actually go through trying to build and protect their families and make a life for themselves.

It is evident in the member's comments that this has happened to him because when hard-working Canadians are asked whether billion dollar corporations should be paying tax or be entitled to put their money offshore in trusts, or should be able to double-dip in terms of deductibility of their investment, they will say, no, they are working hard enough as it is. They do not want billion dollar corporations to get extra benefits and pass that burden on to hard-working Canadians who are trying to raise families to be respectable.

I had to ask myself, why is it that the Liberals in the House oppose tax fairness and then I remembered. It is that party that over 13 years had the sponsorship scandal, the HRSDC boondoggle of billions of dollars, the \$1 billion gun registry boondoggle, and special favours for friends and insiders. And it suddenly made sense. They have been doing it for 13 long years and they still do not get it.

Why does the member oppose tax fairness for ordinary, hard-working Canadian families?

Hon. Robert Thibault: Mr. Speaker, the member raises a lot of accusations as to our former government, but he cannot even find in his bag of tricks over 13 years anything equivalent to \$17 billion of untendered contracts given out within the week that we have seen by this government.

Our party supports tax fairness. We do not want to see people abuse offshore havens. If there are loopholes that need to be closed, we should close them.

What we do not agree with is tax stupidity. We do not agree with the minister standing in the House and trying to get on the news one day by putting forward an unplanned, unadvised, ill-advised little 20 second blurb that scared the whole corporate world.

People in my riding work hard at places like I.M.P. and Michelin North America. If they do not work in large industries like that, or Michelin Tires, they have pension plans invested in Canada's corporate sector and they need that corporate sector to have a level playing field. They need job growth in Canada, so that the Government of Canada can get revenues from corporations and from individuals to provide the necessary programs.

We cannot tilt the playing field away from our companies and expect that they are going to compete in the global environment in this very difficult business world. They were doing it well during our term as Liberal government.

•(1615)

The Deputy Speaker: Further questions and comments. The hon. member for Timmins—James Bay.

Mr. Charlie Angus (Timmins—James Bay, NDP): Mr. Speaker, I am surprised that I am hearing today the Liberals talking about the hollowing out of corporate Canada when the real hollowing out happened under the income trusts. Strong corporations have a duty

of course to pay out to their investors but also a duty to reinvest and to build the corporation to create more income, more jobs, and then of course part of that obligation is to pay taxes.

We were seeing more and more companies becoming basically a tax haven and then being eaten out from within in dividend payouts. I support all the people who invested in them because certainly they wanted a return, but the fact was that the Bank of Canada said that these were inappropriate business structures. We heard that they were often overvalued by some 40% in some cases.

There was \$200 billion in moneys that was no longer taxable and was becoming part of the tax haven. The hollowing out happened under the whole income trusts that was supported by the former finance minister when he said he would do no such thing to deal with this massive tax loophole that was created and the Liberal Party ran on that record.

The real hollowing out happened when the Liberal government was in power. It is not happening now. We are in a different situation now, but he has to—

The Deputy Speaker: Order. I am going to try to give the hon. member at least 30 seconds to respond.

Hon. Robert Thibault: Mr. Speaker, I agree with the governor of the bank who said that there were problems within governance, within the income trust sector, but I also agree with him when he said it is the right vehicle for certain types of corporate investments in Canada.

Rather than fix the problem we took a nuclear bomb and wiped out the whole sector. That is like burning a forest because there are a few diseased trees. In my neck of the woods, we do silviculture for problem trees. We do not burn the forest.

Mr. John Cannis (Scarborough Centre, Lib.): Mr. Speaker, I looked forward to participating in this debate only because following the debate throughout the day, I cannot help but start off by saying that there were certain comments made by the government benches, the NDP and the Bloc that were really, in my view, and I do not want to use the word "misleading", sending the wrong kind of signals to Canadians as to what this motion, brought forward by the leader of the Liberal Party, the hon. member for Saint-Laurent—Cartierville, is all about.

For the record, I want to read the motion before I make my comments, so that Canadians out there understand what this Liberal team is trying to do. The opposition motion states:

That, in the opinion of the House, the government's mistaken policies with respect to interest non-deductibility—

And I underline that.

—and income trusts are making it increasingly difficult for Canadian businesses to succeed internationally, while making Canadian businesses increasingly vulnerable to foreign takeovers, thus putting Canadian jobs, head offices and investment at risk and contributing to a hollowing out of Canadian enterprise;

and this House calls upon the Prime Minister to instruct his Minister of Finance to resolve these dangers by withdrawing his interest non-deductibility proposal—

That is what it is all about.

Business of Supply

—and entering into meaningful public consultations on appropriate measures to combat tax abuses,—

This is what the Conservatives are talking about, which is what they want, which was what was just mentioned by my colleague, the former speaker. It goes on:

—and by withdrawing his proposal to tax income trusts and replacing it with the Liberal alternative as summarized in the 14th Report of the Standing Committee on Finance, presented on February 28, 2007.

That is what we are debating today. We are not debating the HRDC boondoggle that was mentioned a minute ago, which sadly, those innuendoes of that day moved the government forward to create an inquiry that cost us millions of dollars to prove what, Mr. Speaker, and I know you remember this very well?

The result that came out was that \$64,000 could not be allocated, but continuously, until this very day, attempts are made to mislead and camouflage that whole issue and mislead Canadians by calling it the \$1 billion boondoggle. There was never a billion dollars lost.

I will not talk about that. I want to focus on this issue. What is puzzling here is this. Prior to the last election and during the campaign of the last election, the current Prime Minister, the then leader of the opposition, stood up and made all these wonderful promises because, yes, there was an initiative at that time.

There were comments from the Liberal government of the day to look at income trusts. We just did not react to it. We did not wake up one day and say that we would make these changes, especially when we addressed this area, which has an impact not only on corporate Canada but on the lives of many people, and more specifically, seniors who wisely invested so that they could have a better future in their golden years.

Seniors took confidence and accepted the word of the then leader of the opposition, the current Prime Minister of this so-called new Conservative government, and they felt comfortable.

There were many people I know who, on that issue and that issue alone, decided to cast their vote, and rightfully so. That is democracy. That was the most important issue for a certain segment of our society and they decided to vote because the Conservatives made a firm commitment that they would not tax income trusts.

It is all very well documented here, not innuendoes, and as I said earlier today in my questions and comments period, as did the member for Kings—Hants and other members, “Do not listen to what we have to say, here are comments from third parties, third party endorsements”.

● (1620)

They quoted Diane Francis, who is not necessarily a Liberal. They quoted Premier Danny Williams of Newfoundland and Labrador and the Premier of Nova Scotia, who today are saying, without any hesitation, that the government misled Canadians. It made a promise in terms of the Kelowna accord and today it reneged on it.

A similar commitment on the Conservative campaign was made with respect to income trusts. The current Prime Minister, for example, talked about fairness and protection. He stated:

The commitment...was not that we would have no taxes for Telus. It was not that we would have no taxes for BCE. It was not that we would have no taxes for foreign

investors, or no taxes for major corporations. It was a commitment to protect the income of seniors.

I have had emails, letters and phone calls from seniors, who quote a \$30,000 impact. One senior says that he has been impacted to that specific figure. The Prime Minister broke his commitment to the widow of a veteran. In writing he said that the moment the Conservatives assumed government, they would address the VIP program. He has gone back on the income trust commitment.

Think of it this way. Once that message was sent out, people are influenced, invest their savings and feel confident. All of sudden they have the rug pulled from under their feet. All of a sudden seniors are sending emails. As I said, I prefer not to make my own comments, but pass on the comments of other people.

Ton and Ethna Anderson say:

A broken promise is a broken promise. The current government broke its promise not to tax income trusts. These actions have seriously lessened our confidence in the government's ability to govern with honesty and integrity. Our investments and the investments of thousands of Canadians, especially seniors like us, have suffered greatly. We reject the government's claim that destroying existing trusts was necessary to prevent further conversions. We urge you to do whatever you can to get rid of the [Prime Minister] and the [Minister of Finance and to hold them accountable].

Here is another one. The Secretary of State (Multiculturalism and Canadian Identity) had a meeting in his constituency. Bill Fisher sent this and stated as follows:

We worked hard to elect a Conservative government, and we were rewarded with betrayal. [The Prime Minister] promised one thing and did another. That's a lie. A 35 billion-dollar lie. Calling manure a rose doesn't change the smell. [The Secretary of State (Multiculturalism and Canadian Identity)] spoke a lot of rose at the meeting, but few were fooled. He and [the Prime Minister] need to listen to Ralph Klein and recant, repent, and reimburse investors and seniors. You can't reward lying politicians by voting for them.

I assume Bill Fisher is from the minister's riding.

I have another one from the Martinson family. The letter states:

[The Prime Minister] conned people into thinking it was OK to invest in trusts then pulled the rug out from under us.

The government has successfully made it SOUND like it was NO TAX MONEY from businesses involved in the Income Trust structure and people seem to be buying this. I feel it is important that it be made clear to the Canadian public that Governments get lots of tax money due to Income Trusts.

It goes on and on.

I will close with another one from Elmer Sather from Surrey, B.C. He stated:

I am speechless, and in shock over how fast these Income Trusts are being taken over by foreigners.

I quoted this one last, though there are many others, only because the motion really deals with that.

● (1625)

It really has to do with a level playing field, of which the Minister of Finance said yesterday. This does not create a level playing field. Canada should not be the Boy Scouts of the world. If everybody out there internationally wishes to implement the same rules, what is good for the geese should be good for the gander and we must not, we should not weaken corporate Canada. After all, they create the jobs to create the revenue for a prosperous Canada.

Business of Supply

Mr. Rick Dykstra (St. Catharines, CPC): Mr. Speaker, if this were the old wild, wild west and the member for Scarborough Centre were a gunslinger, I would not belly up to any saloon and have a drink with him because of the way he shot around and spoke about the breaking of commitments.

It is not too difficult for the member to turn around and look back at the record of his government for 13 years, of broken commitments, starting with the GST in 1993. I guess I could take up a whole lot of time to talk about it, but I want to get at a couple of questions.

The first is on employment insurance and small business. The member spoke about the importance of and the need to deliver for business in our country. At the same time, there is private member's bill after private member's bill from that party supporting an increase on small business of the cost of employment insurance, without regard for anything more than trying to ensure that these small businesses can employ folks. I would love to get his comments on why he supports those private members' bills.

Also, I want to remind the member that as a member of the Standing Committee on Finance, we travelled all across the country with respect to consultation. In fact, there were 450 presentations from every sector, from business, from the private sector, from individuals, from non-governmental organizations.

Members of his party participated on the finance committee. How can he stand in his place and say that consultations did not take place?

• (1630)

Mr. John Cannis: Mr. Speaker, before I answer the member, I will put a challenge to him on the GST. I am prepared to resign my seat, put my seat up against his, if that is what was said in the red book. I challenge him on that. Either he resigns or I resign. That is the challenge I put to him so we can clarify the issue of the GST.

The member from Hamilton said she would get rid of the GST or she would resign, and she did. Then she was re-elected. If the member wishes to take me up on that challenge, I put it publicly on the record.

Mr. Tom Lukiwski: Are you going to make a campaign promise, John?

Mr. John Cannis: I put the challenge, and if I have anything to worry about, he can let his colleague take up the challenge. By all means, it is on the floor, and I made this public.

When this party came as the Reform Party, then the Alliance, then whatever, it keeps changing names every year, it said that it came to Parliament to represent the people. Over 91% of the people answered various questions, which I do not have time to list. On average of 80% do not agree. If the Conservatives believe that they are here to speak on behalf of their constituents, they should put their money where their mouths are and listen to the people.

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, I have listened very carefully to the comments by the member for Scarborough Centre. I do not disagree for a moment that many Canadians were very upset with the reversal of the Conservative position set out during the election with respect to income trusts. It has to be regretted that many people were harmed by that.

In fact, some of the biggest and wealthiest of the corporate elite in Canada tell us that there will be massive financial implications for them in the double-cross of the Conservatives. However, it is also appropriate for us to note that modest income people, in some instances, particularly seniors, have been hurt by that.

Without any hesitation, the New Democratic Party, which has had a long-standing position on this issue, absolutely and clearly committed to a phasing out, in a responsible way, income trusts. It is a position that I and my party stand behind. The rationale for that position was not only set out very well by the NDP finance critic, the member for Winnipeg North, but also by witness after witness before the finance committee.

How can the hon. member for Scarborough Centre and his party completely ignore all of that accumulated evidence? Why does his party not recognize that there is a massive, well-funded lobby being conducted now by the corporate elite around this issue because of their own immediate interests, not the long term financial interests of either Canadian corporations or the Canadian economy at the heart of their position?

Mr. John Cannis: Mr. Speaker, if the member noticed my comments were focused primarily on the impact on the lives of our seniors.

I said earlier today that we are talking about a segment of our society who are no longer income generators. They are dependent on what they have saved, what they have managed through proper channels so they could have a better life. For example, the Metcalfe family, which had been counting on \$1,200 a month, is financially wiped out.

I agree with the member. I believe over a period of time we could have looked at ways and means of addressing this in the proper way so corporate Canada could also be in a position to sustain and adapt and protecting jobs.

Mr. Tom Lukiwski (Parliamentary Secretary to the Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC): Mr. Speaker, I will be splitting my time with the hon. member for St. Catharines.

I will start off my comments by saying I find it almost amusing to hear some of the comments coming from the members opposite, particularly the member for Scarborough Centre, who just finished speaking. He made many comments quoting campaign commitments that this party and this government made in the last campaign with respect to income trusts.

He is quite right. We said that we would not tax income trusts. We ended up doing just that. The Prime Minister has stated publicly for the record that it was the toughest decision he ever had to make, but he also explained the reasons why. We were rapidly moving into an income trust society with the announcements from BCE and Telus that they were planning to move into income trusts.

What the member for Scarborough Centre continued to say, and the example he tried to present, that once we make a commitment, we cannot, come hell or high water, go back on that commitment. He used example after example.

Business of Supply

I am confused. I remember back prior to the 2006 election when the former finance minister, the hon. member for Wascana, mused out loud whether the government at the time, the former Liberal government, would want to tax income trusts.

We all know the story. The markets went crazy. Insiders on Bay Street seemed to profit from his announcement. He finally came back and, in my opinion, due to a lack of political courage, made the statement, "We will not tax income trusts". It was a commitment. Yet now, in the motion before the House, the official opposition is talking about a 10% tax on income trusts, not the 31.5% tax that we had said, which would level the playing field between trusts and other corporations. The Liberals are saying that they would tax it 10%.

The member may not be in a position to answer this question. How do we square that circle? On the one hand he is accusing the government of breaking a commitment that he says should be firm and cast in stone, not to tax income trusts. Yet the Liberals made the same commitment, but now they are saying that they will tax it at 10% only.

Are the Liberals breaking a commitment by degree? Are they suggesting that perhaps on the one hand the government of the day, because the Liberals happen to be in political opposition, cannot break a commitment, but they can, that it is okay as long as it is less than the taxation system the Conservatives want? It does not make any sense. He is saying a commitment is a commitment, yet with the Liberals apparently a commitment is not a commitment.

We have seen this act before. I have seen this movie many times before, flip-flop after flip-flop. We see it continually in the House every time we seem to have a controversial vote. The opinions and the position that the Liberals took when they were in government is contrary to the position they are now taking as the official opposition.

A case in point is the recent Bloc Québécois private member's bill, Bill C-257, which dealt with replacement worker legislation. This type of private member's bill, this initiative, has been before the House over the past number of years at least 11 times. When the Liberal party was in power, when it was the government of the day, every time that private member's bill, or that suggestion came forward to ban replacement workers, that party opposed it, vehemently, vigorously and without question.

However, now that the Liberals are in opposition, they support it. In fact, even though Bill C-257, was defeated, a Liberal backbencher is now introducing yet another private member's bill calling on the ban of replacement workers.

For anyone on the Liberal side of the House to suggest that this government has a problem honouring its commitments, I suggest they take a good hard look in the mirror.

It is not just Bill C-257. We have seen time and time again the Leader of the Opposition, since he has been elected leader of the Liberal Party, continually change his opinion on very important matters. This speaks to the lack of credibility that I think most Canadians have with the Liberal Party these days.

• (1635)

Let me give members a few examples. First, let us talk about what seems to be the favourite subject of the Leader of the Opposition, which is Kyoto. There was a time not too long ago, and of course we have all the quotes if the members opposite would care to listen to them once again, when the leader of the official opposition party said that—

The Deputy Speaker: On a point of order, the member for Etobicoke North.

Hon. Roy Cullen: Excuse me, Mr. Speaker, but I will say for the member for Regina—Lumsden—Lake Centre that I am not sure how the references to Kyoto and other matters are tied into the discussion of the motion before us today. I think he is wandering. I would like him to come back to the topic at hand.

The Deputy Speaker: He is wandering, but he was staying close enough to the post. The leash is still attached. If he breaks away, I will be sure to call him to order.

Mr. Tom Lukiwski: Thank you for your wisdom in that ruling, Mr. Speaker.

Of course, the point, as the hon. member knows quite well, is that I am trying to establish the lack of credibility that the party opposite has on any motion it brings before this House. I think we have established that. Of course the members opposite do not want to hear this and I do not blame them for not wanting to hear it. If I were in their position, I would not want to hear this story again either, but Canadians do want to hear it, so let me go back to the point I was attempting to make.

The Leader of the Opposition is flip-flopping on positions. The point I am making is that if he flip-flops in the examples I am about to give, how can we count on him to be sincere in the motion the Liberals have brought before the House today? Clearly we cannot.

On Kyoto, we do have the quotes. The leader of the official opposition has stated that we cannot make our Kyoto targets. He is on the record as stating that. He was the environment minister in the previous Liberal government and he has stated on the record that we cannot meet our Kyoto targets.

What do we hear today? Time and time again, criticisms are leveled at this government for what the opposition leader says is a failure to meet the Kyoto targets, the very targets the Leader of the Opposition said he could not make. He could not meet those targets by 2012. How can we believe anything the Leader of the Opposition says?

Let us turn to economic matters. That may be a little closer to the heart of this issue that we are debating today. There is still a credibility gap when it comes to members of the opposition. Again, we can point first and foremost to the leader of the official opposition, who has stated on more than one occasion that he did not believe there was anything such as a fiscal imbalance. He did not believe, for example, that there was anything called a fiscal imbalance, yet when we introduced measures in the last budget to fix the fiscal imbalance between the federal government and the provinces, all we heard was criticism from members opposite.

Business of Supply

We can talk about things like the equalization formula, on which the Liberal leader has stated that, first, he believes in a fiscal cap. He believes sincerely that no province that receives equalization payments should end up in a fiscal position with a fiscal capacity higher than that of a province that pays into the equalization formula.

That is exactly what we did: we put a cap on to prevent that very thing from happening. Yet what do we hear from members of the opposition? Criticism. They say this is a betrayal of our position. There is no betrayal. We are doing what is fair, what is just, and what is in the best interests of all Canadians, yet members opposite criticize it.

We also have examples in regard to my colleague, the member for Wascana, who, when he was minister of finance in the former Liberal government, stated, he did not believe that there was any fiscal imbalance in this country. He also stated that he was not in a position to remove non-renewable natural resources from the equalization formula, nor would he agree to. In fact, for 13 years, the last three in which he was minister of finance for this country, the Liberals did nothing to deal with the equalization formula.

True, they gave, and again, it is about credibility: the Liberals say one thing when they are in government and another when they are in opposition. How can we believe anything they say now? How can Canadians believe anything they say now? That is why for any motion this government brings, whether it be on income trusts, fiscal caps or the environment, how can one believe anything the Liberals say because of the fact they have changed their position so many times in the past?

Let me conclude by saying that what we have done with our position on tax havens and double-dipping is to ensure that there is a level of tax fairness for all Canadians. Once again, this goes back to the flip-flop and members opposite, such as the member for Markham—Unionville, who has stated he believes there should be no double-dipping. He believes there should be a crackdown on tax havens. Yet day after day in this House in question period, the same member stands up and criticizes the Minister of Finance for doing the very thing which he advocated.

That party has no credibility on any issues and particularly on this motion, and that is why I will be voting against it.

• (1640)

Hon. Roy Cullen (Etobicoke North, Lib.): Mr. Speaker, clearly the member for Regina—Lumsden—Lake Centre has not read the motion or he would know that our motion asks the government to respond in a certain way. Reliability does not come into the equation, nor do all the other issues that he talked about.

Nonetheless, I share the concern of my colleague from Scarborough Centre. Many people in my riding relied on the word of the Conservative government when the Conservatives said they were not going to tax income trusts. People made investments based on that and have been hurt significantly.

We know that we had to do something with income trusts. In fact, the member for Wascana brought in some measures to reduce the taxes on corporations. With the benefit of hindsight, that may not have been enough, but the finance minister is bringing in an elephant to kill a mouse. He is probably trying to be decisive, which is the

latest catchword around here, but one does not bring in measures and throw the baby out with the bathwater.

We know that income trusts were working for the energy sector and for real estate. The government could have done much more in terms of grandfathering. Even if it had to bring in measures, it could have done something on grandfathering so that at least those people who made those investments would not have been injured.

I share the concern that my colleague from Scarborough Centre expressed earlier. That is why our motion says that the Minister of Finance needs some good advice on this question of the non-deductibility of interest. Let us bring in the experts.

The minister is in a bit over his head. He left Ontario with huge budgetary deficits. Is this the kind of person we want dealing with complex issues around tax avoidance and tax evasion? There are some issues there, but again, we do not throw out the baby with the bathwater. We deal with those issues. There are complex issues around the taxation of dividends from affiliates and questions of tax havens. Let us ring-fence that and let us—

• (1645)

The Deputy Speaker: The hon. parliamentary secretary to the government House leader.

Mr. Tom Lukiwski: Mr. Speaker, there are two issues that my hon. colleague brought forward. Let me deal with them both.

First, he talks about income trusts. I will go back to the example I used during my initial presentation. On the one hand the hon. member is saying that all Canadians should be critical of the Conservative government because the Conservatives said during the campaign that they would not tax income trusts and now they have.

Yet after the former minister of finance said, “I will not tax income trusts”, the Liberals are coming forward with a proposal to tax them. How do we square that circle? How can they be critical of a government because it decided to tax income trusts when they themselves are saying that very thing?

With respect to the second question my hon. colleague had on tax havens and double-dipping, what the Minister of Finance has said and continues to say daily is very clear. He wants to be in a position to offer tax fairness to all Canadians. To do that, he has to ensure, and I think all Canadians would agree with him, that everyone, including corporations, is on a level playing field when it comes to paying taxes.

He is talking merely about eliminating double-dipping and eliminating tax havens, a position which the former revenue minister in the Liberal government agrees with.

How can those members be against tax fairness? How can anyone disagree with a position that makes sure all corporations pay their fair share of taxes? Their position makes no sense.

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, I followed closely the comments by the member from, I believe, Edmonton—Strathcona.

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Before I put a question to the member, I want to acknowledge, if I am not ruled out of order for doing so, that one of the really vocal and articulate critics of the flawed decision of a previous Liberal government to gut the Foreign Investment Review Agency was in fact our current Deputy Speaker, the member for Elmwood—Transcona, who of course was previously the member from Winnipeg—Birds Hill.

I think what we have here is a serious difference of opinion in this debate about the causes of what is incontestable in our current economy and the causes of what has been happening over a period of years in terms of substantial job losses, and particularly the transformation of good quality jobs, well paid jobs and more secure jobs, into bad jobs.

Also, there are the numbers of Canadian businesses that are indeed increasingly vulnerable to foreign takeover. It is not just that they are vulnerable, because we already have had 11,000 such takeovers presided over by the Liberals doing absolutely nothing about it.

The Conservative member on the government side has been rejecting the central proposition of the motion before us, which is that the increasing vulnerability of Canadian businesses to foreign takeovers is a result of the income trust tax decision. I want to ask the member if he could share with the House his view of what it is, therefore, that is putting Canadian enterprises at risk and making them more vulnerable. What is—

• (1650)

The Deputy Speaker: The hon. parliamentary secretary.

Mr. Tom Lukiwski: Mr. Speaker, let me say at the outset that I reject the premise that Canadian corporations are more vulnerable because of this decision. In fact, I would suggest, and I think the record would bear me out, that there are far more examples of Canadians taking over foreign investments, or in other words, taking over foreign companies, than the reverse.

To perhaps set the record straight as well, I think the member referred to some member from Edmonton—Strathcona. If she was referring to me, I note that I am from Regina—Lumsden—Lake Centre. I know the member would not purposely misrepresent my home riding, and I know she was confused.

Quite simply, I reject the premise of the question from the hon. member for Halifax, who is suggesting that in some way tax policies by this government make Canadian corporations more vulnerable to foreign takeovers. I absolutely reject that premise and I think the record will show that I am on pretty solid ground.

Mr. Rick Dykstra (St. Catharines, CPC): Mr. Speaker, my speech follows up on the excellent speech by the member for Regina—Lumsden—Lake Centre, but I do want to respond to something. I was challenged earlier by the member for Scarborough Centre to come up with where specifically in the red book it said that the GST would be scrapped. He will be happy to hear that on page 22 of the red book of 1993, the quote that the Liberals will scrap, kill and abolish the GST is:

A Liberal government will replace the GST with a system that generates equivalent revenues, is fairer to consumers and to small business, minimizes disruption to small business, and promotes federal-provincial fiscal cooperation and harmonization.

It is on the record. The member for Scarborough Centre challenged me. I think I am up to the challenge, so we will see if the member for Scarborough Centre is prepared, based on the fact that it is in the red book, to step down from his seat and run again like he said he would. I am looking forward to it.

I would like also to focus my remarks on the portion of today's motion dealing with the deeply flawed Liberal alternative to the government's tax fairness plan, an alternative aptly described by Finn Poschmann of the C.D. Howe Institute as politically funky stew, and elaborate on the extensive tax relief our government has provided to Canadians.

The chief deficiency with the Liberals' alternative plan is that it completely fails to level the playing field between income trusts and corporations. The Liberals would completely ignore the tax revenue losses experienced by the federal and provincial governments, nor would they remove the tax incentive for business and investors to choose the income trust structure over corporate structure.

On October 31, 2006 Canada's new government announced its tax fairness plan. Unlike this motion, it will restore balance and fairness to the federal tax system by creating a level playing field between income trusts and corporations and also deliver over \$1 billion of new tax relief annually for Canadians, especially our seniors.

Included in the measures in the tax fairness plan is a distribution tax on distributions from publicly traded income trusts and limited partnerships. Distributions of existing income trusts will not be affected, I repeat, not be affected, by this tax for four years. Also included is a reduction of one-half percentage point in the general corporate income tax rate as of January 2011. At that point in time, the federal general corporate income tax rate will be 18.5%, which makes us the third lowest in the G-7. There is an increase in the age credit amount by \$1,000, from \$4,066 to \$5,066, effective January 1, 2006. The \$1,000 increase in the age credit amount will provide tax relief to low and middle income seniors.

For many, pension splitting beginning in 2007 is also in the plan. The pension income splitting measures will allow residents who receive income that qualifies for the pension income tax credit to allocate up to one-half of that income to their spouse or common law partner, thereby significantly reducing the tax on that income. The pension income splitting measure is a move that will directly benefit many of the 20,000 seniors in my riding of St. Catharines, and will benefit thousands more across the country.

The government is committed to tax fairness in this country. It is only right that businesses and individuals in Canada each pay their fair share of tax.

Had the government not acted on the income trust issue, the tax burden would have been unfairly shifted on to the backs of hard-working individuals and families in our country. Our government could not stand by and watch this happen. Ordinary taxpayers needed to be protected. That is why we acted.

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Informed opinion from coast to coast has been overwhelmingly in our favour. The federal *Daily Gleaner* said, "It was the decision we think that will benefit Canadians in the long run". The *Montreal Gazette* called it sound public policy, noting that unlike the former Liberal government, we had the discipline to avoid public dithering. The *Toronto Star* said that the finance minister deserves much credit for doing the right thing by plugging a tax avoidance loophole that he rightly described as a very bad thing for Canada. The *Winnipeg Sun* said that the Conservative government acted in the best interest of the economy going forward.

• (1655)

Even the Liberal finance critic, the member for Markham—Unionville, said at the time that it was absolutely the right thing to do, to ensure tax fairness and to work for Canada's productivity.

Unlike the Liberal leader, most Canadians clearly get it. In order for Canada to compete and be a leader in the 21st century, we must have a fair and neutral tax system in which all individuals and businesses pay their fair share.

Canada's new government demonstrated its commitment to tax fairness in this country in its most recent budget. The 2007 budget invests in things that make Canada great and reflect the values and beliefs that define us as a nation.

The government is taking important steps to clean up our environment, invest in Canadians, improve our health care system and celebrate our culture.

Canada's new government came into power believing strongly that Canadians pay too much tax. That is why in budget 2007 our government took steps to reduce the tax burden on Canadians and provide over \$7 billion in tax relief over the next two fiscal years.

The tax relief provided in budget 2007 builds on the already significant tax relief that the government provided in budget 2006 in which 29 tax reductions amounting to almost \$20 billion over two years were made. Budget 2006 provided more tax relief than four previous federal budgets combined.

Canada's new government has also introduced advantage Canada. A key element of the plan is to provide a tax back guarantee to Canadians by dedicating all interest savings from reducing the federal debt to personal income tax reductions. It means that every dollar saved from lower interest payments will be returned to Canadians through personal income tax reductions.

Over the next two fiscal years this will mean \$2.4 billion in tax relief. It is made possible by lowering our national mortgage by over \$22 billion since being elected, debt reduction that works out to more than \$700 per Canadian. After all, why should Canadians not benefit directly from living in the only G-7 nation with a balanced budget?

Here are a few examples of how the government is acting to help hard-working Canadians and businesses:

We are introducing a \$2,000 per child tax credit that will help families get ahead. For a typical family with two children, it will mean up to \$620 in tax savings. This tax credit will help alleviate

some of the necessary expenses incurred by Canadian families in raising children.

We are increasing the spousal and other amounts to provide up to \$209 of tax relief for a spouse or a single taxpayer supporting a dependent child or relative. We are giving all families the opportunity to enjoy the dignity that comes with having a job and the pride of independence through the working income tax benefit. It will reward and strengthen incentives to work for more than 1.2 million low income Canadians. The maximum benefit is \$500 for individuals and \$1,000 for families.

We are reducing the federal paper burden for business by 20% by November 2008, by reducing the number of annual tax filings and remittances by over 350,000 small businesses. We are recognizing that businesses need modern technology to be more efficient and buildings that allow them to grow. That is why we proposed changes to the capital cost allowance system that will shorten the writeoff period for computers and non-residential buildings.

Budget 2007 also contains a detailed plan creating a Canadian advantage in global capital markets that will create a stronger and more efficient capital market in our country. The plan will give enterprises of all sizes better access to capital at more competitive costs, provide investors with increased investment choices and create more highly skilled, well paying jobs.

Canada certainly recognizes that attracting investment is as basic to building a strong economy as reducing government debt, lowering taxes and maintaining low, stable and predictable inflation.

Make no mistake that the decision that was taken on October 31 is all about fairness. It is about fairness to Canadian taxpayers and their families who would have been asked to pay more and more. It is about fairness within the corporate sector by removing the tax distortion in favour of income trusts relative to corporations. It is about fairness for all Canadian governments, federal and provincial, by preventing a significant loss of tax revenue.

In summary, it was clear that income trusts had special tax advantages that regular business corporations did not. Although the decision to act on this income trust issue was not an easy one, it was absolutely necessary for the country and for the future generations of Canadians, our children and our grandchildren.

• (1700)

Mr. John Cannis (Scarborough Centre, Lib.): Mr. Speaker, like a large-mouthed bass, the member took my bait, because what the member for St. Catharines said when asking me a question before was half of the sentence. It is in the record where he said that the Liberals promised in the red book to scrap the GST, period.

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I want to thank him because it is the first time since the 1993 election that a member from that party finally completed the sentence as it is on record, in the newspapers, in the media and in the red book. He clearly stated that the Liberals would replace the GST with an equally revenue generating tax.

I want to ask the member for St. Catharines, without revenue, how would the Liberals have eliminated the deficit that we inherited from the Conservatives? How would the Liberals have lowered the debt? How would the Liberals have had money to invest in infrastructure, in health, in post-secondary education?

The large-mouthed bass took the bait and he finally clarified what we committed to in the red book of 1993, to replace the GST with an equally revenue generating tax, and not mislead Canadians by saying replace and scrap the GST, period.

I am glad he took the challenge, and I will take him on any time.

The Acting Speaker (Mr. Royal Galipeau): I am not sure I heard a question in there, but the hon. member for St. Catharines has the floor.

Mr. Rick Dykstra: Mr. Speaker, if I had the opportunity I would stay here the rest of the week and over the weekend to debate with the member for Scarborough Centre about his broken promise, his party's broken promise. He admitted it right here in the House. He said, "We didn't keep it. We didn't do it. We didn't get it done".

This is my favourite day in the House since I have been here. He called me a large-mouthed bass and I took the bait. Sir, through you, Mr. Speaker, this was fishing at its best. Those who host fishing shows on TSN would be proud to watch what the member for Scarborough Centre did today when he admitted to Canadians and the House of Commons that the Liberals did not do what they said they were going to do with the GST. I am proud the member finally had the nerve, on behalf of his party, to stand and say it.

Mr. Derek Lee (Scarborough—Rouge River, Lib.): Mr. Speaker, I am pleased that we could spend a moment or two on this issue. That was 14 or 15 years ago. I am very pleased that the red book phrases have been read into the record because they often get forgotten. At the time members will recall there was a desperate attempt to do what we could to get rid of Brian Mulroney's Progressive Conservative GST which had been imposed on Canadians. The Conservatives now seem to be trying to avoid that whole issue.

I recall cobbling together a political platform which had in it this commitment to replace the GST with a tax that would be revenue neutral and would accommodate the two other objectives.

In the end, it is a fact that the Liberal government did not succeed in putting in place right across the country what became known as the harmonized sales tax. We were able to implement it in only the maritime provinces. That was the end of our ability because of lack of cooperation with the provinces to develop that.

Mr. Speaker, I appreciate the opportunity to set the record straight.

• (1705)

The Acting Speaker (Mr. Royal Galipeau): There is a minute left for the hon. member for St. Catharines.

Mr. Rick Dykstra: Mr. Speaker, the member and I serve on the justice committee together. I have to say I respect the work that he does there. He is hard working. He knows his place. He knows what he needs to do there. He deals with the facts on a reasonable basis. Let me compliment him on that.

The fact is we are not talking about justice here. We are talking about finance and we are talking about commitment. The plain fact of the matter is: square box, put it in, and what came out was a broken promise. There is nothing more that can be said about it. They cannot correct the record. All they can do is say that yes, they broke their promise. That is all they can do.

Mr. Alan Tonks (York South—Weston, Lib.): Mr. Speaker, if things get really desperate, I will be splitting my time with the member for Brant.

These are issues of huge importance that we are dealing with today. Sometimes in the cut and thrust of debate and repartee, I am sure Canadians wonder just what the point is that we are trying to make. I want to try to make a balanced commentary on what has been proposed.

Every Conservative member who spoke has emphasized how important it is to get the capital regime in place that fits right within the global economy. That is based on the ever-pressing assumption that within the global economy the movement of capital is absolutely fundamental to the health and welfare of a modern global economy, of which Canada, Europe, Japan and China are a part. In a competitive world, all those that we are in competition with to add value to our economy need to get the capital regime in place that will add value to our economies.

The proof of that is that every member has addressed part of that regime. One cannot talk about the accelerated capital tax write-off for capital equipment without relating that to what value it adds in a competitive regime. It would add nothing if every country with a modern economy did exactly that, so it needs to be more.

In global capital markets, it is important that we have a free trade approach to the investment through securities. The government has indicated that it is moving in that direction. If every modern economy did that, that alone would not give Canada the competitive edge.

We can talk about a global commercial strategy with respect to breaking down cross-border tariffs and so on. Again, that alone would not give Canada the competitive edge.

The bottom line is that what will give Canada the competitive edge is to have something more that makes Canadian investments both in Canada and abroad more attractive in a competitive global world. That, in turn, will add jobs, which means that we can reinvest in our health care system and produce a civil society that has a quality of life that we want for all Canadians.

I do not want Canadians who are still watching, if, indeed, they ever were watching this particular cut and thrust of debate, although I am sure many are, to conclude that it is an either/or, that they must take the Conservative government position or the Liberal position, because the nature of the motion is to ask for sober second thought. Given the commentary with respect to interest deductibility, for example, and the implications that are being drawn, is it time to take a step back and re-evaluate that particular policy?

When the C.D. Howe Institute comes forward and says that the proposed changes in the Canadian tax system could place Canadian companies at a significant disadvantage both abroad and even in Canada in competing with its foreign counterparts, one cannot just slough it off as being irrelevant. When KPMG comes forward and says that more foreign takeovers of Canadian companies stifle Canadian investment in global markets and an exodus of head offices and a weaker Canadian economy overall will occur, we cannot say that is a one-sided commentary or a partisan shot at the government.

• (1710)

We could also quote from KPMG on interest deductibility. It states:

This is just disastrous and disables all businesses who wish to expand in a foreign jurisdiction, because they cannot borrow money outside and deduct interest on that money. It means everyone must rearrange their affairs and set up a U.S. subsidiary, which costs more money.

We cannot take that commentary and just say that it is totally irrelevant to this debate.

The nature of the global economy is one of an integrated economy. We used to have a subsidiary economy based on U.S. and multinationals. Now investment is going every way. We just had an example of that on the financial page of today's *Globe and Mail* where it was being cited that Magna was looking for a Russian investor.

When we talk about integrated investment, if we have a company that is active in China, that company in turn invests through Canadian capital in operations in Canada and employs people. It is a check and balance on foreign exploitation.

We cannot just simply take a partisan perspective on this and say that the government is all wrong and the opposition is all right. What we can say is that given what we understand of the movement of capital and the fact of where barriers are placed in stopping capital from moving in a liquid fashion, there is no question that Canadian companies and Canadian society will suffer.

The general bottom line of those experts is what this side has said to the government, through this motion, that we should have another look at what we are doing with respect to interest deductibility.

I will not make comments on income trusts but there are similar comments that can be made in terms of process. I am focusing more on interest deductibility because there is a huge body of opinion that is saying to the government that this is a time to take a step back.

I think the Minister of Finance himself is coming to the conclusion that once we can get past the issues related to double-dipping and using straw horse investment facades behind which

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corporate tax returns can be fudged, we should put in a regime that will protect Canadians against that kind of exploitation.

However, once we have done that then we need to get to the essential issue of what this is doing as a mechanism that undermines investment and high value added activity that will benefit Canadians. That is the message that the opposition is trying to give the government.

The Acting Speaker (Mr. Royal Galipeau): It being 5:15 p.m., pursuant to order made earlier today, all questions necessary to dispose of the opposition motion are deemed put and a recorded division deemed requested and deferred until Tuesday, May 15 at 5:30 p.m.

The hon. member for Edmonton—Sherwood Park.

• (1715)

Mr. Ken Epp: Mr. Speaker, I believe that if you were to seek it, you would have absolutely no objection to seeing the clock as 5:30 p.m. so we can proceed to private members' business.

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

Some hon. members: Agreed.

[*Translation*]

The Acting Speaker (Mr. Royal Galipeau): It being 5:30 p.m., the House will now proceed to the consideration of private members' business as listed on today's order paper.

PRIVATE MEMBERS' BUSINESS

[*English*]

WATER RESOURCES MANAGEMENT

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.) moved:

That, in the opinion of the House, the government should immediately develop, in consultation with the provinces, territories, Aboriginal groups, municipalities, local community organizations, and others, an integrated water resources management strategy to measure, monitor, protect, and enhance Canada's freshwater resources through scientific research by governments, universities, and private research networks, and through legal and regulatory instruments.

He said: Mr. Speaker, it is an honour to rise today to speak to this motion on one of the most important environmental issues of our time.

Before I begin addressing the motion, I would like to propose a friendly amendment to add at the very end, "and should appoint the Minister of State for Water under the authority of the Minister of the Environment to oversee and administer the water resources management strategy".

The Acting Speaker (Mr. Royal Galipeau): The hon. member should know that when he moves an amendment that ends his presentation.

Mr. Francis Scarpaleggia: Mr. Speaker, I appreciate that.

The Acting Speaker (Mr. Royal Galipeau): As a courtesy, we will get the unanimous consent of the House so that he can turn back the clock.

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Mr. Francis Scarpaleggia: I will withdraw the motion for the time being, with the unanimous consent of my colleagues.

Hon. Karen Redman: Mr. Speaker, just for clarification. The member has unanimous consent and he may continue for his 15 minutes.

The Acting Speaker (Mr. Royal Galipeau): Is there unanimous consent?

Some hon. members: Agreed.

Mr. Francis Scarpaleggia: Mr. Speaker, my thanks to the chief government whip as well.

On November 16, 2006, I tabled the motion we are debating today, calling for a national water strategy. A little after that time, a couple of other similar motions appeared on the order paper by two other colleagues, the member for Parkdale—High Park and the member for Nanaimo—Cowichan. Their motions will be up for debate at a later date, and I very much hope to participate in those debates.

On March 19, the government appeared to react to the pressure by parliamentarians, and perhaps by the growing awareness among the Canadian public, of water as a vital resource by including a quick reference in its second budget to its intention to undertake certain expenditures in the area of water management. Let us hope the government's new-found interest in water is more real and convincing than its confused, halting and highly criticized, both inside and outside Canada, approach to climate change, an issue, incidentally, that has a profound impact on water quality and quantity.

I have my doubts, though, because the current federal cabinet includes three former ministers from the former Harris government in Ontario, a government well known for having been in charge in Ontario at the time of the Walkerton water tragedy. It was a government that made serious cuts to the environment ministry in that province, cuts that contributed, according to the report of the O'Connor inquiry, to the tragedy itself.

Water is an essential resource. It is so vital to our human existence that it is impossible to claim that a country has a real and effective environmental policy if it is not properly and comprehensively addressing the issue of water. So vital is water to human existence that it is not possible to say that a nation is committed to the values of equity and equality if it is not properly and comprehensively addressing the issue of water. Water is ubiquitous. It is everywhere and its management falls under many jurisdictions.

It is an issue that has multiple sub-issues in multiple jurisdictions. Water has many aspects. As I said, it is consumed as a good and it is also essential to economic prosperity. It is visible in lakes and streams, but also invisible in aquifers and underground streams and rivers. It can inspire science and scientific research, but it can also provoke conflict. Water, therefore, is complex and far-reaching and requires a broad and comprehensive approach.

Because it is such an important issue, because it is so complex, a national water strategy must rest on the democratic principle of consultation, which is why in the body of my motion I mentioned that any future water strategy should be developed in consultation

with different levels of government, with local citizens groups and so on.

I can obviously not address the entire breadth of this issue in 15 minutes. I will only really be dealing with the tip of the iceberg of this complex, detailed and multi-faceted issue.

The first thing I will address is the myth about water in Canada. This myth is that Canada is to water what Kuwait is to oil. In other words, we have such a huge overabundance of water that perhaps we do not need to take the issue that seriously. However, if we are to have an effective policy, we cannot rest that policy on misconceptions and false assumptions. Therefore, I will set the record straight on the overabundance of water.

First, on the demand side, Canadians per capita are among the highest consumers of water in the world. There are great demand pressures on our water resources.

● (1720)

Let us look at the supply side. The volume of water sitting in lakes in Canada is at least 20% of the volume of freshwater in the world. That sounds very impressive. It makes it sound as though we have a huge abundance of water. However, we need to clarify our terminology.

The first thing we need to do is to distinguish between what might be called water capital and water interest, to use a financial or accounting analogy. This distinction is vital to our understanding of the degree to which our actions as consumers, as businesses and as policy-makers may be depleting our water resources beyond recovery.

For example, the water sitting in our lakes might be considered our stock of water, our water capital. In other words, it can only be used once. Once that water is used, it is depleted and it can never be recovered. The rivers and streams that run into and out of our lakes, including the Great Lakes, are like our water interest or dividends. These rivers and streams and their flow represent net additions to the water supply. They represent the renewable portion of the water supply.

It is the volume of the water dividends, the volume of the flow that matters, since this is the portion that can be used on an ongoing basis without depleting the resource base or the capital stock of water. The volume of the flow is what is known as the renewable water supply. It is interesting to note in this regard that the total volume of water in all the freshwater lakes of the world is only equal to about two year's worth of the runoff of the world's rivers. That helps to make the stark contrast between water capital and water interest.

The two countries with the largest renewable water supplies, and one of them is not Canada as is commonly assumed, are Brazil with 12.4% of the world's renewable water supply and Russia with 10%. Below that Canada is in a virtual four-way tie with Indonesia, the U.S. and China. In fact, Canada has only about 7% of the global renewable water supply. Interestingly enough, much of that supply does not flow to populated areas. It flows north of the population centres in southern Canada.

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This is a vital issue and we have not as a federal government and as a nation as a whole been addressing it properly. If we look at a recent report on water management by the Senate standing committee on energy, environment and natural resources, the committee described the state of water management at the federal level in Canada as shocking and unacceptable.

I have heard other statistics, such as Canada is 26th out of 28 countries in the developed world in terms of managing our water resources. That includes our drinking water resources.

As the motion essentially alludes to, I believe governments should respect their constitutional jurisdictions. This does not mean the federal government must be a bystander or a passive observer. It does not mean the federal government must step back or wilt in some way. The federal government has a role to play in water management in Canada. It has a right to be involved, even though water is a natural resource and provinces have jurisdiction over their natural resources.

There are some areas where the federal government has a direct and a constitutional responsibility and authority. For example, the federal government has jurisdiction over international treaties and interprovincial issues. It has jurisdiction over navigable waters and fisheries, water on airplanes and water on aboriginal reserves. In a more indirect way it has jurisdiction, upheld by the Supreme Court, of toxic substances which leach into our water supply. There are many hooks on which a national water strategy could rest.

● (1725)

I will turn now to drinking water. To give the House a sense of the situation with respect to drinking water in Canada, Canada is one of the most developed countries in the world and we still have problems with drinking water.

New Brunswick, Newfoundland and Labrador and Quebec, particularly rural Quebec, continue to lag behind in maintaining even the minimum federal guidelines for water quality. Many small communities continue to this day to have to boil their water for everyday use. Families in every region of the country are boiling their water daily because they cannot get clean drinking water into their homes.

In British Columbia the Sierra Legal Defence Fund issued a report entitled "WATERED DOWN", concerning 28 waterborne disease outbreaks in 2003. It estimated that at any given moment as much as 10% of B.C.'s water systems should be under a boil water advisory.

In 2002 Manitoba passed a drinking water act. Since then, it has discovered in Winnipeg that concentrations of disinfectant byproducts considered carcinogenic could be located in the Winnipeg drinking water.

In Portage la Prairie lead concentrates exceeded Canada's guidelines.

Let us talk a bit about the federal role in terms of drinking water before I wrap up.

There are drinking water guidelines in Canada and they were created through a joint federal-provincial-territorial committee on drinking water. In 2005 Canada's Commissioner on the Environment

and Sustainable Development, who audited the process the federal government uses to develop these guidelines, found a significant backlog of about 10 years in updating them, despite Health Canada's recommendation that they should take no more than two or three years to develop or review. The commissioner found that many known contaminants were not even listed in the guidelines because of the time lag in updating them.

There is a problem here and it is very important that the federal government show some leadership in terms of marshalling the energies of all the stakeholders in this issue.

I appreciate the opportunity to debate the motion. I hope to continue to delve into the issue in greater detail in the second hour of debate.

● (1730)

Mr. Mike Allen (Tobique—Mactaquac, CPC): Mr. Speaker, I am very interested in the idea of water. In my view, it is a major issue for us just as much as the air in some cases.

Has the member had any thoughts about the idea of flood plain mapping and how that would fit into water quality?

Mr. Francis Scarpaleggia: Mr. Speaker, the member is a member of the environment committee. He, like me, had the opportunity yesterday at the environment committee to look into an issue that affects water, the issue of coal bed methane, raises a very good point.

There is a problem with the extent and depth of our knowledge concerning watersheds and other aspects of water. In fact, this is definitely one of the areas where I believe some federal investments are required in order to collect the information we need to make those proper and effective decisions affecting the future of our water supplies.

This is something that will have to be explored in greater detail, and we will have to marshal resources in the service of greater research on issues like the one that my hon. colleague raises.

Mr. Mark Warawa (Parliamentary Secretary to the Minister of the Environment, CPC): Mr. Speaker, I am pleased to rise today in the House to address Motion No. 249, introduced by the member for Lac-Saint-Louis.

We all know that water is perhaps one of the most valuable natural resources. It is essential to life. It is critical to the health and well-being of Canadians. It is critical to aquatic systems.

It is also vital for economic prosperity across sectors such as agriculture, oil, gas and shipping. That is why it is also important to this government's environmental agenda, which includes conservation of species and spaces, clean air and climate change.

In dealing with one of our most precious resources, Motion No. 249 calls on the federal government to immediately develop, in consultation with the provinces, territories, aboriginal groups, municipalities, local community organizations and others, an integrated water resources management strategy.

Private Member's Business

The main focus of this motion is to advance the concept of integrated water resources management to measure, monitor and protect freshwater.

After examining this motion and its implications, the point that I would like to address is that much of the spirit and substance of this motion is already being implemented by the federal government.

For example, integrated water resources management is a water management approach that advocates decision making based on engaging stakeholders and incorporating ecological, social and economic considerations.

As well, the global water partnership sponsored by the United Nations development program advocates an integrated water resources management based on principles of openness, transparency, inclusion of stakeholders, accountability, responsiveness, efficiency and equality.

These are principles that Canada is already using to help guide integrated water resources management approaches here in Canada.

As a matter of fact, Canada has been taking an integrated water resources management approach for many years. We have already adjusted our thinking. We have created new tools for the job. We have put these tools to work in a wide range of integrated water resources management initiatives across Canada.

Integration is happening at many levels. Our work on water is bringing together provincial and territorial governments, aboriginal peoples and stakeholders, municipalities, industry, energy, agriculture, non-governmental organizations, community groups and research teams.

This government is also working toward effective planning and decision making on water management through partnerships.

The fact is that collaborative water management is a cornerstone of integrated watershed management. This means that stakeholders need to be actively involved in water management decisions.

We are continuing our work to put in place inclusive and transparent coordination mechanisms that will allow us to widen the application of this broad principle.

In fact, if we look at the 1987 federal water policy that was passed by former prime minister Brian Mulroney's Conservative government, we will see that this policy calls for integrated water management planning. It also calls on the federal government to achieve this through its programs, policies and laws.

So for 20 years we have had a federal water policy that is already consistent with integrated water resources management, and all the actions proposed in Motion No. 249 have already been captured in the policy's five strategies.

As well, the federal water policy is a statement of our government's goals for Canada's freshwater resources. Today, this government is on track toward achieving those goals. This year alone, we announced \$4.5 billion in new spending on the environment.

This includes the national water strategy, where we have invested \$35 million on freshwater initiatives: \$11 million over two years for

cleaning up Great Lakes areas of concern; \$5 million over two years for the International Joint Commission to study Great Lakes water levels; \$12 million over two years to support the cleanup of Lake Simcoe; and \$7 million over two years for the cleanup of Lake Winnipeg.

• (1735)

Our national water strategy also supports healthy oceans by investing \$382 million for conservation and protection of fisheries and ocean habitats.

Budget 2007 also includes a long term infrastructure plan that will help support investments by provinces, territories and municipalities to improve water and waste water infrastructure, including treatment facilities, sewage collection and water distribution.

Our government will be pursuing these budget initiatives in an open and consultative manner.

As for the federal, provincial and territorial jurisdictions, this government recognizes their responsibilities with respect to water delivery. We consistently favour a collaborative approach that is respectful of the roles and responsibilities of each order of government.

Fortunately, the provinces and territories also recognize the need for collaboration and an integrated approach to water management.

Our mutual understanding of the need for collaboration is important, because the reality is that the provincial and territorial governments are responsible for many aspects of land use planning and development that impact water quality and availability. Many provinces are demonstrating their commitment to this approach by introducing new policies and legislation that moves toward integrated collaborative approaches.

For example, the province of Alberta's new water for life strategy introduces a transition from traditional water management planning for water allocation issues to integrated watershed management planning supported by a shared governance model.

Ontario is moving forward with a comprehensive approach to protecting sources of drinking water.

The Quebec water policy is based on full integration of the different aspects of water management by adopting an integrated watershed management approach relying on citizen involvement, integrated management of the St. Lawrence River and recognition of water as an integral part of the collective heritage of the citizens of Quebec.

There is no doubt that many Canadian jurisdictions are using integrated water resources management to guide their central water management approach. Considerable progress is being made in many areas and we expect this trend of policy and legislative reform to continue as jurisdictions come more fully to terms with the need to manage their water resources for economic, social and environmental reasons.

Federal, provincial and territorial governments are also cooperating on the national collection of water quality information through national agreements on water quality and quantity monitoring. There is movement toward integrated management with better data and information and an emphasis on clear and transparent goals and results.

As well, where water management issues are a shared federal, provincial and territorial interest, the Canadian Council of Ministers of the Environment also provides a formal mechanism for effective intergovernmental discussion and coordinated approaches to regional and national environmental issues, including water management.

The council also recently introduced national initiatives to promote drinking water protection from source to tap and options for a Canada wide strategy for managing municipal waste water effluent.

Regional cooperation in water management is also achieved through bodies such as the Prairie Provinces Water Board and the Mackenzie River Basin Board. These boards ensure that inter-provincial surface waters and groundwaters are equally shared by Canada's prairie provinces and they help to prevent potential conflicts.

When we look at all of these initiatives that are taking place, we can see there is no doubt that ensuring clean and safe water for Canadians is a joint undertaking that is being taken very seriously by municipal, provincial and federal governments.

It is clear that this government is committed to collaborative, integrated management of water in partnership with these orders of government.

• (1740)

[*Translation*]

Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ): Mr. Speaker, I would first like to thank the member for Lac-Saint-Louis for introducing this motion, which gives the Bloc Québécois an opportunity to speak again about this major issue and express its concerns about this resource. The Bloc Québécois is very concerned about protecting water and water quality.

As it is worded, the motion before us gives us a great deal of scope for debate. I could have opted to talk about drinking water, groundwater or aquifers—and my colleagues may have already done so—but in light of recent events having to do with bulk sales of water, I have chosen to speak about this particular aspect of the motion.

Recent discussions on water management, including the Calgary forum held on April 26 and 27, organized by the American CSIS, the Conference Board of Canada and Mexico's CIDE, have renewed fears about massive water exports.

I have received many comments from people in my riding and elsewhere and from environmental and other organizations. Without exception, these individuals and groups have serious concerns about what could become of the water in Quebec and Canada. To the vast majority of the people I represent, the crux of the matter is that our water is a very important resource that must be protected.

Private Member's Business

I would like to quickly review the division of powers with respect to water in Canada, to clarify what we are debating today for the people who are watching.

As the parliamentary secretary explained, the federal government has very limited powers over water. They extend to shipping, fisheries and the powers the federal government exercises as the trustee of the first nations and the owner of certain lands.

Section 132 of the BNA Act gives the federal government the power to implement the Boundary Waters Treaty signed by England in 1909 on behalf of the empire. However, it cannot go beyond the treaty provisions, because it would be interfering in the jurisdictions of the provinces, which own and manage the water.

Quebec and the provinces are responsible for water. Water, as a resource, is a provincial jurisdiction. The bulk of the jurisdiction over water belongs to the provinces.

Under the Constitution, they have ownership of lands, including the waters, and have the right to administer or use them as they see fit. They have the exclusive right to regulate municipal facilities, including their drinking water distribution system. They have exclusive jurisdiction over the “development, conservation and management of sites and facilities in the province for the generation and production of electrical energy”.

The Constitution also gives the provinces exclusive jurisdiction over the “development, conservation and management of non-renewable natural resources and forestry resources in the province”.

As such, Quebec already has its own water resources protection system. When André Boisclair was environment minister, he provided Quebec with a water policy in 2002.

This policy already implements the objectives proposed in the Liberal motion, namely: ensure the protection of this unique resource; manage water with a view to sustainable development; better protect public health and ecosystems.

With this policy, Quebec wanted to recognize water as a valuable asset of Quebec society and reaffirm that water is an integral part of Quebec's collective heritage.

By giving water this special status, the Quebec government took on the responsibility of regulating water use, establishing priority uses and preserving water quality and quantity, while taking the public interest into account.

Quebec has a real legislative framework to ensure the protection and quality of its water resources, whether for human consumption or activities involving contact with water such as swimming and water sports.

The Government of Quebec tightened its standards by adopting the Regulation respecting the quality of drinking water and the Regulation respecting groundwater catchment.

The Liberal motion before us would simply duplicate what is already being done by the players who truly control the resource.

Private Member's Business

● (1745)

Let us now consider the commercial aspect of water issues. In response to a series of questions the Bloc Québécois raised in the House of Commons over the past few weeks, the government said that NAFTA does not restrict our ability to protect our water resources. However, the situation is not that clear.

Currently, NAFTA applies to all trading among the three North American countries, with a number of exceptions, including hydroelectricity, military equipment, and so on. Unless a commodity is specifically excluded from NAFTA by means of an exception under chapter 21 or a reservation, NAFTA applies the moment a commercial transaction is concluded. There is no formal exception or reservation for water. Therefore, we do not believe it is covered by NAFTA.

Article 309 of NAFTA states that:

—no Party may adopt or maintain any prohibition or restriction ... on the exportation or sale for export of any good destined for the territory of another Party—

The House of Commons Standing Committee on Foreign Affairs and International Trade asked the Minister of International Trade for clarification in 2001. The minister's response was that “—water in its natural state ... was not included in NAFTA”.

Water is in its natural state when it is not being used. If a proposal to take water for export is put forward, we can no longer say that it is not being used. If a contract is signed to that effect, a commercial transaction exists and trade agreements apply. Unless a commodity is specifically excluded from NAFTA through an exception under chapter 21 or a reservation, NAFTA applies the moment a commercial transaction is concluded.

In the absence of an exception, it is not the nature of the commodity that determines whether it is a marketable commodity, but the existence of a commercial transaction or even a plan to commercialize the resource.

In a nutshell, regardless of what the government says, water is not excluded from NAFTA.

Although no government is currently planning to dispute Quebec or Canadian legislation, there is no reason to believe that that will continue to be the case once North Americans begin to feel water shortages more acutely because of over-exploitation and global warming. When that happens, it is not at all unlikely that Quebec's laws will be challenged by those wishing to take water directly from our lakes and rivers.

The Bloc Québécois believes that it is irresponsible to wait for this situation to arise. The federal government must initiate discussions with the Americans and the Mexicans to exclude water from NAFTA right now, before water shortages reach the crisis stage.

That is why the Bloc Québécois tabled a motion at the Standing Committee on International Trade formally recommending to the government that it quickly initiate talks with its Mexican and American counterparts to exclude water from the goods governed by NAFTA.

Motion M-249 completely ignores this avenue, which nonetheless is the only one that will provide real protection for water.

I would like to conclude by briefly speaking about the discussions on water exports that were held in Calgary at the end of April.

The North American Future 2025 Project is an initiative of the U.S. Centre for Strategic and International Studies. The Conference Board of Canada and its Mexican counterpart are participating in this project.

The three organizations met last April and discussed the future of the North American environment, and more specifically water consumption, water transfers and the artificial diversion of bulk water, with the aim of optimizing the joint use of the available water in North America.

This is very worrisome. Although the Conservative government has finally indicated that it will not participate in such discussions, the simple fact that it is not taking action to exclude water from NAFTA encourages such discussion about bulk water exports.

Rather than suggesting that the federal government limit itself to its own jurisdictions over boundary waters and water in native communities, or suggesting that the government adopt the only sensible solution—excluding water from NAFTA—the Liberal Party proposes to eliminate provincial jurisdiction over water and to introduce a new federal integrated strategy, even though this is a provincial jurisdiction.

The Bloc Québécois is opposed to the principle of this motion.

● (1750)

[*English*]

Ms. Dawn Black (New Westminster—Coquitlam, NDP): Mr. Speaker, I am pleased to rise today to support the motion by the member for Lac-Saint-Louis. I was pleased to hear him say that he would also be supporting the motions that two of my colleagues have before the House, the member for Parkdale—High Park and the member for Nanaimo—Cowichan.

Water is a very precious resource. It is one of the real necessities of life. It is one that we often take for granted, but it is not always in plentiful supply. We have seen, with climate change around the world, areas of the world that are in dire need of water.

In fact, we can reflect back on our own history and think of the time in the thirties in Saskatchewan when there was a real drought for a number of years. We can recall how devastating that was to the people of the prairies when that drought went on and really contributed to the whole period that we call the dirty thirties in Canada.

As I said, the NDP will support this motion. I want to say that for many years New Democrats in this place before me have talked about the issue of water. I remember the member of Parliament for Kamloops who was here during the eighties and nineties, and the early part of 2000 who raised this issue repeatedly in the House of Commons, Nelson Riis.

We also know that there are pressures and demands for water being placed on the U.S. and that the issue of water exports is at the top of mind for many of us as Canadians.

Private Member's Business

Last year I had the pleasure to attend a workshop in my community that was put on by KAIROS, which is an ecumenical, social justice movement. The people in KAIROS had been committed to social justice issues and are promoting the whole issue of water as a basic human right. That event took place at St. Laurence Anglican Church in my community and I was very pleased to participate in that. I was invited by Ross Bremner and other activists in the community. The title of their workshop last spring was "Water: Life Before Profit", and it relates quite well to this motion, as does the work that that organization is doing.

In the New Democratic Party election platform in 2006, we committed to laws that would crack down on big polluters and help guarantee a healthier environment for both our current generation and future generations. We said that Canada should have a clean water act to establish national standards and protection for drinking water, including those jurisdictions under federal control such as first nations communities and reserves.

We need federal standards for solid waste disposal, dump management, mine site operations and rehabilitation, forestry and farming practices and pesticide use.

We can see again, with climate change in my province of British Columbia, the devastation that the pine beetle infestation is having on the pine forests in B.C., the significant danger of slides, and degradation of our water supplies and our rivers in British Columbia. We do not have the forests there to hold onto the soil and stop the slides from happening.

We need to provide infrastructure financing to provide funding for badly needed improvements to public sewers and water systems in Canada. That would make a real improvement in water quality. We have the horrible example and tragedy of Walkerton that I think brought to the front of people's minds in Canada the necessity for prevention and purity of our water, something that when I was growing up we basically took for granted. We now realize that we have to take this issue seriously.

In British Columbia, we have more and more boil water advisories happening all the time. In fact, in the greater Vancouver region last year we had a boil water advisory that went on for weeks, something that had been unheard of anywhere in the Vancouver region previously.

• (1755)

We support this motion and we want to establish a Canadian water strategy that would include federal legislation supporting pollution reduction and prevention, watershed planning, research and development, investment in water infrastructure and support for standards for safe drinking water.

We do support the idea that water is a public good and that it has an inherent importance to Canada's ecosystems and for future generations of Canadians.

The people of Canada recognize the vital importance of freshwater and are committed to its protection, its conservation and environmentally sustainable use. We also believe that we should declare water as a basic human right and work nationally and internationally to ensure action to implement this policy for all Canadians for in fact people throughout the world.

Bulk freshwater diversions and removals from Canada will not address the future water needs of ordinary citizens elsewhere in the world and would have a potentially devastating ecological consequence for Canadians and Canada.

At the time of the debate and negotiations around NAFTA, the government of British Columbia opposed the passage of the NAFTA, in part because of the threat it proposed and still poses to democratic control over water.

The B.C. government repeatedly urged the federal Liberal government to obtain a clear and definite exclusion from the NAFTA for water. Sadly and unfortunately, the Liberal government of the day did not obtain that exclusion for water. I know my colleague from the Bloc Québécois has raised that issue today in her remarks to this motion.

She talked about the fear in Quebec that the law that the government of Quebec passed to protect water could be challenged because of NAFTA. I can tell her and people in the House that it has already happened in British Columbia.

We do have in B.C. a water protection act that was passed under a New Democratic government in 1995 and a very troubling development has been the attempt by California based Sun Belt Water Inc. to seek \$200 million in damages from the B.C. government. It says those are lost potential profits because of the B.C. water protection act and so it is suing and trying to get compensation.

If the Liberal government of the day had ensured that we had an exclusion on water of course this would not have happened. We hope that the Conservative government today will deliver on a commitment to ban freshwater exports. Where these governments have failed us in the past, this has to happen in order to ensure Canada's water supply.

Today we ask the government to protect our freshwater by passing federal legislation to ban water exports from Canada and to obtain an unequivocal exclusion in NAFTA for water. As I said earlier, this should have been done years ago. We want to urge the government of the day to move on that file.

We oppose the deregulation and privatization of water resources. We do not support any existing or proposed trade and investment agreements that threaten our democratic control and public ownership of water in this country.

• (1800)

The Acting Speaker (Mr. Royal Galipeau): I would like to thank the hon. member for Edmonton—St. Albert for taking the Chair for a few moments.

Resuming debate, the hon. member for Brant.

Mr. Lloyd St. Amand (Brant, Lib.): Mr. Speaker, I rise to move an amendment to the motion of my distinguished colleague for Lac-Saint-Louis. My motion to amend, I anticipate, will be seconded by an equally distinguished colleague, the member for Kenora. I move:

That the motion be amended by adding the following after the word "instruments":
—and should appoint a Minister of State for Water, under the authority of the Minister of the Environment, to oversee and administer the water resources management strategy.

Private Member's Business

The Acting Speaker (Mr. Royal Galipeau): Pursuant to Standing Order 93(3) no amendment may be proposed to a private members' motion or to the motion for second reading of a private members' bill unless the sponsor of the item indicates his or her consent.

Therefore, I ask the hon. member for Lac-Saint-Louis if he consents to this amendment being moved?

Mr. Francis Scarpaleggia: I do, Mr. Speaker.

The Acting Speaker (Mr. Royal Galipeau): The amendment is in order.

Mr. James Bezan (Selkirk—Interlake, CPC): Mr. Speaker, I appreciate the opportunity to address Motion No. 249, introduced by the member for Lac-Saint-Louis.

Many of us here, at least those of us on this side of the House, agree that sustainable water use and management are fundamental to Canada's and the world's social, economic and ecological health. That is why water is part of this government's environmental agenda and that is why we are here today to debate Motion No. 249.

Motion No. 249 calls on the federal government to “immediately develop, in consultation with the provinces, territories, Aboriginal groups, municipalities, local community organizations, and others, an integrated water resources management strategy”.

This motion focuses on advancing the concept of integrated water resource management to measure, monitor and protect freshwater.

Integrated water resources management is a water management approach that advocates decision making based on engaging stakeholders and incorporating ecological, social and economic considerations. It is an approach that this government is already on track with.

In fact, we are doing more than that. This government is making progress at advancing integrated water resources management. For example, our work on water is already bringing together provincial and territorial governments, aboriginal peoples, and stakeholders such as municipalities, industry, energy, agriculture, non-governmental organizations, community groups and research teams.

Our government is also working to ensure that our plan is effective. We are working through partnerships when making water management decisions.

This concept has been in place for more than 20 years. In fact, the Mulroney Conservative government passed the 1987 federal water policy. The federal water policy that was introduced then called for integrated water management planning.

It also called on the federal government to achieve this through its programs, policies and laws. This government has been working to make many of these principles a reality.

The federal, provincial and territorial governments all have responsibilities when it comes to water.

For example, the provincial governments are responsible for many aspects of land use planning and development that can impact water quality and availability. To fulfill these responsibilities, the provinces and territories have recently introduced a number of water

policies that promote protection from source to tap as well as broader watershed management planning.

For the federal government, boundary and transboundary waters shared with the U.S. are areas where our federal jurisdiction is clear, so we have put in place programs to measure, monitor and protect freshwater in these areas.

These are areas where the jurisdictions are clear, but because we all recognize that many of these responsibilities are shared, there are also a number of integrated partnerships that already exist here in Canada.

For example, the Atlantic coastal action program and the Great Lakes 2000 program are two solid examples of integrated planning, leading edge water science and extensive partnerships. These initiatives are based on federal-provincial cooperation and extensive engagement of municipalities, NGOs, industry and citizens.

There is also the National Water Research Institute, which has led influential national assessments of current and emerging threats to water quality, water quantity, and aquatic ecosystem health for more than 30 years. As well, across our country there are many Canadian universities that are also involved in water research.

There is also a federal water research agenda that identifies several priority areas for integration of federal water science carried out by many departments.

That is not all. This government has taken a broad approach to the environment that covers a number of priorities such as conservation of species and spaces, clean air, climate change and, of course, water.

As well, this government has also made it a priority to help ensure that all first nations residents have access to safe drinking water.

We are working to address the needs of communities with high risk drinking water systems by building on the plan of action for drinking water in first nations communities. We will also be basing future efforts to improve water quality on reserves on the options raised by the report of the Expert Panel on Safe Drinking Water for First Nations.

There are many examples of cooperation on water at the national level, but this cooperation happens most significantly at the Canadian Council of Ministers of the Environment. We see this cooperation there because there is a formal mechanism for effective intergovernmental discussion and coordinated approaches to environmental issues, including water management, which is provided by the council.

However, it does not end there. That is because, for the most part, the federal, provincial and territorial jurisdictions all recognize that there is a real need for both collaboration and an integrated approach to water management.

● (1805)

There are many examples of the integrated water resources management approach in practices. Federal, provincial and territorial governments regularly cooperate on the national collection of water quantity information through national agreements on water quality and quantity monitoring.

Private Member's Business

There is also a great deal of cooperation when it comes to integrated watershed management, so much so that collaborative water management has become a cornerstone of integrated watershed management requiring that stakeholders be actively involved in water management decisions.

At the watershed level, management generally involves the local advisory board with members from provincial, territorial and local municipal governments, aboriginal peoples, industry, educational institutions, local stewardship groups, development groups, wildlife groups, environmentalists, landowners and, of course, the concerned public.

There are many examples of this, such as the Fraser Basin Council, the Great Lakes action plan and the South Saskatchewan River basin. In my home province of Manitoba, the Red River Basin Coalition not only includes all of the stakeholders in Manitoba, but also stakeholders in the states of North Dakota and Minnesota, working cooperatively to address the issue of our common basin.

As well, my riding includes both Lakes Winnipeg and Manitoba, some of the largest freshwater lakes in the world. Our Conservative government has taken a very proactive approach to protect these lakes and their basins by investing \$7 million for the protection of the Lake Winnipeg basin and a further \$450,000 to support the Lake Winnipeg Research Consortium.

There are many examples that we can look to but there is not enough time today. Rather, I invite the members of the House to look at what the government is already doing in partnership with the provinces and territories.

The government is already acting on its commitment to collaborative, integrated management of water policies and programs through action. The government is already implementing much of the spirit and the substance of the motion. We will continue to work with our partners.

We are working together with the provinces and territories to find concrete and realistic solutions to Canada's environmental challenges, which is why we introduced our turning the corner action plan last month. We are continuing to make Canada's environment a priority, not only for this government but for all our governments and our people for today and in the future.

•(1810)

[*Translation*]

Mr. Christian Ouellet (Brome—Missisquoi, BQ): Mr. Speaker, I am pleased to rise here today to speak to Motion M-249, presented by the hon. member for Lac-Saint-Louis. I will not read the entire motion, but you will understand why I would like to read part of it.

That, in the opinion of the House, the government should immediately develop, in consultation with the provinces, territories, ... municipalities, local community organizations, and others, an integrated water resources management strategy—

Quebec and the provinces are already masters of their own water. Because it is a natural resource, water is under provincial jurisdiction. The basic powers pertaining to water belong to the provinces. This is set out in the Constitution, which also grants the provinces title to the land, including water, the right to administer these resources and to use them as they see fit.

Thus, Quebec administers its water. Furthermore, Quebec already has its own water resources management strategy. In 2002, when he was environment minister, André Boisclair gave Quebec its policy on water. That policy covers exactly the same things as the motion. That policy already applies the objectives proposed here today, namely, to ensure the protection of the resource, to manage water with a view to sustainable development—which is even better—and to better protect public health and the health of ecosystems.

The Bloc Québécois cannot vote in favour of this motion because it encroaches on an area of provincial jurisdiction. Furthermore, all the provinces—with the exception of New Brunswick—have already taken measures to prevent the export of bulk water. This just goes to show to what extent the provinces have a—

The Acting Speaker (Mr. Royal Galipeau): I am sorry to interrupt the hon. member. He has 10 minutes in total, but he has just one minute remaining today.

Mr. Christian Ouellet: Thank you, Mr. Speaker.

I was saying that what is so very important is NAFTA, the North American Free Trade Agreement, as my colleague was saying a little earlier. This agreement must absolutely protect the export of water in bulk. Article 309 is very clear on this.

The Bloc finds that the responsible thing to do for future generations is to take the export of water in bulk seriously and look at the future impact of climate change on water shortages.

Before adopting a water management strategy, we should determine whether there will be any water left for our children. If I understand correctly—

•(1815)

The Acting Speaker (Mr. Royal Galipeau): The time provided for the consideration of private members' business has now expired, and the order is dropped to the bottom of the order of precedence on the order paper.

When Motion M-249 comes back for debate, the hon. member for Brome—Missisquoi will still have seven minutes left.

[*English*]

It being 6:15 p.m., this 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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