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OFFICIAL REPORT  
(HANSARD)

**Monday, May 14, 2007**

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**Speaker: The Honourable Peter Milliken**

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# HOUSE OF COMMONS

Monday, May 14, 2007

The House met at 11 a.m.

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*Prayers*

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## PRIVATE MEMBERS' BUSINESS

• (1105)

[*English*]

### FOOD AND DRUGS ACT

**Mr. Paul Szabo (Mississauga South, Lib.)** moved that Bill C-251, An Act to amend the Food and Drugs Act (warning labels regarding the consumption of alcohol), be read the second time and referred to a committee.

He said: Mr. Speaker, Bill C-251 proposes health warning labels on the containers of alcoholic beverages to remind consumers about the serious risks associated with alcohol misuse.

Why? Because alcohol is the only consumer product that can harm us if misused but does not warn us about that fact.

Furthermore, existing legislation does not adequately recognize alcohol as a drug or, indeed, as a product that is clearly associated with significant risk to public health and safety.

Alcohol is an integral part of our society. While nearly three-quarters of Canadians drink, no one is immune to its consequences.

Alcohol plays a role in thousands of premature deaths, preventable injuries and prenatal brain damage every year. It is associated with increased risk of cirrhosis of the liver, cancer, cardiovascular disease, respiratory diseases, homicides, suicides, motor vehicle, boat and snowmobile crashes, falls, fires and drownings.

Moreover, higher rates of consumption are associated with increased mental illness, an increase in crime, and reduced worker productivity. These translate into a human loss of devastating proportions and an economic toll of billions of dollars each year.

In Canada, for instance, it is estimated that the cost of alcohol abuse is at least \$10 billion per year in health care, law enforcement and lost productivity.

Here are some interesting facts. Do members know that 42% of serious crime involves the use of alcohol? Thus, when we talk about getting tough on crime, we also have to deal with the prevention side, and certainly this is one opportunity. As well, the latest

statistics on impaired driving show that over 1,100 Canadians were killed in 2004 and over 68,000 injured.

I also want to talk a little about fetal alcohol syndrome. It is a subject I have been working on for over 12 years and it is integrally related to the subject matter.

In one week, as many as 10,000 babies are born in Canada. Of these, three are born with muscular dystrophy, four are born with HIV infection, eight are born with spina bifida, 10 are born with Down's syndrome, 20 are born with fetal alcohol syndrome, and 100 are born with other alcohol related birth defects.

Fetal alcohol syndrome, commonly known as FAS and now called fetal alcohol spectrum disorder, or FASD, refers to a group of physical and mental birth defects. Its primary symptoms include growth deficiency before and after birth, central nervous system dysfunction resulting in learning disabilities, and physical malformities in the face and cranial areas. Other alcohol related birth defects involve central nervous system damage like FAS, but without those physical abnormalities.

Since FASD is incurable, most victims will usually require special care throughout their lives. Depending on the severity, the estimated lifetime cost for the care of a person with such an affliction ranges from \$3 million to \$6 million.

The secondary symptoms of FAS relate to the quality of life characteristics: 90% have mental health problems; 60% will be expelled or suspended from school or will drop out; 60% will get into trouble with the law; 50% will exhibit inappropriate sexual behaviour; 30% will abuse drugs or alcohol; 80% will not be capable of living independently; and 80% will have employment problems. As well, federal and provincial authorities both have estimated that as many as 50% of the inmates in the prisons of Canada suffer from alcohol related birth defects.

Tragically, these severe problems could have been prevented if the mother had abstained from alcohol consumption during her pregnancy.

Harm can occur at any time during the pregnancy, even during the first month, when most women do not even know they are pregnant. Research findings suggest that days 15 to 22 make up the period of pregnancy during which facial and cranial deformities could be caused by alcohol consumption. That is why women should not wait until they find out they are pregnant before they stop drinking.

*Private Members' Business*

Over 50% of pregnancies are unplanned. Therefore, if a woman is sexually active and pregnancy is possible she should abstain from consuming alcohol. To choose not to abstain is the same as playing Russian roulette with the lifelong health and well-being of her child. There is no recommended safe level of alcohol consumption during pregnancy. Therefore, the prudent choice for women is to abstain from consuming alcohol.

Beverage alcohol is ethanol. Many do not know that alcohol is a poisonous substance and in high doses can be lethal. Small amounts of alcohol can impair judgment, motor ability and reflexes. Many also do not know that alcohol, when combined with innocuous over the counter medications, can result in significant health problems.

Alcohol is a depressant, which can result in increased anxiety levels, severe mood swings, and clinical depression. Young people are also at greater risk because they are still developing physically and psychologically.

In an era of reduced social spending and a widening disparity between rich and poor, it is extremely important that we not lose sight of the role of government in promoting and protecting public health and safety.

There is no simple solution to this complex problem. As such, governments need to develop a comprehensive strategy to address both prevention and remediation.

The strategy should include policies, social marketing, skill-building and educational measures. It may include taxation and other policy measures to reduce alcohol related problems. There could be increased support for addictions research and treatment and more support for community-based health promotion, prevention, early identification and, of course, treatment programs. It should provide equitable access to housing, employment, a clean and safe environment and needed health and social services, all of which contribute to a responsible drinking environment in the community.

In September 2006 the second report of the Standing Committee on Health recommended that the government develop a comprehensive national and federal action plan. It is notable that this is exactly what the health committee recommended in June 1992, almost 15 years ago, in an identical recommendation.

The alcohol industry does have a moral duty and a social responsibility to warn the public of the potential harm associated with its products. The industry spends billions of dollars each year promoting its products, with a disproportionate amount of that promotion being targeted at the younger population.

The industry would like us to believe that it discharges that responsibility by sponsoring public service announcements, distributing brochures, or running multi-media messaging. However, the cost of these initiatives is only a small fraction of its marketing budget.

The industry also suggests everybody knows that alcohol consumption presents a risk of harming oneself or others, so it does not have to do anything about it. That is not the point. Clearly there is a risk associated with every drink consumed and, whether or not it is heeded, this risk should be clearly and consistently spelled out on

every alcohol label, package and container and in every advertisement and promotion.

To argue whether or not information on a warning label has an immediate impact on individual behaviour is pointless. There are many factors that influence behaviour, and health warning labels just happen to be one. The fact is, research shows that even Coca-Cola will lose market share if it does not continue to advertise at the same levels that we see day in and day out. The constant repetition of the message or image does make a difference in terms of consumer behaviour.

Health warning labels have been described as a consumer lighthouse, sending repetitive signals of impending danger. They remind us of all the responsible use messaging we have ever been exposed to.

Labels are not just for potential abusers; they are also for the broader population that may have an opportunity to identify situations where someone else's drinking risks harming themselves or others. The label, therefore, also serves as a reminder that in these circumstances we all have a responsibility to take appropriate action to ensure that the abuser does not become just another statistic.

The presence of a simple, readable and targeted health message on alcohol products does one important thing: it acknowledges and reinforces the fact that alcohol is not just another consumer commodity. It is in fact a product that when misused has negative consequences, not only for consumers, but also for their friends, family, co-workers and community.

Warning labels and consumer health information can play a role in educating the public but should not be considered in isolation since knowledge alone rarely results in changed behaviour. Consumers do have a right to know what constitutes responsible consumption, the potential consequences of misuse, and where to go for assistance.

If we want to be serious about reducing the incidence of injury, disease, and death associated with alcohol misuse among the general population, we should not ignore the crucial parts of the equation: the consumer and the industry. Consumers have a right to be informed. The industry has a responsibility to give consumers clear and unbiased information.

Advertising and promotion tell only one side of the story. Labelling and consumer information tell the other.

I have worked on this issue for over 12 years now and I have yet to see any indication that what we have done over the past 12 years has helped at all in this matter. Two-thirds of Canadians support labelling, according to a Decima poll commissioned by Health Canada in February 2006. Seventy-one per cent of them were women. Two-thirds of the supporters said they were even willing to pay more for the product if the label was put on.

*Private Members' Business*

•(1110)

A number of groups and organizations support labelling. Let me mention a few: Health Canada, the Canadian Medical Association, the Canadian Nurses Association, the Centre for Addiction and Mental Health Canada, the Canadian Paediatric Society, the Canadian Centre on Substance Abuse, Mothers Against Drunk Driving, the Canadian Police Association, and the Canadian Association of Fire Chiefs.

Bill C-251 advocates for health warning labels for containers of alcoholic beverages. Warning labels, which could include standard drink information, and health information targeted at the individual consumer complement existing population control policies. They also send a clear message that alcohol is not just another consumer commodity and that its consumption entails specific risks.

The absence of a warning label clearly sends the wrong message. We need to reassess why beverage alcohol is the only consumer product that can harm people if misused and does not warn the population about that fact. If we accept our responsibilities to promote and protect public safety and health, the beverage alcohol industry needs to be part of that solution.

Let me quote from 1992 report of the Standing Committee on Health. It said:

The Sub-committee is aware, as were most of our witnesses, that warning labels on containers of alcoholic beverages will not, by themselves, completely solve the problem...The design and presentation of a warning label is vitally important to its effectiveness. The Sub-committee has examined several examples of warning labels on alcohol products from the United States.

I must emphasize this next sentence:

In all cases, the warnings were generally inconspicuous and difficult to read. It is essential that the warning labels adopted for Canadian products not emulate the United States examples....

That has been the problem all along. As people have suggested, a bad label does not work. That is *prima facie*.

Let me conclude by saying that if we could prevent even a small percentage of alcohol related birth defects, the savings in health, social programs and educational and criminal justice costs would be many times more than the cost of a national prevention strategy. More importantly, we could eliminate much human misery and suffering. That is the essence of a caring society.

•(1115)

**Mr. Steven Fletcher (Parliamentary Secretary to the Minister of Health, CPC):** Mr. Speaker, I would like to thank the member for bringing forward this issue. I recall that in the last Parliament the issue was brought forward. It went to the health committee. The health committee, including the Liberal members of the health committee, decided that there were better alternatives to move forward with in helping to deal with FASD. Would my colleague accept the recommendations that were made by the health committee in the last Parliament on this very issue?

Also, I would like the member to comment on his list of organizations that support labelling. He mentioned Health Canada. Health Canada does not support labelling on alcohol containers as the member is suggesting. Would the member clarify where he got that understanding about Health Canada's position?

**Mr. Paul Szabo:** Mr. Speaker, I will answer the member's second question first. In the last Parliament, Health Canada in fact spoke in favour of health warning labels on containers of alcohol beverages. In the current Parliament, Health Canada has not opined on warning labels. In fact, as the member knows, what the recommendation said was that we need a comprehensive national strategy. Health Canada did not comment on that.

Let me again quote from the 1992 report from the health committee. It said:

We believe that warning labels, properly designed and printed, are an essential part of a comprehensive strategy for increased public awareness and education about the risks that maternal alcohol consumption poses for foetus.

Back in 1992, the Standing Committee on Health called for a comprehensive strategy. This Parliament, in the second report of the health committee, called for a comprehensive strategy on fetal alcohol syndrome. In 15 years we have made absolutely no progress. Now is the time to start.

**Mr. Dean Del Mastro (Peterborough, CPC):** Mr. Speaker, this certainly seems like a noble pursuit but there are some fairly significant flaws with the argument, particularly when we look at younger individuals. In general, they tend to consume a fair amount of their alcohol at commercial establishments where labelling would not have any impact whatsoever.

I am just wondering if there might be a better way of doing this that would be less cost prohibitive, perhaps through Health Canada or at liquor stores and drinking establishments, where we could look at putting this type of signage up to promote awareness about alcohol.

It seems that labelling is very cost prohibitive for the industry. I am really concerned that young people consume most of their alcohol in commercial establishments where they would not see the labels.

•(1120)

**Mr. Paul Szabo:** Mr. Speaker, it already is the law in most provinces across Canada and there are signages up in those places.

However, in terms of being cost prohibitive for the industry, we are talking about an industry that spends less than 10% of its advertising budget on responsible use messaging. It changes the label virtually once a year on most of its products.

As the member will probably know, health warning labels have been in place in the United States since 1989. He should also know that Canadian companies exporting to the United States, which includes all of the majors, already put labelling on bottles to conform with the U.S. law. Therefore, the member is clearly wrong in his assumption.

**Hon. Judy Sgro (York West, Lib.):** Mr. Speaker, I want to applaud the effort the hon. member has put into this issue over the last 13 years or so. It is an issue that is important to him and to Canadians.

To what degree does he feel that he has had success in the years that he has been working on this issue?

*Private Members' Business*

**Mr. Paul Szabo:** Mr. Speaker, all I can say is that when I first came to this House and I read that report, I had never heard of fetal alcohol syndrome. I think all members in this place now know what fetal alcohol syndrome is, which is a good step and I hope I have played a part in that.

**Mr. Steven Fletcher (Parliamentary Secretary to the Minister of Health, CPC):** Mr. Speaker, before I explain why I cannot support this legislation, I want to applaud the convictions and conscientious approach of my hon. colleague. He has performed a tremendous public service by drawing attention to the damage caused by alcohol misuse. He deserves full credit for his unflinching efforts to promote legislation to prevent this unnecessary tragedy. Fetal alcohol spectrum disorder is truly a terrible disease.

I also want to commend him for recognizing society's responsibility to protect the most vulnerable from the most devastating effects of alcohol misuse. There is no greater a vulnerable group than people who are born with one of the diagnoses under the umbrella of fetal alcohol spectrum disorder, or FASD. These people may be condemned to lives of missed opportunity and, all too often, all out despair.

Among the common symptoms of the disability are low adaptive quotients, in other words, the ability to solve everyday problems, and anti-social behaviours that affect at risk groups of people as they drop out of school and make them far more likely than other Canadians to be homeless or end up in prison.

An overwhelming proportion of people with FASD have substantial personal costs, not only for themselves but their families, and the price tag is also very steep for society. The cost to Canadian taxpayers to care for alcohol affected children to adulthood will be an estimated additional \$571 million annually. Given the incidence of 9.1 cases of FASD per 1,000 births, there is an estimated 280,000 people in Canada currently living with this preventable disability. About 3,000 babies are born every year who are affected.

If only Bill C-251 could dramatically reduce the costs and reverse the statistics, I am sure all members of the House would gladly embrace it. However, as the history on this issue in the House with previous bills, such as Bill C-206 and others, have already made clear, our well meaning colleague has not selected the best vehicle to advance his cause.

As worthy a goal as he espousing, the evidence appears unequivocal: alcohol warning labels do not positively impact those most at risk. This was the resounding all party consensus at committee hearings on the previous bill, Bill C-206, on alcohol warning labels. Expert witnesses before the Standing Committee on Health at that time said repeatedly that while warning labels may have a small part to play in a larger public education strategy, they cannot achieve the long term objectives of this legislation in isolation.

Expert opinions and the opinions of parliamentarians who have studied this issue are that what is clearly needed is an integrated and comprehensive approach that builds on work already underway. This approach would include public education, awareness and interventions to prevent FASD.

It would leverage the work of communities, as well as health practitioners, target interventions for vulnerable populations, such as aboriginals, and integrate research and potential regulations into the federal government strategies. For example, research shows that women are very likely to turn to their health care professionals for information on alcohol during pregnancy. This reinforces that it is important to educate those on the front line on prevention and the people on the front line, of course, are the health care providers.

Sensitizing and supporting health care professionals with the tools that they need will enable them to deal more effectively with at risk clients and help reduce the risk factors. A very important point here is that all women are at risk if they do not have the information that alcohol use, even in small amounts, is potentially harmful to their babies during pregnancy.

• (1125)

To that end, the Public Health Agency of Canada has been working with its health portfolio partners, other federal departments and agencies, the provinces and territories, first nations, as well as a host of other community based partners on a FASD strategy.

Its objective is to address the critical gaps and pressures caused by FASD and provide individuals and organizations working with at risk groups with the tools and resources they need to reach and educate perspective parents. These are activities that go far beyond warning labels.

A lot has already been accomplished. Among the many activities completed to date, the Public Health Agency of Canada has developed, published and distributed the framework for action on FASD. It has also conducted and published the survey of health care professionals, and it has supported the development and publication of diagnostic guidelines to assist health care providers.

In 2000 and again in 2002 and 2006, the Public Health Agency of Canada conducted public opinion surveys to gauge public awareness and general knowledge about FASD and alcohol use during pregnancy. The intelligence gathered through this process helps to shape common messaging regarding FASD, developed by the agency in partnership with the provinces and territories. Posters and pamphlets using those messages have been prepared and distributed to the public.

The Public Health Agency of Canada subsequently conducted targeted social marketing and awareness activities using these materials.

That is not all. Working in partnership with Thyme Maternity and News Canada, the Public Health Agency of Canada ran newspaper articles aimed at increasing awareness of FASD and the need to avoid alcohol during pregnancy.

*Private Members' Business*

Of particular importance to organizations working with high risk groups, the Public Health Agency of Canada funded eight projects across the country through the FASD national strategic projects fund. The projects led to the development of tools, resources and training programs for use by community based organizations to prevent FASD and to improve the life prospects of people living with a disability.

Much work is being done at the regional level to support local projects that will reduce the incidence of FASD and improve outcomes for those affected.

Another excellent resource produced by the Public Health Agency of Canada is the "Sensible Guide to a Healthy Pregnancy". Based on the latest research, this new resource will help women who are planning a pregnancy to make healthy choices to ensure their children have the opportunity to have a good life.

This is just the beginning. Work currently underway will result in even greater supports for prospective parents, as well as children and youth already living with FASD. For instance, research has been carried out on FASD training opportunities and public awareness across Canada. Focus group studies have been conducted among women to understand alcohol use patterns and potential effective interventions.

A series of meetings were scheduled, including one to follow up on the publication of the diagnostic guidelines, as well as a national symposium on FASD. A survey of allied professionals' knowledge, attitudes and behaviours regarding FASD and alcohol use during pregnancy is planned.

Work has also been undertaken in collaboration with Canada Northwest FASD Partnership to develop a scan of the diagnostic capacity, tools and forms across Canada. This will lead to further work in developing common intake forms, data collection and reporting tools, as well as common tools for diagnosing brain and central nervous system dysfunction.

Progress has been made in these areas: A recent opinion survey showed that 94% of first nations and 86% of Inuit were aware of FASD; Community Asset Mapping has helped many of these communities identify their strengths and develop a plan of action; and mentoring programs for women at risk are now underway.

I could go on but much has been done and we need to move forward with an effective plan.

• (1130)

**Ms. Penny Priddy (Surrey North, NDP):** Mr. Speaker, I rise to support the member's bill, but I always find this a surprising debate.

In 1988-89 the NDP member for Surrey North, the constituency that I represent, raised this issue in Parliament at that time. Six years ago, April 23, the NDP member for Winnipeg North had a motion passed in the House, 231 to 11 or a number like that, supporting the labelling of alcohol.

Therefore, I find the debate puzzling because we are prepared to do all of the things that the Parliamentary Secretary to the Minister of Health spoke of, brochures and so on, but somehow labelling a bottle of alcohol seems to generate all of this debate about the reasons that we cannot.

I am puzzled by that. We can do all kinds of other things. We can spend money on all kinds of other resources, but we cannot ask alcohol producing companies to label a bottle. I just do not understand why this is so hard for people to understand or for people to be prepared to stand up and support.

No one would suggest that labelling an alcohol bottle is somehow the solution for people with alcohol addiction or fetal alcohol syndrome, but there is never in any situation only one solution. This is part of what should exist as a national strategy which has been called for regarding alcohol and a national strategy around fetal alcohol syndrome. Therefore, it is one piece.

I can think of very few products that do not have warning labels on them. Some have so many warning labels on them we are afraid to buy it because it lists 27 things that can happen to us if we take this particular medication or product. We label tobacco packages all the time. That was possible to do. Has it stopped smoking? No. Has it made a difference? I believe it has.

I do not think there is any conclusive evidence that this does not work because I do not know how we would know, having not done it.

The United States, 18 years ago, decided to label alcohol bottles. The labels could be better, but that was 18 years ago and we are still standing here debating about whether alcohol, which we all know has tragic effects on this country, should be labelled.

People talk a lot about fetal alcohol syndrome, the fetal alcohol effect and the effect of alcohol on pregnant moms, and so they should. I think the member quoted 3,000 babies. I do not actually care if it is 3,000 babies or 3, it is too many. Is there some magic number we have to get to before we are prepared to stand up and take a position on this?

We know as well that it is a tragedy for the baby. Anyone who has ever seen a newborn, and I have said this before in the House, suffering from alcohol withdrawal symptoms, I do not think could not stand up and support this bill. It is not something we would ever want to imagine for any newborn who has entered this world, hoping for a wonderful journey, and coming in with a number of challenges already there.

• (1135)

It is not only the "most at risk people" who need to have a label on a bottle of alcohol. I do not know why we would suggest it is only going to be there for the most at risk people. Why would it not be there for any consumer just like labels on medication, or on other things that consumers purchase? This is not only about the most at risk.

*Private Members' Business*

The most at risk may not be the people who actually pick it up and look at it, but the regular consumer might be. So this is really for everybody, not only for the most at risk. We know people who are most at risk, but I am not sure we know who all those people are. Maybe people are most at risk if their family has a history of alcohol addiction, but at this stage have had no problem or maybe have never bought a bottle of alcohol. Maybe they are most at risk because there is a particular stress time in their life. We have to expand our definition of who is most at risk and be prepared to put that label on the bottle for anybody.

The financial resources that we need in this country are enormous in terms of people with all kinds of challenges: addiction challenges, health challenges and educational challenges. Many of those are unavoidable. This is avoidable. Why would we not do something to help something that is avoidable when there are, so many things on which we spend our budget that we cannot avoid? We might be able to do something on this one piece as part of a multi-prong that might help us do something to avoid this.

It is not only the further health costs of raising an infant with fetal alcohol syndrome, it is the health costs to the system of people who abuse alcohol. But it is also the health costs to the system of people who are in car accidents, either because they have been drinking or may simply be a passenger in a car, or they may be in the other car that has been hit and nobody in that car has been drinking. There is still a health cost that is related to alcohol.

There are family costs. The cost to a family of having someone who in the beginning did not understand that a couple of drinks after work, or maybe at noon and then after work, was going to start to affect their family life. Any of us can stand here and tell stories of families we know who are in that situation. So there is a huge cost to families.

There is also a cost to children because very often for the people who did not know they were at risk, there is no label. I am not suggesting that would have been the only preventive, but there is no label and the child becomes the caregiver of the parent. We see that in many circumstances, so we have 10, 11 and 12 year olds who are actually looking after their parent because the parent is not able to look after them. Twelve year olds should not be caregivers, they should just be 12 year olds and do what children that age do, at least all the healthy things.

I have heard that it is cost prohibitive to industry. I do not believe it is cost prohibitive to industry, but it is cost prohibitive to this country if we do not do it. Since the Americans are able to do it in the United States, why would it not be cost prohibitive there? The costs that we pay as a country are very prohibitive, so that is a somewhat facile argument.

The member read the list of endorsers and the list would go on and on, including pediatric societies, et cetera. I would not dream of continuing to talk about those, but we do need a comprehensive approach. That is true. We do need a multi-pronged approach, but to say that we are prepared to have a national strategy on alcohol and fetal alcohol syndrome, but we are not prepared to put a label on a bottle of alcohol as part of that strategy makes absolutely no sense whatsoever. It is not fair to the consumers in this country, the adults

in this country, and children in this country who are future consumers of that product.

• (1140)

**Ms. Bonnie Brown (Oakville, Lib.):** Mr. Speaker, I am pleased today to have the opportunity to speak in support of Bill C-251. I want to compliment my colleague from Mississauga South who has been the embodiment of determination and persistence on this topic.

As previous speakers have pointed out, fetal alcohol spectrum disorder is a tragic yet entirely preventable health issue, and the mandatory labelling of alcoholic beverages will be an integral part of any prevention strategy.

I disagree strongly with those who have suggested that such labelling should be avoided because it might have economic impacts on the producers of alcoholic beverages. I note that these sentiments are being expressed by the same party that recently announced its intention of increasing the levels of allowable toxin residues on our fruit and vegetables because the agri-business transnationals consider our current standards to be a trade irritant in our commerce with the United States.

Suggesting that labelling is not effective is clearly hypocritical. If it does not work, then the beverage producers have nothing to fear from this bill. Their sales will continue to rise. The fact is that labelling does work. It may not be a perfect or complete solution, but it is certainly going to help and be an integral part of a comprehensive prevention strategy.

Suggesting that Canadians should take a back seat to the profits of corporations is not only highly offensive, it is plainly irresponsible for legislators, in my opinion. If some members of this House truly have concerns about the economic implications of Bill C-251, then they should be strongly in favour of it. Any minor impact to alcohol beverage producers from some envisioned lost market share of pregnant women will be dwarfed by the savings to the Canadian health care system which has to treat the victims of FASD throughout their lives. On both moral and economic grounds, this bill makes eminently good sense.

I would also like to point out to the House that FASD is part of a vicious circle that entraps citizens in a cycle of mental illness and addiction. If a woman consumes alcohol while pregnant and gives birth to a child with FASD, that child is going to face particular challenges at school and in trying to grow up. They will experience the frustration of not getting it at school and not knowing why they are not getting it as well as the frustration of being embarrassed by a poor report card which they will not understand the reason for. All these things will not encourage regular school attendance. School will become an unhappy place, a place to be avoided.



*Private Members' Business*

Once branded as a truancy problem, chances are good that the branding will become a behaviour problem and the downward spiral will begin. Serious unhappiness and frustration can lead adolescents to seek comfort in mood altering substances like alcohol and illegal drugs, and overuse of such substances in adolescence can lead to mental health disorders later on.

However, mental health costs are just part of the costs incurred. Often it includes child welfare, special education, youth justice and youth corrections, so the taxpayers are paying for these social problems that seem to come with FASD.

Another fact is that the cost to the federal and provincial governments for youth who drop out of school for lack of mental health treatment is \$1.9 billion, and that is just the federal government and the province of Ontario. What the other provinces would add, I am not sure.

• (1145)

If the child with FASD is a female, then she is at high risk of behaviours during her own pregnancies that would lead to her own children suffering from FASD, and the cycle continues. Sadly, it is a cycle that afflicts many people who suffer from mental illness and addictions. We should be doing all we can to stop this cycle from perpetuating itself.

I believe that Bill C-251 is a step in the right direction. I would urge all members of the House to support this simple measure. It could have a dramatic impact on Canada's future health care costs and more important, on the lives of Canadians yet unborn.

**Mr. Patrick Brown (Barrie, CPC):** Mr. Speaker, let me begin by making clear my respect for the hon. member for Mississauga South. There is no question that my colleague has been a relentless champion of this worthy cause and deserves great admiration for his dedication. However, while Bill C-251 is based on good intentions, research indicates it is not based on good science.

I remind the House that this issue has been thoroughly reviewed by the Standing Committee on Health, which heard from many witnesses and experts both for and against alcohol warning labels. No matter on which side of the argument they stood, there was general agreement that there is very little evidence that alcohol warning labels alone will encourage people to change their drinking habits. Even one of the greatest proponents of this legislation, Dr. Tim Stockwell of the Centre for Addictions Research of British Columbia at the University of Victoria, has admitted:

—there are a host of powerful economic and social factors that determine the level of alcohol consumption and rates of hazardous use...The idea that a basic informational strategy such as warning labels could compete with such powerful factors as the price of alcohol to affect overall consumption is implausible.

Moreover, the implementation of Bill C-251 will require significant funding from the federal government. Given the need for a broad strategy, diverting resources to labelling specifically at the expense of proven targeted programs is not cost effective.

Then there is a host of legal questions to consider. The implementation of the bill is likely to raise trade and charter challenges which would impose further costs on the government and by extension, all Canadians.

In the absence of clear proof that alcohol warning labels make a significant difference in drinkers' behaviours, it is hard to make the case that Bill C-251 is the solution. Instead, witness after witness told the committee that what is needed is a comprehensive approach that encompasses all aspects of behaviour modification. In fact, most people who appeared before the standing committee said that the programs currently in place would have a much better chance of success than warning labels.

Certainly, no one is denying the need to address the serious health and social challenges associated with problem drinking. The 2004 Canadian addiction survey indicated that while the vast majority of Canadians drink in moderation and without harm, 14% of Canadians, some 3.3 million people, do engage in high risk drinking. There is no question that we must do more to make Canadians aware of the health and safety risks of excessive alcohol consumption.

Alcohol misuse comes at a great cost to the individuals involved and our country at large. In 2002 the cost of alcohol related harm totalled \$14.6 billion, or \$463 for every living Canadian. This included \$7.1 billion for lost productivity due to illness and premature death, \$3.3 billion in direct health care costs, and \$3.1 billion in direct law enforcement costs.

This is about more than dollars and cents. It only makes sense to prevent unnecessary loss of life and lost opportunity when we see the terrible toll it takes on Canadian families and communities.

Nowhere are alcohol's devastating effects more apparent than in the case of children and adults coping with fetal alcohol spectrum disorder, FASD for short. From anti-social behaviour to developmental delays and learning disabilities, people living with this preventable condition face profound problems which may put them at increased risk of dropping out of school and making them far more likely than other people to end up in prison. No one can deny the damage caused by alcohol consumption during pregnancy and our collective obligation to make sure Canadians understand that alcohol poses grave danger for developing fetuses.

We need to bear in mind that the Government of Canada already invests heavily in initiatives dealing with alcohol misuse. Programs within the health portfolio alone include the alcohol and drug treatment and rehabilitation program, the drug strategy community initiatives fund, as well as the national native alcohol and drug abuse program, the fetal alcohol spectrum disorder initiative, and the first nations and Inuit FASD program.

*Private Members' Business*

I am also pleased to report that Health Canada, the Canadian Centre on Substance Abuse, and the Alberta Alcohol and Drug Abuse Commission have developed recommendations for a multi-sectoral national alcohol strategy to reduce alcohol related harm in Canada. The strategy has been developed in consultation with relevant federal departments, provinces, territories, non-governmental organizations, researchers, addiction agencies, and the alcohol beverage and hospitality industries.

It recommends a range of both population level initiatives to address overall alcohol consumption and targeted interventions to address specific high risk drinking patterns and vulnerable populations, such as women who are pregnant or who are thinking about becoming pregnant. It should be noted, however, that alcohol warning labels were not identified as an area for action.

• (1150)

In addition, it is worth noting that in its report, "Even One is Too Many: A Call for a Comprehensive Action Plan for Fetal Alcohol Spectrum Disorder", the Standing Committee on Health did not call for the implementation of warning labels on alcohol beverage products.

In the absence of clear proof that alcohol warning labels will make a significant difference in drinkers' behaviours, it is hard to make the case that Bill C-251 is the solution to this or any other alcohol related problems. As well meaning as my hon. colleague may be in promoting this bill, it seems obvious that this is not the right legislation at the right time. With this in mind, while reiterating my appreciation for a steadfast commitment to address the alcohol related challenges, I am not able to support the bill.

**Hon. Judy Sgro (York West, Lib.):** Mr. Speaker, I am pleased to engage in this debate. Those of us who have been here for a few years have seen my hon. colleague from Mississauga South speak to this issue many times. I think it was one of the first bills that I had the opportunity to seriously engage in such a detailed discussion with my colleague on why he thought it was critically important to have warning labels on alcoholic beverage containers. He feels so passionately about this issue. I think he captures almost everybody's attention at one point or another and insists on having five minutes to discuss it.

Let me mention some things for which alcohol is directly or indirectly responsible. Over 19,000 deaths each year are somehow or another as a result of alcohol. Forty-five per cent of motor vehicle collisions are attributed to alcohol. We continue to hear from MADD and other organizations about the need for tougher regulations and more education, which is again the key to an awful lot of these issues that we are dealing with.

Thirty per cent of fires are connected to alcohol. Someone might have a few too many glasses of alcohol and there are lit candles and before the person knows it, the place is on fire. Thirty per cent of suicides, 60% of homicides, 50% of family violence and 65% of snowmobile collisions are as a result of alcohol. Two years ago a constituent's son was killed in a snowmobile accident. Two snowmobiles collided head on. The collision was tied to alcohol. One in six family breakdowns, 30% of drownings, 65% of child abuse, 40% of falls causing injury are related to alcohol. At least

50% of hospital emergencies are somehow or another related to alcohol.

There is over \$15 billion in additional costs to Canadians. It is a huge cost to our health care system. There is a human cost as well in family breakdowns and other situations surrounding alcohol. The least thing the government could do is add labels to educate people about the dangers of alcohol in its many different forms. It would certainly help save a huge amount of money in our health care system, and could help in numerous other areas that we have to deal with, such as family breakdowns.

The subcommittee on health issues report in June 1992 made a variety of recommendations. It said:

The Sub-Committee is aware, as were most of our witnesses, that warning labels on containers of alcoholic beverages will not, by themselves, completely solve the problem of FAS and FAE, nor will they effectively reach all segments of society. Problem drinkers and alcoholics will probably not be sensitive to label warnings. The design and presentation of a warning label is vitally important to its effectiveness.

On that particular point I would like members to recall the issue of tobacco warning labels. I am sure my colleague who was the former chair of the health committee will remember that issue and the controversy around putting warning labels on cigarette packages and how that would cause huge problems.

It is quite amazing that people are still smoking. The warning labels are very clear and they have discouraged some smokers. I do not think we have any numbers yet; in any case, I do not have them this morning. Certainly the warning labels have discouraged a lot of people from smoking.

Those warning labels are scary. That people would look at those labels and still pick up a package of cigarettes amazes me. It is the effectiveness of the label that is being put on the box. It has clearly been supported in the tobacco industry. I think it would be far more effective in the alcohol industry.

The subcommittee examined several examples of warning labels on alcohol products from the United States. In all cases the warnings were generally inconspicuous and difficult to read. Going back to following the example of what was done with cigarette packages, it is essential that the warning labels adopted for Canadian products not emulate the United States' example. They should be carefully designed for maximum visibility and impact.

• (1155)

I would hope that when this bill eventually passes and becomes law we would look at what was done as a result of recommendations from the health committee on the labelling of cigarette packages as a prime example of a success story. We believe that properly designed and printed warning labels are an essential part of a comprehensive strategy for increased public awareness and education about the risks that maternal alcohol consumption poses for the fetus.

In particular, we continue to hear that 60% of the people in our penitentiaries suffer from either FAS or FAE. The cost to society as a whole, to government and the taxpayers is enormous on issues like this.

*Government Orders*

I would like to think that it all comes down to the issue of education and ensuring that people know what the dangers are of consuming alcohol while pregnant. We want pregnant women or women who want to become pregnant to realize what effect alcohol has on the fetus. We have to do everything possible to ensure that men, women and children are educated so they understand there are severe dangers. We cannot stick our heads in the sand and think that alcohol will not harm anybody. Statistics and studies have shown that it causes a huge amount of harm.

Going back to the subcommittee report, one of the recommendations was:

The Sub-Committee recommends that the Minister of Health and Welfare Canada should amend the Food and Drugs Act and Regulations to require that containers for beverage alcohol sold in Canada, including beer, wine, and spirits, should carry an appropriate warning label alerting all consumers that consumption of alcohol during pregnancy places the foetus at risk for Foetal Alcohol Syndrome (FAS) or Foetal Alcohol Effects (FAE).

That was in 1992. This is not a new issue. It is an issue we have been battling for a long time. My colleague from Mississauga South and members of the health committee have worked very hard to ensure that we actually get warning labels established.

This is not something new. The United States already does it. Maybe the U.S. labels do not do as good a job as we would like them to, but they are doing a job. There are 20 countries that already have alcohol warning labels. I mentioned the United States. The other countries are: Portugal, Spain, India, Japan, the Republic of Korea, Taiwan, Thailand, Mexico, Brazil, Costa Rica, Armenia, Iceland, Guatemala, Honduras, Argentina, Colombia, Ecuador, Venezuela and Zimbabwe.

Where is Canada? I have always been very proud to think that Canada was leading the way on many issues. Of all of those countries, I would have thought that Canada would be in front and not at the back of the pack and still not providing warning labels. It is clearly something that is way overdue. Other countries are considering it. I would like Canada to adopt this bill, so we can move forward on the issue of warning labels. Hopefully it would prevent a lot of men and women in the future from suffering from both FAS and FAE.

We would all be really proud if we were able to pass this bill and start to see warning labels. Let us make sure that we educate Canadians, especially young women, on the dangers of alcohol. Let us do everything we can to protect future generations.

● (1200)

**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.

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## GOVERNMENT ORDERS

[English]

### BUDGET IMPLEMENTATION ACT, 2007

The House resumed from April 23 consideration of the motion that Bill C-52, An Act to implement certain provisions of the budget

tabled in Parliament on March 19, 2007, be read the second time and referred to a committee, and of the motion that this question be now put.

**Hon. Navdeep Bains (Mississauga—Brampton South, Lib.):** Mr. Speaker, I greatly appreciate the opportunity to speak to Bill C-52, the budget implementation act.

As I stand here today to represent the concerns of my constituents of Mississauga—Brampton South with respect to the 2007 federal budget, my comments and remarks will focus on three areas: economic competitiveness; social issues and the lack of social investment; and how the budget has damaged our reputation abroad.

I am glad to hear today that the Minister of Finance has withdrawn a major part of a controversial budget measure. I believe it is widely accepted that this has been the worst policy to come out of Ottawa in over 35 years. He understands now that he should allow interest deductibility to ensure Canadian companies can be more competitive abroad. The Minister of Finance also mentioned in his remarks this morning that he would put forth a panel of experts to review Canada's international tax system. More work needs to be done in this area and he has a great deal of explaining to do.

As I indicated, my remarks on the budget will focus on the economic aspect of the budget. It is so important at the federal level that the government show leadership with respect to how to improve competitiveness in our country.

One area, as I have indicated, is the reversal of the Finance Minister on interest deductibility. I will outline the concerns we had raised in the past and why this decision was made by the Minister of Finance. It was through the hard work of our finance critic and our leader of the official opposition that really put forth a clear cut message to the Canadian public of how poorly thought out and poorly conceived this measure was.

The proposal in the 2007 budget eliminated deductibility of interest accrued to finance foreign assets. The Conservatives are forcing Canadian companies to compete with one hand tied behind their backs. Competing businesses in the U.S., Japan and Europe all have this tool at their disposal. The Conservative government at least was planning to take this away.

Companies in the U.S. Japan and Europe are all able to write off interest on loans taken out to finance foreign assets. Canadian firms have also been able to that for more than 30 years. This is a very important tool to promote competitiveness.

At a time when the entire world is headed forward, the Conservative government is making it increasingly difficult for Canadian companies to compete globally.

I raise this question in the House because I do not understand why the Finance Minister has difficulty with foreign companies acquiring Canadian companies, but he does seem to have a fundamental problem with the ability of Canadian companies to compete abroad. Removal of the interest deductibility would compromise the competitiveness. Again, I am thrilled the minister has made this reversal. There are probably many measures that I will discuss, which I hope he gets to re-evaluate and reconsider and maybe change the direction of the budget.

*Government Orders*

Not only is it something about which the Liberals and many Canadians have expressed concerns, but also in the business community as well. The president of the Canadian Chamber of Commerce said this with respect to the budget:

We don't see any broad-based tax relief either for taxpayers or businesses.

The government promised in November that they were going to make Canada more competitive and control spending and I think they broke that promise today.

I will also highlight a theme of broken promises in the budget as well. One area where I believe the Conservative government really misled Canadians was with respect to tax fairness, as it stated. The Conservatives cut the GST, but they increased personal income taxes.

We all know that to improve productivity, it is absolutely vital we have more disposable income for our Canadian public. To improve disposable incomes and to help build greater productivity, the first target for a tax reduction should always be income taxes, not consumption taxes.

In the previous government we lowered the tax rates for low and middle income Canadians in order for them to make greater investment in the economy and save more money. The Liberal government brought forth a comprehensive package to eliminate billions of dollars in taxes for low and middle income Canadians. When the government cut the GST rather than implement our personal income tax, the Finance Minister really constrained his government's fiscal capacity.

• (1205)

A study released on March 29, 2006, by the independent non-partisan research institution, the Canadian Centre for Policy Alternatives, found that the 5% of families earning over \$150,000 a year would receive nearly 30% of the benefits of the Conservatives tax cuts, an average of \$2,000 roughly savings in each year. Therefore, 5% would receive 30% of the benefit of the tax cut. However, almost over half of Canadians families earning less than \$40,000 would only receive 20% of the benefits of the Conservative tax cuts, an average of \$163. Their tax fairness policy is about broken promises and appeasing the more affluent in society.

Another issue that again highlights the government's inability to improve productivity and competitiveness and focuses on its trend of broken promises is income trusts. The income trusts reversal hurt Canadian investors, particularly seniors. The decision to cut income trusts wiped out more than \$25 billion in savings overnight and reversed a key Conservative campaign promise, a promise on which many people relied. They took their hard-earned savings and invested it in income trusts. Seniors whom I have met at the town hall meetings I have had over the past month have clearly shown their frustration with the government. They are completely appalled with the government for breaking such an important promise and they do not understand the rationale behind it. The government swiped billions of dollars from seniors through income trusts savings as well.

We have already seen not only in income trusts a broken promise, but now we are beginning to see a trend in foreign acquisitions. We have already seen great Canadian companies such as Inco, Molson's, Defasco and Hudson's Bay Company taken over by foreign entities, and Alcoa may be next.

The Conservatives took this initiative with the income trusts by crippling it and using the non-refundable 31.5% instead of the Liberal plan. We put a plan forth of a 10% tax rate which would be refundable to all Canadians, creating an opportunity for Canadians who have invested in income trusts.

Tom d'Aquino, president of the Canadian Council of Chief Executives, has said that the decision with respect to income trusts:

—may seriously undermine the competitiveness of Canada's homegrown champions—the companies that are most active and most successful in building global businesses from head offices in Canadian communities.

It is clear, if we look at the government's agenda when it comes to economic policy, it has crippled our ability to remain productive and has hurt our competitiveness. It has shown the government has continuously broken promises that it made to the Canadian public.

However, it does not end there. Another area in which my constituents have expressed a great deal of concern is with respect to social justice issues and social policy. There was absolutely no mention in the budget of homelessness or affordable housing, an issue that resonates in my constituency, across Ontario and across the country as well.

Constituents of Mississauga—Brampton South understand how important this is. The government has cut money from Status of Women, youth programs and the list goes on and on, and again, no investment in these initiatives.

My last is with respect to international trade. This is an area where I believe the government truly had an opportunity to put Canada on the map. It had an opportunity to showcase Canada to the world.

When we were in power, as the Liberal government, we put forth the Can-trade \$485 million initiative, which invested in branding Canada. The Conservatives completely wiped that out to replace it with a measly \$60 million over two years. It has closed consulate offices and cut funding. The Auditor General's report clearly demonstrates a lack of strategic planning, low morale and the department as well. Therefore, the government has a lot of explaining to do when it comes to the budget.

*Government Orders*

I am very fortunate that I represent a constituency which is very diverse and has a population of about 130,000 people. It is a hub of economic activity. I have an airport there, looking to the government to show leadership in reducing airport rents. I have major highways and we are looking for funding for infrastructure. Many head offices are looking to expand their businesses abroad and build strong Canadian brands outside of Canada. My residents want to enjoy a high quality of life, but they are very disappointed with the government's poor economic policies, a lack of compassion in investment in the most vulnerable in our society. The government is hurting our reputation abroad.

We are taking steps backwards and we need to provide good public policy, not bad public policy. I think the Canadian public is very impressed that through its hard work and sound management we are in a strong position to create a better and prosperous future for our children. Canadians looked forward to the government to continue to reverse some of its policies. In the meantime, I and the Liberal Party will not support the budget.

● (1210)

**Mr. Peter Stoffer (Sackville—Eastern Shore, NDP):** Mr. Speaker, the member forgot to mention a couple of other promises the government has broken.

Members may or may not know, but Ottawa was recently blessed with the visit of over 70 war brides from Ontario and the Maritimes. They came to Ottawa to have a terrific weekend, to be together and to enjoy their stories. Many of them are widowed.

One of the things they talked about, when I met them for breakfast this morning, was the veterans independence program. Some of the women get it; others do not. However, they were unanimous in their approach that all widows of all veterans should receive the VIP.

In fact, the Prime Minister also believed that when he was in opposition. He went so far to believe it that he wrote a letter saying that all widows and all widowers and all veterans would receive the VIP immediately upon forming government. He is now government. Sixteen months later, these widows, most of them in their late eighties, are asking, where is it?

I want to give my hon. colleague an opportunity to respond on behalf of the veterans and widows of his riding. What does he think the Prime Minister should do? It is quite a simple answer in that regard: extend the program immediately, as he promised so that these widows and their veterans can get on with their lives.

**Hon. Navdeep Bains:** Mr. Speaker, the passion illustrated by my colleague shows the frustration with the government's consistent pattern of breaking promises.

The VIP should be extended. This is an issue that speaks to the government's style as put forth by the Conservative Party. It is a style that pits province against province, the wealthy against the poor. It is about gimmicks. It is about writing cheques. It is not about building a strong and united country. It is not a way of building good public policy going forward.

Therefore, I understand those frustrations. There are many broken promises. I think the Canadian public is beginning to understand the Conservative government's style in the way it has implemented the budget.

● (1215)

**Mr. Bruce Stanton (Simcoe North, CPC):** Mr. Speaker, the hon. member has waxed poetic about this notion of fairness and how he is essentially what appears to be opposed to it.

He mentioned income tax, for example. He suggested that income tax reductions would be the fairest approach to extending tax savings to Canadians. However, how would he ever get tax savings into the hands of the 30% of Canadians who do not even pay income tax? Would he answer that question?

**Hon. Navdeep Bains:** Mr. Speaker, we brought forth a very comprehensive tax policy when we were in government, a tax policy that looked at the lowest-earning income segment of society, ensuring we got people off the rolls so they did not have to pay taxes. We reduced personal income tax amounts for the lowest threshold as well. This was all done by the previous Liberal government, but it was reversed by the current Conservative government.

This policy was widely accepted and promoted by economists, by people who understand the economy. They accept that this was the best means to help the people in the lowest income bracket and that a consumption tax really helped the most wealthy. I provided statistics and information to that effect, when I said that the wealthiest 5% of the people benefited from this consumption tax. That study was done by a non-partisan organization.

Again, I think the government does not understand tax fairness, hence why the Minister of Finance today had to reverse his decision on a very poorly conceived policy, the worst in 35 years coming out of Ottawa.

I hope the government begins to learn that this should be one of many reversals it should undertake with respect to its budget.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Mr. Speaker, it is unfortunate that I only have 10 minutes to address Bill C-52 because I could take far longer to talk about what has been omitted and the poor budgetary policy contained within this budget.

However, after a year of the government, it is quite obvious that it has taken all its lessons from the former Liberal government. We have seen in the past year the softwood sellout, which was started by the Liberals and continued by the Conservative government. I will come back to that in a moment. We have seen the continued push on SPP, deep integration, started by the Liberals and continued by the Conservatives.

*Government Orders*

What we see in the budget is the continued push for corporate tax cuts rather than actually dealing with real issues that Canadians from coast to coast to coast are experiencing. There are \$9 billion in corporate tax cuts that are being continued. The Conservatives are continuing the Liberal practice of shoveling corporate tax cuts off the back of a truck. What we see here is just a continuation of the failed Liberal policies we saw over 13 years, by the Conservatives.

What is the context of this budget? What should have been addressed? As Statistics Canada told us just this week, and after study after study has proven, is that we are experiencing in Canada a clear and growing prosperity gap. In fact, “gap” is perhaps too innocent a term. It is indeed a prosperity gulf.

As Statistics Canada reported as recently as last week, but as its studies over the past decade have shown, since 1989 the real income for most Canadian families has actually gone down. It is a reality that the Conservatives have not grasped and the Liberals did not grasp before that.

If we look at the figures since 1989, since the signing of the Canada-U.S. Free Trade Agreement, the poorest 20% of Canadians have seen their incomes collapse. They have lost a month of income in real terms. It is no wonder we are seeing burgeoning numbers of homeless Canadians across the country when the poorest Canadians are actually living on a month's less income than they were in 1989.

It continues with the lower middle class. They have lost two weeks of salary in real terms. Even the upper middle class has seen stagnation. They have not gained a dime more since 1989. They are living on the same income they were living on in 1989.

Who has profited by the failed Liberal economic policies continued by the Conservatives? We all know that it is the wealthiest of Canadians. The wealthiest 5% of Canadians have seen their incomes skyrocket. Corporate CEOs and corporate lawyers in the boardrooms of Canada are doing better than ever before. In fact, coming from Vancouver on the red-eye last night, I read another article about CEOs giving themselves multi-million dollar pension incomes. While the corporate sector has been pushing to cut back on services that working Canadian families need desperately, they are giving themselves unprecedented awards, even for mediocrity.

That is the context of this budget. Eighty per cent of Canadian families are earning less now than they were in 1989. It is a prosperity gap. It is an income crisis that must be addressed.

What do we see in the budget? In the midst of that income crisis; in the midst of a homelessness crisis that we have not seen since the 1930s where 300,000 Canadians will be sleeping out in the parks and on the sidewalks of our nation tonight; in the midst of a fall in real income for 80% of families; a gutting of our manufacturing sector; and the giveaway of our resources, raw logs from British Columbia and oil and gas resources from Alberta, at fire sale prices, which only profits corporate CEOs and corporate lawyers, we have a budget that addresses more corporate tax cuts and continues subsidies paid by Canadian taxpayers to the profitable oil and gas sector.

• (1220)

I come from British Columbia and when I left on the red-eye yesterday to get back to Ottawa, gas prices were at \$1.30 a litre. A

study that came out last week clearly showed that there was no justification for gas prices being more than 97¢ or 98¢ a litre right now given the current international price for a barrel of crude oil. We have this gouging by the big oil and gas companies, a favourite of the Conservative government, but in addition to that, as these companies reap record profits, the Conservatives shovel more money at them, taxpayer money.

The Conservatives do not deal with homelessness or with the crisis in the health care sector. They shovel hundreds of millions of hard-earned Canadian taxpayer dollars at the oil and gas sector. It is absolutely appalling.

What is in the budget? There is no national housing strategy and no national transit strategy. There is nothing on employment insurance. It contains nothing on establishing a \$10 minimum wage, which is something the NDP has been calling for now for some time. Obviously, if we were to take a look at the poorest of Canadians, we would see that 20% of Canadians have lost a month's salary over the past 18 years. That needed to be addressed by the government but, since it only listens to the boardrooms of the nation, it did nothing to deal with this crisis of income and nothing to establish a \$10 minimum wage.

The budget has no poverty reduction strategy and no plan to end student debt that is now at record levels. The budget has no cancellation of the corporate tax cuts started by the Liberals. In fact, the Conservatives just continue to shovel that money at the corporate CEOs and corporate lawyers.

The budget has nothing for pharmacare, home care, long term care in the health care sector; nothing for improved access to health care for aboriginal peoples; nothing about coordinated training of medical professionals; and nothing about catastrophic drugs. The budget has no significant new money for aboriginal Canadians who, along with Canadians with disabilities, are the poorest of the poor of Canadians.

The budget says nothing about autism. There is no ban on bulk water exports, which is an issue that was started by the Liberals and being continued by the Conservatives. We see nothing for seniors and no increase in the old age supplement as my colleague, the member for Sackville—Eastern Shore, just mentioned. We see nothing about providing the kinds of benefits that veterans and their widows and spouses deserve. We see no action following the NDP's promotion of the veterans first motion that was adopted by this Parliament. The government talks the talk but it does not walk the walk and, therefore, nothing for veterans.

What we see across the country is absolutely no effort by the government to change track after 13 years of Liberal obsession with corporate tax cuts at the expense of everything else. We see nothing to deal with that income crisis.

I will now talk about British Columbia because that is the most egregious part of this budget. The Minister of Finance rose in the House and said in his budget speech:

*Government Orders*

From the majestic peaks of the Rocky Mountains [in Alberta] to the rugged shores of Newfoundland and Labrador, many of the most beautiful places on earth are in Canada.

This budget completely neglected British Columbia. We see that on the equalization formula that was adopted. We see absolutely no action at all in any of the key areas that British Columbians have been crying out for and pushing the Conservative government to take action on.

What have we seen from the government on the pine beetle which has devastated the interior of British Columbia? The government actually withdrew the funding last year that had been allocated to the pine beetle, even though it was far below what was needed. This year it has allocated pennies on the dollar. We have seen a lot of photo ops and press conferences but very little action has been taken.

The Conservatives promised to take action on leaky condos but no action has been taken.

It is no surprise to me that the poll which came out this weekend shows the Conservatives third in British Columbia now. The NDP are at 30%, the Liberals at 29% and the Conservatives at 23%. Quite frankly, they do not deserve British Columbians' support because this budget does not include British Columbia.

•(1225)

**Mr. Brian Masse (Windsor West, NDP):** Mr. Speaker, my colleague from Burnaby—New Westminster has worked a lot on the trade deal with regard to the softwood lumber sellout where jobs have been disappearing across this country. The same thing has been happening in the auto sector where we have witnessed the loss of thousands of jobs across Ontario and Quebec. Recent statistics show that since January, 52,000 jobs have been lost in manufacturing alone. This has been catastrophic to families across this country who depend on the auto sector and the manufacturing sector in general to pay their bills and save for the future.

The budget has a lack of vision with regard to manufacturing. One specific thing I would like to touch on is the feebate that was introduced arbitrarily by the Conservative government. Canadian taxpayer dollars will be going to Beijing, Seoul and other places outside of Canada as these incentives will go predominantly to non-domestic auto manufacturers as opposed to a made in Canada strategy that we have been proposing. We literally will be stripping millions of dollars from this country. The Yaris, for example, will receive an injection of cash of about \$34 million that will be used against our own domestic producers.

I would like to ask my colleague about a plan for manufacturing and industrial development, especially based upon his work on the softwood lumber file. Even in Windsor West, believe it or not, a very successful furniture making factory in post-end production disappeared in recent weeks because of the softwood lumber sellout.

**Mr. Peter Julian:** Mr. Speaker, my colleague from Windsor West has done a terrific job, along with his colleague from Windsor—Tecumseh, in fighting back on the appalling poor strategy of the government in terms of auto jobs.

The reality is that the present government is just bad news for working families right across the country. We saw this with the softwood sellout. The former Liberal minister of trade took an

agreement with him when he crossed the floor to the Conservatives. We knew, after hearings last summer, that the agreement would result in a catastrophic loss of jobs. The Minister of International Trade knew that and he signed it just the same because he wanted to be in the good books of the Bush administration. He gave away \$1 billion. I guess that gift was expected to provide some quid pro quo.

It turned out exactly as the NDP said it would. Five thousand jobs have been lost and \$1 billion has been given away since that egregiously bad softwood agreement was signed. Now the Bush administration is saying that Canada should stop all future forestry programs at the federal and provincial levels and stop all support to softwood communities. What a bad deal. What a pathetic government to sign an egregiously bad sellout of this country.

The government has continued it now in the auto sector, as my colleague from Windsor West just pointed out. It has now set up an environmental plan that actually supports the auto sector in other countries, not the Canadian auto sector.

We need to wonder where the Conservatives are coming from. Without questioning the impact, they are taking all the bad Liberal policies that have led to this income crisis in the country where most Canadian families are now earning less than they were 18 years ago, and they are going further. They are rushing forward with a whole series of concessions to sign a trade agreement with South Korea that we know will devastate our auto sector even more.

•(1230)

**Mr. Peter Stoffer:** The shipbuilding sector too.

**Mr. Peter Julian:** The shipbuilding sector as well, as my colleague from Sackville—Eastern Shore points out.

The government has been a disaster for working families.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** Mr. Speaker, it is with some eagerness and reluctance at the same time that I rise to speak on the budget. Reluctance in the sense of having to look through a document again to realize its shortcomings for the people of my region in northwestern British Columbia and eagerness to be able to point out to my colleagues in the House and Canadians across the country what bad government looks like when the balance of views and opinions across the country are misaligned and put out of context.

The result is a budget that was presented to Canadians some weeks ago and supported by the Bloc, which it seems is in some disarray this morning having had a leader, not having a leader, maybe having a leader again and perhaps not having a leader by the end of the day.

**Mr. Peter Julian:** Now it does not have members of Parliament.

**Mr. Nathan Cullen:** Now it does not have members of Parliament. I have often questioned what the actual role of the Bloc is in the House. That question is now put front and centre for all the world to see. It is a bit embarrassing and unfortunate. I think the people of Quebec will make different decisions in the next election than ones made in the past. However, that is not why I am speaking today.

*Government Orders*

[Translation]

It is important to finally recognize that Quebeckers do not share the Bloc's point of view. That is clear, particularly when it comes to the budget. This budget contains an extreme measure that will affect the economy, as well as the future of our country and the provinces.

The Bloc supported the Conservatives' budget, but it is impossible to understand why unless we look at it from the Bloc's perspective on the next election. That is why the Bloc supported the budget: to try to get a few more seats here supporting its point of view in the next election.

[English]

I need to talk about the northwest for a moment. I need to talk about the people of Skeena—Bulkley Valley and in general the rural residents and the people who live in the true country of Canada.

There is much talk in this House and discussion in the general media in this country about the urbanization of Canada. Yet the foundation of our country, the foundation certainly of our economy rests still in the rural sector. This budget steps away from support of rural communities in a most desperate way.

We have seen programs cut for young people seeking employment. This disproportionately affects those young people looking to stay and maintain a vibrant community, looking to eventually raise their own children and contribute to the community. Often times these summer employment programs were a stepping stone allowing young people to stay in their communities and form those communities and bring something strong for our future.

We talk about our future. My colleague from Burnaby mentioned how we watched the devastation of the pine beetle grow in my region of the northwest and the central interior of British Columbia. We watched the previous government attempt to put its head in the sand and ignore it. The previous government did not allow any funding whatsoever to come through for what is now being seen as the greatest ecological disaster our country has ever faced.

We have seen this new government come forward and make promises of money. Then we do not find in 478 pages of this budget document a single line or space to talk about the pine beetle devastation.

How is it that this government, that claims to be letting the west in and all that triumphalism of the last election that finally there was some interest coming from the west, has butted up against the Rockies and stopped there. The interests and views of the people of British Columbia have been taken somehow for granted.

People in British Columbia know that in the previous two elections time and time again Conservative incumbents put themselves forward in B.C. and it was New Democrats that were removing them from office because they were not reflecting the views and the grassroots of what people are most interested in.

The west can lose an entire sector of our economy, namely the forestry sector, and watch it decline in a rapid rate and yet there is not even a whisper of interest. The government spent \$11 million on an airport. That is hardly going to turn around one of the greatest

sectors of our economy that has held British Columbia and the entire country together for many decades and centuries.

Let me turn now to first nations. Thirty percent of my region in Skeena is made up of first nations people. I think Chief Phil Fontaine came out almost immediately and cited that this budget was almost in a sense a declaration of war. He said it was a declaration of conflict, looking to conflict directly with the first nations people of our country. Why this has happened is simply beyond me.

It is not as if first nations people are enjoying a quality of life superior to any other sector. It is far worse. I would take any member of Parliament in this place through Skeena. I would show them both the pride and the deep conviction of community that is in those reserves and villages. I would also show people the desperate living conditions that people continue to live in.

It has been said too many times in this place that it is a national disgrace to have a budget come forward, the single most important document that a government produces on a yearly basis, and absolutely wipe out any slight progress that had been made by previous governments. It is a shame. It continues the shame, as does the lack of reform for our employment insurance program.

The government has this kitty or free bank that is directly off the back of employers and employees across this country. There has been committee report after committee report that has come forward and said that the EI reforms need to be front and centre, particularly for transitional economies like Prince Rupert, British Columbia, and for my colleague from Acadie—Bathurst, where we know there are times when communities need support. It is basic Keynesian economics that there are ups and downs.

We know that when things are good they are good and we put a little money aside for when things are bad. That is what the employment insurance program, being insurance, is meant to do. This is an insurance program that just does not pay out. It simply collects money and moves it into a slush fund and the government spends it on its little pet projects rather than helping out communities and families.

Child care has been growing in concern across my region. There are families that are desperate for basic, simple, ordinary child care services and they cannot find it. There are single mothers looking to enter back into the workforce and they cannot find child care spaces. People simply cannot find a way back to the workforce to contribute to the economy for lack of child care funding.

The provincial government in British Columbia has had a few enormous embarrassments. There has not been any type of opposition to the government stripping out hundreds of millions of dollars for child care which has been an incredible shame.

• (1235)

There was not a whimper out of Victoria from the B.C. Liberals as these Conservatives, and they are both of the same ideological brush, simply removed the funding from child care spaces in B.C. and not a single space has been created as a result. That is true in Skeena. It is true in Vancouver, Victoria and right across British Columbia.



*Government Orders*

The people of Skeena are hard-working people. They are settlers. They are people who have made the land possible. They are first nations that have lived there for thousands of years.

Last year, I asked for a study to be done by the Library of Parliament to describe the tax balance; how much tax money the people in my riding are paying out to the federal government and how much is coming back in terms of services over the last 10 years, as an example.

Year on year, the devastating number that came back to us was 10 to 1. For every \$10 that was sent out of Skeena in tax dollars, in revenue for the federal government to spend across this country, there was \$1.00 coming back.

People talk about fiscal imbalance from the provincial level. I have fiscal imbalance coming out of every which way in Skeena. When we look for some sort of level of basic fairness, from the forestry sector that contributes hundreds of millions of dollars, the mining sector, the fishing industry that has done so over decades, and we ask for a simple balancing of the equation, we do not receive even 1 to 1. When we ask for something a little more reasonable, we are told to go away. However, the oil sands is able to pull out a little over \$1 billion a year in tax subsidies every year for an industry that is making more money than it knows what to do with right now.

Canadians are looking for a little fairness. People of Skeena are looking for a little fairness. This budget simply did not deliver.

It was with great conviction and some certain sense of sorrow that we chose to vote against this budget because we are looking for some sort of decency and balance, particularly in a minority Parliament because this is the House that Canadians constructed for us.

On the environment, we have regression after regression. We thought things were bad with the Liberals when it came to climate change. We had no idea how bad it could get. The deniers moved to delayers, and now to outright spin doctors. The Conservatives paid a little too close attention to the Liberals' ability to spin rather than hold up on substance.

The budget is unsupportable. We will continue to resist efforts of this government to bring it to fruition.

• (1240)

**Mr. Peter Stoffer (Sackville—Eastern Shore, NDP):** Mr. Speaker, my hon. colleague is absolutely correct. There is great disappointment in this budget because in many ways it divides Canadians but does not unite them.

I would also like to give the member the opportunity to explain to Canadians, especially people in his riding, what democracy means. Democracy means when the Prime Minister, who was then in opposition, said that when a motion passes the House this is what government should adhere to.

A motion did pass this House last November. It was called the veterans first motion. In that motion, we asked that the SISIP program be redone. Two DND ombudsmen also said the same thing. It is unfair to disabled soldiers when their insurance money gets clawed back. It is a sin. We have the fiscal capacity to fix it. We waited for the budget; it was not there.

Then there is the VIP extension for widows and widowers. That was in the motion passed by the House. It was a promise by the Prime Minister, but it was not in the budget.

Then there was the elimination of the gold-digger clause when soldiers and RCMP officers married after the age of 60. That was in the motion passed by the House. Two Conservatives had private members' bill on it. Yet the Conservatives voted against it.

There are many other things that we would like to see done. In the brevity of time, those are the three main elements.

Why does this member think the government so callously in opposition supported these endeavours but once in government voted against them even when it has the fiscal capacity to help the widows, and our injured soldiers and veterans?

**Mr. Nathan Cullen:** Mr. Speaker, I thank my colleague from Sackville—Eastern Shore for his lengthy and tireless work on behalf of veterans. Year after year the member has stood in the House with great passion and conviction. I recall that even a few weeks ago in question period all members congratulated him for his support for veterans.

It seems there is a certain democratic deficit being displayed by the current regime and the Prime Minister. While in opposition the Prime Minister often spoke of the need to have the will of the House expressed and then supported by the government of the day. Yet suddenly and quickly, as quickly as a member can cross the floor or someone can be appointed to the Senate, those convictions and principles, if we can call them that, changed.

A principle is not a principle when it is tested and found wanting. That is political opportunism. It is unfortunate that the Prime Minister did this, because my colleague from Sackville—Eastern Shore is talking about our veterans. It seems to me the government seems more excited and fixated by votes on the Afghan mission, declaring triumphalism and supporting the George Bush style of tactics, than by actually supporting our veterans when they return home.

The veterans first charter that passed through the House is the most glaring example of this. That charter was supported by the House, including the Conservatives, but then the basic elements in the veterans first charter were ignored by the government. There was the program for the widows, the VIP, and there were others that my colleague from Sackville—Eastern Shore mentioned.

When the fixation and focus seem to go in that direction, with chest thumping, getting all excited and slamming their desks, the Conservatives are there, but they are not there when it is time to support our veterans, to put money on the table, to make sure that when they come back money is not stripped away from their disability programs and the other options we give them. It is a contract, such that when the Government of Canada asks soldiers to serve, they will be supported, both in the field of operations and upon their return home.

*Government Orders*

We have seen this in living conditions in regard to the lack of support when veterans return to their communities. The government has failed them and their families. It is truly a tragedy that the government continues to pretend to be a supporter of the military yet when the time comes for true support, when the mission is finished and our veterans' term of duty has been served, and when the member for Sackville—Eastern Shore brings this motion forward and is supported by all members of the House, the government still ignores the will of Parliament, to the detriment of not only our democracy but in particular our veterans.

**An hon. member:** It's a shame.

**Mr. Nathan Cullen:** That is a true shame.

• (1245)

[*Translation*]

**The Acting Speaker (Mr. Royal Galipeau):** Is the House ready for the question?

**Some hon. members:** Question.

**The Acting Speaker (Mr. Royal Galipeau):** The question is on the motion. Is it the pleasure of the House to adopt the motion?

**Some hon. members:** Agreed.

**Some hon. members:** No.

**The Acting Speaker (Mr. Royal Galipeau):** All those in favour of the motion will please say yea.

**Some hon. members:** Yea.

**The Acting Speaker (Mr. Royal Galipeau):** All those opposed will please say nay.

**Some hon. members:** Nay.

**The Acting Speaker (Mr. Royal Galipeau):** In my opinion the nays have it.

*And five or more members having risen:*

**The Acting Speaker (Mr. Royal Galipeau):** Call in the members.

*And the bells having rung:*

[*English*]

**Hon. Karen Redman:** Mr. Speaker, I would ask that this vote be deferred to the end of government orders tomorrow.

**The Acting Speaker (Mr. Royal Galipeau):** Pursuant to the request by the chief opposition whip, the vote on Bill C-52 will be held at the expiry of the time provided for government orders tomorrow.

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**INCOME TAX AMENDMENTS ACT, 2006**

The House resumed from March 29 consideration of the motion that Bill C-33, An Act to amend the Income Tax Act, including amendments in relation to foreign investment entities and non-resident trusts, and to provide for the bilingual expression of the

provisions of that Act, be read the second time and referred to a committee.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Mr. Speaker, I rise to continue my remarks.

This is a technical bill. It is designed to prevent a circumvention of tax rules and to prevent tax evasion, particularly through the use of tax havens. This bill results from a consultation process initiated in 1999 by the previous Liberal government. We saw its fruition in 2005. Bill C-33 is basically the photocopy of the Liberal initiative commenced over those years. As a consequence, the Liberal members of Parliament will be supporting the bill, as I hope all members of the House will.

I will start with a little background. As we know, Canada has a fairly complicated tax system. It has been negotiated over 14 years of consultation. It is fairly complex in that many considerations have to go into in writing an income tax act. We also have something in the order of 81 bilateral treaties with other countries, so any amendments on one side have to be balanced with amendments on the other.

The essential goal is to make sure that Canadian companies are not taxed twice, once in the jurisdiction in which the money is earned, and then once again in the jurisdiction of residence. Generally this system works quite well.

Occasionally, however, some residents go to zero tax jurisdictions and the result is that there is no tax at all, which I think all members will agree is an unfair proposition. Bill C-33 will help to ensure that when this happens all that income will be taxed in Canada.

We as legislators need to ensure that the Canada Revenue Agency has the proper tools in order to be able to make sure that everyone pays his or her fair share. In the previous Liberal government, we worked very hard to ensure that all Canadians paid their fair share.

In the 2005 budget, we provided the Canada Revenue Agency with an additional \$30 million annually to strengthen its capacity to administer the tax system in areas where aggressive tax planning and compliance risks have the potential to erode the tax base.

Our government used that money to create 11 aggressive international tax planning centres of expertise whose main focus is to develop new ways to track and combat aggressive tax planning and the use of international tax shelters. These are centres in which we gather together the best and the brightest Revenue Canada has to offer in order to be able to deal with a series of complicated schemes to see whether they are designed merely to avoid income tax in this country. Specifically, the centres were designed to deal with tax havens and any illegal activities that were going on in those tax havens.

In order to effectively combat this problem, we must work with international partners, because there is no sense in being the boy scouts of the world. Thus, part of our responsibility is to work with the OECD, the Pacific Association of Tax Administrators and the Joint International Tax Shelter Information Centre.

All of these centres of excellence were created by the previous Liberal government.

*Government Orders*

We want to weed out the good taxpayers from the bad taxpayers. That is not always an easy job.

It is regrettable that the government seems to be engaged in some exercise in overkill. Let us take, for instance, the minister's latest blunder in a whole series of blunders coming out of the budget and in what looks like an endless series of fiscal missteps. He said at page 241 of the budget that he wants to "eliminate the deductibility of interest incurred to invest in business operations abroad".

In short, the budget proposed to put an end to all interest deductibility for loans used to invest abroad. This would have ended a longstanding principle that when we invest money abroad the interest is considered a cost of earning it and is therefore deductible.

Since just about every other major developed country continues to allow these homegrown operations to do this, eliminating Canada's advantage in this respect would put our companies at a serious disadvantage in the competitive global marketplace.

The policy received virtually universal scorn from pretty well everyone from the Chamber of Commerce to any other business entity. Allan Lanthier, former chairman of the Canadian Tax Foundation, had this to say:

This measure would put Canadian companies at a significant competitive disadvantage and I think the economic fallout to the Canadian economy is potentially disastrous...I don't think the finance minister understands that, I don't think he was properly advised by his Finance officials.

I've been practising [tax] law for 35 years—this is the single most misguided proposal I've seen out of Ottawa in 35 years.

● (1250)

Let me quote Len Farber, formerly a senior official with the Department of Finance, who said:

This goes beyond tax havens, this impacts good, complying, taxpaying corporations in many ways. The Canadian economy is a fairly small economy and if a company has reached its capacity here, if it doesn't continue expanding, it becomes a target for a takeover.

We have certainly seen that. Mr. Farber continued, saying:

Now they're making the cost of borrowing higher, so it's a pretty hard blow.

The budget did not distinguish if a company wants to borrow money to invest in the Cayman Islands or the United States or Germany. In one broad stroke, the finance minister lumped every single country in the world together and in the same breath told us that this measure was to fight the abuse of tax havens.

Shortly after the budget, the minister went to Toronto but had to beat a hasty retreat. He had to admit that he had made a colossal blunder. He now says that he will only go after Canadian companies that abuse the system by using tax havens for their investments.

The minister then got into a series of clarifications. Beware of clarifications, I say to everyone, because that is political-speak. What it means is: "I really goofed and what I am trying to do is redeem myself". When questions got raised after the budget, he was quoted as saying:

We are satisfied with what we proposed in the budget, but I will certainly listen [to stakeholders]...

It would have been nice if he had listened before he put it in the budget. He continued, saying:

We have to have budget confidentiality before we bring issues forward.

However, one can have consultations. I know that idea is novel for his government, but it can be done. The minister continued:

But I will listen and we will design [the measure] in the most advantageous way possible.

People then legitimately asked, "So what does that mean?" Finance official and director of communications Dan Miles said:

No, he's not backing down. The policy is the policy.

Really, though, it is the policy but not necessarily the policy.

On May 8, the minister went to Toronto again to issue another clarification. Today, he was in Toronto again, to issue another clarification, so we are clarifying on the clarifications on the previous clarifications.

First of all, he said he was against all interest deductibility. Then he was only against interest deductibility through tax havens. Then it was only for two years, which meant, okay, I have tax deductibility for two years, so I will not really be upset for two years. Then he said no, it would now be 10 years, so I will be upset in 10 years. He then clarified again to say that it was not all interest deductibility and it was not two years and it was not 10 years and it was not just against tax havens: it was against double-dipping.

What the minister knows about double-dipping could probably be learned at a Dairy Queen, but now today he is against towering, which is a sort of subset of double-dipping. It is sort of like sprinkles on the double-dip. Now he is against the sprinkles on the double-dip.

He had changed this from two years to 10 years but now he is against it for five years. In five years he will be upset about it, but maybe not even then, at least until the tax experts and the panel get back to him. If we then read the rest of his press release, it is all blah-blah and Conservative propaganda.

If would be really interesting to find out, at one point or another, what it is the minister actually means as distinct from what he actually said in the budget. Also, as I and others have asked, if he is going to change the budget, could he at least table a precise ways and means motion so that we know exactly what it is he is upset about?

I do not know much about towering, but from what I do understand, it is a series of corporations and tax-flowing entities, that is, entities through which people can flow their profits, the objective of which is to eliminate withholding tax. It is not clear to me at this stage whether we are merely closing a loophole for a foreign jurisdiction, which will benefit the foreign treasury of another country but will have no impact on ours.

We may have gone through this whole entire exercise of corporation, non-corporate entity, another corporation, another non-corporate entity, through to the operating company and back up and down that whole tower, as they describe it, and all we will have achieved is a tax point for a foreign jurisdiction.

*Government Orders*

I hope that is not what he means, because then he certainly has a lot of people upset about absolutely nothing. If that is the case, then he will reduce the after-tax revenue to Canadian companies. That makes a lot of sense, does it not? Thus, we put money into somebody else's treasury, take money out of Canadian companies, and do nothing for our own treasury.

• (1255)

It will not benefit our treasury at all, so I do not know what the fuss is all about. Hopefully, we will find out if the minister actually tables something that has some precision and some meaning. As I said, the press release is just a glorified bunch of propaganda and rhetoric, but is very short on specifics.

What is obvious today is the minister has backed down from his position of all interest deductibility all the time to a microdot of interest deductibility. In two months from the budget, he has gone from two years, to ten years, to five years. He is so enamoured with this spinning exercise that he has spun himself into the ground. He is so excited about tax havens and so-called tax fairness that now he appears to be in favour of tax havens and is not fussed about tax unfairness.

I sincerely hope the minister is choosing not to throw the baby out with the bathwater and that he will arrive at some level of precision to which we are all entitled.

**Mr. Dean Del Mastro (Peterborough, CPC):** Mr. Speaker, on occasion the hon. member and I agree on a number of things. There may well be something we can agree on, which is a specific example that we saw in finance committee the other day when we were looking into the specific case. The finance minister has rightfully indicated that he would like to put an end to it. It was where a corporation borrowed money from a tax haven, lent it back to another tax haven, to lend it to a subsidiary of itself in the United States. This was tried by the CRA and it lost. The CRA could prove that the same company had claimed the same \$20 million interest expense twice, taking a tax credit for it twice, incurring the cost only once, but the CRA lost, indicating that the courts felt this was perfectly legal.

This is a big problem. The point was made that if I could claim deductions on my taxes for interest expenses that I had not actually incurred, I would be more competitive. Indeed, I would be able to purchase more. I would be better off. Some of these corporations are doing that, and it is wrong. This is double-dipping.

Speaking about that specific example where the same corporation claimed the same tax deduction twice, but incurring it only once, does the hon. member believe that is wrong, or does he think it is fair? I do not think it is fair. It is not fair to Canadian taxpayers. I would love to hear what the hon. member has to say about it.

• (1300)

**Hon. John McKay:** Mr. Speaker, the hon. member will recollect that the testimony of the witnesses said that 10 cases had been dealt with on this particular point, or themes and variations on this point. Five had gone in favour of the taxpayer and five had gone against the taxpayer in favour of the Crown. It is a point of contention.

There is no issue here about double deductions which are illegal. That is not the issue. The way in which the minister has phrased the

budget is that all interest will apply. In other words, he has taken a cannon to the entire concept, which I think even the hon. member will realize this. If we cannot deduct interest for acquisition costs, then we are at a severe disadvantage to anyone else with whom we are competing.

At this point, it is five and five. Then there are the files that are resolved outside of the court. The tax officials indicated that they had been having a lot of success in resolving this issue under the general anti-avoidance rule. The general anti-avoidance rule is essentially a large omnibus rule which says if the scheme is only for the purposes of reducing or eliminating tax liability, it is avoidance and the person or corporation will be taxed anyway.

I still would like to see the hon. minister put on the table what precisely he is upset about, give us a break from all this tax unfairness and tax havens nonsense and just say what he means.

**Mr. Peter Stoffer (Sackville—Eastern Shore, NDP):** Mr. Speaker, admittedly many people watching this probably may not have a full grasp on this. They probably assume that corporations are getting away without paying their fair share of taxes. However, would the hon. member to break it down?

Some people in my riding owe about \$1,600 or \$1,700 in back taxes. They are being charged interest and penalties on that to the point where the interest and penalties are even more than the principal amount they owe. The CRA is going after them very hard, yet we hear consistently of companies that are getting away with tax avoidance altogether.

Would the member to break it down when he talks about tax fairness? The member is right in that the minister should table in the House specifically through a ways and means motion what he is upset about. However, an awful lot of Canadians are upset as well. If the minister can screw up so badly on this file, what do average, ordinary Canadians think about what is happening to them with their taxes?

**Hon. John McKay:** Mr. Speaker, it is more than just mildly disturbing to see a minister so badly, as the member put it, screw up in this file, particularly in such an area of acute sensitivity, not only sensitivity for the companies that might be involved in this, but also for all taxpayers generally.

As a general proposition, all of us want tax fairness for everyone. There is not anybody, not a member in the House, who does not want tax fairness for everyone. That is not the issue. The real issue is we want tax certainty when we do tax planning. I will take a simple example like a deduction in our RRSP. Everybody knows we can deduct up to \$18,000 against our current income and put it into our RRSP.

*Government Orders*

What happens if the Minister of Finance says that he is against that deduction? A lot of people would pretty upset if he made a blanket statement in his major budget document saying that he was against that deduction. Then over the next two months, he spent all kinds of time backing down and backing down, saying that he was not really against the deduction and that he would phase it in over two years. Then he would say, no, that he would phase it in over 10, then he would go back to five years and say that it was only tax deductions for a certain class of people, like people owing over \$1 million, or it was only tax deductions for people who were earning over \$1 million, but earning it somewhere other than Canada.

We are back down from the universe of everyone who deducts for RRSPs to a very small group of people who may or may not, under certain circumstances, be possibly abusing the system.

The minister should table it. He should let us know and then we can debate the actual merits of it. This is a bizarre way to be the chief person in Canada responsible for the nation's finances. I wake up in the morning wondering what his next blunder will be.

The GST was idiocy from the standpoint of intelligent management of the nation's finances. We do not put income tax to down consumption taxes. Everybody knows that. We do not say one thing in an election about income trusts and eight months later slam the folks into the ground. Now with this thing the entire business community, and that affects everyone, is very upset. They have lost a competitive advantage in the marketplace. Now the minister is backing right down.

I do not know what he means. I read the material issued this morning by the minister. Maybe there are clairvoyants who can read this better than I can, but I certainly do not know what he is talking about.

• (1305)

[*Translation*]

**Mr. Claude Bachand (Saint-Jean, BQ):** Mr. Speaker, I am pleased to speak today on this bill. I will begin by saying that the Bloc Québécois will support this bill because we feel it is a step in the right direction.

Allow me to explain what I mean by that. I believe that many members of this House went into politics to try to make our society fairer. Fairness can apply to many things, such as upholding rights or justice, but it should also apply to all tax measures. There is much criticism of our taxation system, and many people wonder why they should work so hard when others can use tax avoidance strategies to hold onto nearly everything they earn.

This bill really comes down to fairness, and it is important to us. We are not saying that the bill is perfect and should stop there. On the contrary, we even think the government should keep going in this direction and ensure that the middle class and the disadvantaged are treated fairly compared to the wealthy.

Often, the disadvantaged and the middle class feel that the wealthy have access to an unfair number of tax avoidance measures. Tax fairness is crucial to the continued health of a society. People see it as unfair that they are doing a good job but are not being paid enough or that governments are deducting too much money for the services they provide.

Once they sense this unfairness, many people will engage in illicit behaviour, such as working under the table or moonlighting, in order to make ends meet at the end of the month. This is because these people realize that the very wealthy can avoid paying what they should ordinarily pay.

Offshore trusts are commonplace today, and they are not currently illegal. I believe that people object to such measures not because they are illegal, but because they are improper. People say that the very wealthy should not be able to get away with depriving the government of revenues and thereby depriving the middle class and the disadvantaged of additional services.

To achieve a balanced budget, revenues are either increased through supplementary taxes, in other words, taxing a little more, or by cutting expenses, or both. However, in society, when exorbitant amounts of money escape the tax authorities, someone else must pay, either by paying more taxes or by giving up various services.

As we speak, places like Quebec are experiencing problems in health care and education. I think people realize that we cannot place full responsibility for these problems on the provincial level of government. People realize there are a number of levels of government: federal, provincial, municipal and even boards of education. People know they have to contribute to all these levels.

Like the fiscal imbalance, when there is imbalance people start to wonder why things are that way and why balance is not restored. That is the whole issue with the fiscal imbalance between Ottawa and the provinces. I think we are not alone in Quebec in complaining about this injustice and imbalance.

• (1310)

Many other provinces are having a hard time making ends meet when it comes to health care and education. Ottawa has been amassing surpluses, year after year, for many years now.

I will not get into employment insurance, even though there is injustice there as well. People know that they do not get out of it what they pay into it and that some of this money ends up in the consolidated revenue fund. People question these measures and start to wonder. They wonder why Ottawa has so much money while the public is dealing with extremely costly health care and education services. Ottawa does not really have extremely costly budgetary items, with the exception perhaps of the Department of National Defence. The government is investing a lot of money in defence right now.

*Government Orders*

People are wondering how we can regain balance in all this. The bill we are debating today will help to that end, or at least it is a start. For far too long now, in my opinion, the government has not moved on these matters. This has caused people to ask questions and express misgivings about all governments.

I would venture to say that this is the type of injustice people are criticizing, regardless of where the member or public official stands in the polls.

Unfortunately, people often lump all politicians together, even though they are certainly not all the same. There are certainly some good MPs. When a minister of finance or a prime minister does something that seems unjust to the public, they react. Often, the whole party or group of public officials end up paying for it.

So we think that this is a positive step. Non-resident trusts make income splitting possible, which is also completely absurd. This means that someone who has a large fortune and many children could split his income in a non-resident trust. This lets people who have no means and who have 18- or 19-year-old children who do not work or are still in school, split their income in order to pay less tax. It is very important to change this as soon as possible, because it is not right that someone who earns a lot of money and who has a big income at the end of the year is able to use this out, to split their income among three, four or ten people, and to pay less tax. In such situations, progressive taxes apply. What does that mean? Usually, the more income a person makes, the more taxes they pay. If someone earns \$1 million per year, they must pay more than 50% tax. If they can split it among 10 people in the family, this would mean each person earns \$100,000, and will pay less tax. This must be fixed. A number of other injustices must be fixed.

Consider tax treaties, for instance. On that topic, the former finance minister for the Liberal Party thought he was doing a good deed when he said he wanted to eliminate tax havens. He wanted to put an end to tax treaties because they were robbing the government of revenue. Furthermore, it was not fair that very wealthy people were going elsewhere, such as to the Bahamas, to shelter all of their income from Canadian taxation.

I would remind the House that the hon. member for LaSalle—Émard, the former federal finance minister for the Liberals, eliminated nearly all tax havens, except for Barbados. A few months before the elimination of all the other tax havens, that individual—the one I just mentioned—transferred his funds from various tax havens to Barbados. Barbados was the only tax haven that remained active. He patted himself on the back for eliminating 80% of the tax havens. However, he transferred his own fortunes from other tax havens to the only one left, Barbados.

• (1315)

Thus, a tax loophole still exists for wealthy families. We must continue to work to correct this.

The Bloc Québécois analyzed the bill in detail. I would now like to briefly address the importance of ensuring not only of the appearance of tax equity, but also that the government has enough revenues to deliver all the necessary services.

In that regard, if we decide to amend legislation—as we are discussing here today—and say that it will be increasingly difficult

for non-resident trusts to avoid taxation, this will mean that people are going to have to pay more taxes. If they pay more income tax, the government will have greater revenues. If the government has greater revenues—because everyone is treated equally—there will be a number of possibilities. For instance, we can lower taxes for middle-income Canadians, who very much need that. We can create additional social programs, and we can also ensure, with appropriate fiscal balance in Canada, that all Canadians are treated equally from province to province.

I referred earlier to problems in the areas of health and education in Quebec as well as in other provinces. There are, however, provinces where there are no problems in these areas. Alberta comes to mind, with the huge amounts of money oil companies are making. This points to some unfairness. We have to correct not only inequities between individuals, but also inequities between regions and jurisdictions. Additional federal income could help resolve once and for all the fiscal imbalance in Quebec. That is not what the government has done in its latest budget.

As we said before, we voted for the budget because the government took a step in the right direction by addressing part of the problem. But transferring money from Ottawa to Quebec is not the whole answer. A tax transfer is also required. The government has to recognize that there is a problem. The way to solve it is through a tax transfer, because the great benefit of a tax transfer is that it makes it possible to plan over a much longer term.

At present, Quebec is practically choked by its health and education services. It takes what Ottawa is giving, but this government's philosophy and policies could change next year, and Quebec and the other provinces in need could be getting much less. That has a direct impact on health and education services.

This government does not want to hear about a tax transfer from Ottawa to Quebec—which would allow the Quebec government to make long term plans—because tax transfers are hard to take back. A cash transfer of \$700 million, \$800 million or \$900 million, however, does not bind the government to keep transfers coming year after year. Should things get rough at the federal level one year, it could simply decide not to make transfer payments that year.

It is therefore important that the bill before us today not only restores tax equity between individuals, but also between the various Canadian provinces. When a state has increased revenues, it can do as it pleases with its surpluses.

*Government Orders*

Middle-income people and workers will finally be able to see that a particular individual or family that makes a lot of money will also have to pay a lot in income tax. They know that, with the help of a good accountant, people can use tax instruments and invest their money elsewhere or invest it in a tax haven, because the bill before us did not resolve this aspect. Instead, it resolves the issue of non-resident trusts, but we also need to resolve the tax haven problem. We are not the only ones to denounce them. The Bloc Québécois has always denounced tax havens. We must not be taken in by the ploy used by the former Liberal finance minister, who said he eliminated 80% of tax havens, as I mentioned to the House a moment ago.

• (1320)

This bill is therefore important to us. The Bloc Québécois intends to examine it carefully and in detail. At first glance, we are pleased with this bill. Generally speaking, the Bloc Québécois is pleased with everything that comes from the Auditor General, which is also why we like the bill.

For a number of years, the Auditor General has been criticizing the unfair treatment of citizens and the fact that certain very wealthy families are able to find loopholes. Thus, we always pay close attention when the Auditor General has something to say. She also instigated a number of changes, including policy changes. Although she normally acts as more of a watch dog, the sponsorship scandal had serious political ramifications for certain parties in this House.

Because our federal government spends more than \$250 billion a year, we need someone, an Auditor General and his or her team, to thoroughly examine various issues in order to be able to eliminate unfounded tax loopholes or denounce certain realities.

The federal government has a number of important departments. I sit on the Standing Committee on National Defence, and I often listen to the Auditor General's criticism of defence. There is currently a lot to criticize. Some scandals have been reported by the Auditor General and some changes have been made not just to the Canadian electoral map, but also to Canadian law. That is what we are dealing with today.

We are pleased with what the Auditor General said in 2005, and we are pleased that the government is taking action today and making changes through this bill. It will put an end to what we want to see an end to and that is offshore trusts. No longer will these wealthy families be able to take this route. However, the issue still has not been resolved. If people withdraw money from their offshore trusts and deposit all of it in Barbados, we are back at square one. We would simply be plugging one loophole and allowing these wealthy families to benefit even more elsewhere and still not pay taxes. The government, which is depriving itself of revenue, will continue to do so.

Once again, as far as fairness is concerned, people are taking notice. Unfortunately, they often blame the government for these loopholes and these ways of doing things. They also say that the government is never on their side and is always siding with major corporations. This is currently the case with the Kyoto protocol. We know what side the government is on. It is not a green plan they keep proposing, but a brown one the colour of oil. People know it. They even see a certain association between the government and major companies.

On the political spectrum, the Bloc Québécois is much closer to the centre; maybe slightly left of centre. We agree that everyone should pay their fair share of taxes.

There are indeed legal tools. For example, the middle class can use RRSPs. You would never see the Bloc Québécois ever agree to axing the retirement savings programs. With much greater longevity and limited government resources, we are going to run into problems.

The bill before us is important. The government has to recover revenue and they know how to do that. Gone are the days of trying to get this money from the middle class by raising taxes or cutting services. Wealthy families now have to do their part. We feel this bill is the first step and that is why the Bloc Québécois is pleased to support it.

• (1325)

[*English*]

**Mr. Dean Del Mastro (Peterborough, CPC):** Mr. Speaker, I enjoyed listening to the comments from the hon. member. I commend the Bloc for supporting what is a great budget for Canada. This budget moved from fiscal imbalance to fiscal balance and provided significant resources to the provinces in areas like education and infrastructure.

I also want to commend the Bloc Québécois for its stand on tax havens. I would love to hear some insight on this from the hon. member since he has been in this House for quite some time and has taken a stand against tax havens. Several reports from the Auditor General spoke about tax havens. In fact, the Auditor General highlighted this issue for the former government.

I would love to hear from the hon. member why he thinks the former government did nothing to protect taxpayers and ensure tax fairness while tax havens continued to grow. I would love to hear from the member why he thinks that was the case.

[*Translation*]

**Mr. Claude Bachand:** Mr. Speaker, I thank my colleague for the opportunity to reopen the debate on tax havens. I would again like to talk about the Bloc Québécois experience with this issue under the former Liberal government. It was understandable that the former Liberal finance minister, who subsequently became prime minister, would object to eliminating tax havens. According to some reports in the electronic media, several did not even fit the definition of a tax haven. For example, the one in question was supposed to have a corporate office and employees working there.

*Government Orders*

I remember very well that the tax haven where the company of the prime minister and finance minister—he served in both positions—was domiciled was the subject of a television report. The journalist went down there and found only one or two individuals and virtually no signage. When the journalist arrived, the individual telephoned the head office here in Canada and asked what they should do. It was obvious that they wanted to shelter from tax the wealth of the then prime minister, the former minister of finance. The Bloc Québécois denounced this state of affairs. What happened was wrong because in order to save himself he said he was going to eliminate tax havens. He eliminated them all, except for Barbados. A few months before shutting them down he transferred all his money to Barbados. He then said he was a great man because he had shut down 80% of tax havens, except for Barbados. We later learned that he had transferred his money to Barbados. He kept Barbados and shut down the others. Citizens are not fools and find such action unacceptable.

• (1330)

[English]

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Mr. Speaker, I wonder whether the hon. member would comment upon Quebec as a tax jurisdiction. Would he agree that Quebec is among the highest, if not the highest, tax jurisdiction in North America?

Would he agree that government spending on a per capita basis is something in the order of \$1,500 per person greater in Quebec than in other provinces, particularly the province of Ontario?

Would he agree that the province of Quebec is struggling to retain business to grow its economy, that in fact the province's GDP has not been expanding in the last number of years?

Would he recognize that corporations, and persons for that matter, seek lower tax jurisdictions in order to be competitive? If they do that in Canada and they do that internationally, would he then agree that some corporations in order to be viable end up siting themselves offshore, because if they do not, they will simply cease to exist?

If he agrees with all of that, would he therefore agree that the only issues we should be addressing in this chamber are those abuses which are abuses designed effectively to evade taxes rather than to avoid taxes?

[Translation]

**Mr. Claude Bachand:** Mr. Speaker, I will try to answer my colleague's five or six questions briefly.

I am somewhat opposed to his approach. I have never been the sort of person who believes in the law of the jungle, which says that might makes right. Nor am I the sort of person who bows down to big corporations and tells them that they can come and do business here for free. We have seen that happen. Hyundai received a \$300 million subsidy, then closed its doors.

Anyone who takes a close look at the competitive system—with which I am familiar because I go to the United States often—and compares Quebec to its neighbouring states will find that Quebec is very competitive. For example, we have a very clean and non-polluting energy source that makes Quebec attractive to companies. Quebec's tax system also appeals to them. That does not mean we should tell companies that they do not have to pay their fair share. That does not mean we should tell company owners that we do not

mind if they send their money to Barbados. That is taking things too far.

Quebec is forced to tax Quebecers heavily because of the fiscal imbalance. When the federal government realizes that it has too much money for the services it provides and when it transfers money to the provinces that need it, such as Quebec, then it will be in a better position to understand. In the meantime, I would reiterate that my party's preference is for us to keep all of our income and sales taxes and make our own decisions about service delivery. We think that is the best solution at this time.

[English]

**Hon. John McKay:** Mr. Speaker, it is difficult, but let us deal with the facts. Quebec is a high tax jurisdiction. Quebec spends more on a per capita basis. Quebec's GDP has flatlined. It has been flatlined for quite a number of years. Quebec is facing a demographic crisis. To nobody's great surprise, business is not going to Quebec; it is in fact leaving Quebec.

As a consequence, it ends up with policies which say that if Quebec gets all the money, somehow or another it will decide how it gets distributed. The problem is that there will be no money unless there is a competitive tax regime.

How does the member expect that Quebec will continue to carry on in the fashion that it is without a competitive tax regime? Why does he continue to think that it will spend in GDP per person way more than everyone else spends and continue to carry on without massive subsidies from the rest of the country, which is effectively what the transfers are?

I ask the hon. member again, does he think the first step in Quebec's recovery to being a contributing member of Confederation, regardless of whether or not it wants to separate, is to try to find a competitive tax rate and regime which competes effectively with Ontario, New Brunswick and the northern states in the U.S.?

• (1335)

[Translation]

**Mr. Claude Bachand:** Mr. Speaker, I repeat that Quebec is a competitive environment. Of course we make choices. For example, a portion of the payroll tax that employers must pay goes to health care.

Some people will say that in order to remain competitive, we should eliminate the payroll tax. However, in the northeastern United States, even though a sum of money may not be deducted from the payroll, employers and employees have to take out insurance. And we have proof that this costs much more than what is done in Quebec.

There is a basic issue. As long as we are in a federal system, a societal choice is made in the House of Commons. Quebec does not always share that choice, which comes at a cost. That is my answer to my colleague's question.



*Government Orders*

[English]

**Mr. Sukh Dhaliwal (Newton—North Delta, Lib.):** Mr. Speaker, I am pleased to speak to this bill. While I support in principle many of these amendments, out of the principle of tax fairness there is one major issue addressed here that goes against what is truly fair for all Canadians. That issue is income trusts.

Last week I had an opportunity to stand in the House and speak on how the government's reversal, or betrayal, of its promise on income trusts had affected some of my constituents. The response I received from people like the Bouchards, who have had to rethink their retirement plans and plans to buy a home, strikes to the heart of how badly the government has bungled.

My constituents were very grateful and gracious in their praise that someone here in Ottawa was finally speaking for their interests. The silence, the lack of consideration and responsiveness from the government has left them feeling shut out from the decisions that dramatically affect their finances.

It brings to mind the last time the Minister of Finance visited my riding of Newton—North Delta to speak to the local Chamber of Commerce. He would not take any questions. He finished his speech and simply ran away from having a real dialogue with my constituents.

These constituents are local businesspeople who pay their taxes and contribute to their community. These are the people who need and want answers from the government. These are the people who should have been truly consulted on major changes to the nature of investment in this country.

Now we know in real numbers the cost of not consulting: an estimated \$35 billion, which is an average of \$25,000 for each Canadian. The income trust tax has resulted in at least 15 takeover attempts of Canadian companies in the last five months. How is that encouraging enterprise in this country?

The investment business is no different from my local business community in one respect. It will look for the best competitive advantage for its customers. It will try to get the maximum return for those who invest with it.

The taxation on trusts, as my colleague the hon. member for Markham—Unionville said in his speech, did not have to force these takeover attempts. There are better ways of handling this than the nuclear bomb solution the government chose to put in place. As the Angus Reid numbers confirm, 91% of ordinary Canadians did not want this to happen.

We have to ask ourselves who benefits from taking this valuable investment vehicle out of the hands of some of our most vulnerable Canadians. They are Canadians who are beyond their peak earning years. They are Canadians who are just starting out and who are investing for simple goals, like owning a small home to have a roof over their heads. They are not making more than \$30,000 a year. In fact that is the only tax bracket for which the government raised the income tax in the previous budget.

The government would have us believe that only big companies were benefiting from income trust investments. The truth is that all Canadians will have to make up the deficit in revenues. The \$16

billion distributed in revenues through trusts to hard-working Canadians brought in \$6 billion in tax revenues for the government. That money is gone now. As the Canadian Association of Income Trust Investors suggests, we could make up the money by increasing the GST from 6% to 7.5%, or we could add \$463 in taxes to each ordinary working Canadian.

● (1340)

It will be interesting to see what the government tries to do to find that money. Perhaps the Finance Minister is hoping that the amendments to close tax havens will provide us with a lot of the lost revenues, but the real losses are not felt here in Ottawa. They are felt in communities like mine, in Surrey and Delta.

Canadians are not feeling the economic benefit of a budget surplus. Many are just doing what they can to stay in the black and not the red. Many are wondering what happened to the sound, fiscal management of the 13 years of Liberal government that saw their after tax income grow by 11%. That sound fiscal management amounted to year after year of balanced budgets and surplus budgets, the best economic performance and turnaround of any G-8 country.

We do not get those numbers by making the kind of decisions the government is making. We do not get them by stealing money from seniors or hard-working average Canadians or by denying investment options to the most vulnerable people who do not have the benefit of pension plans and big salaries. Approximately 70% of hard-working Canadians, like my constituents, cannot depend on these options.

As the Prime Minister himself said, there is no greater fraud than a promise broken. We can do what we can to make up for these losses like closing tax havens. As I said, for the principle of fairness, I support such measures, but the Conservatives will never make up for this fraud and this betrayal of Canadians. Canadians expect and deserve more from their government.

**Mr. Dean Del Mastro (Peterborough, CPC):** Mr. Speaker, I listened to what the member had to say and quite frankly, I am disappointed with his comments.

It would seem to me that the hon. member would be a little bit more impartial in how he looks at things. He might consider expert testimony from individuals like Kevin Dancey with the Canadian Institute of Chartered Accountants or perhaps Finn Poschmann from the Rotman School of Management. How about David Dodge, the Governor of the Bank of Canada who said that these measures taken by the government demonstrated leadership. Because let us face it, it was not an easy decision. It was not something we wanted to do. It was something we had to do to protect the tax base and protect the future for Canadians.

The Governor of the Bank of Canada, David Dodge, said specifically, without these measures, what was facing the country was lower investment, lower productivity, less employment and less wealth. That is why the government had to act. That is why the Prime Minister demonstrated leadership, something I know the Liberals know very little about, given the state of the Leader of the Opposition and his performance in the House.

*Government Orders*

I will say one thing to the hon. member. He should stand up for the taxpayers in his jurisdiction and support tax fairness in general as a principle because the people on this side of the House certainly do. We will make the difficult decisions when we need to. I think the hon. member should support difficult decisions when they are made for the right reason, like the one that he spoke of. I would love to know why he does not.

• (1345)

**Mr. Sukh Dhaliwal:** Mr. Speaker, the hon. member is talking about the Governor of Canada, Mr. Dodge. He did not advocate for this.

The member was talking about fairness. I will read from a pamphlet of the Canadian Association of Income Trust Investors. It states:

91% of Canadians think the tax fairness plan is not remotely fair, here's why: Promise Made—Promise Broken. False Promise for Broken Promise. Fraudulent Analysis. Promotes Foreign Takeovers. Exacerbates Canada's Two-Tiered Pension System. Double Taxation of RRSPs. Panders to Life Companies and CEOs. Eliminates an Essential Investment Choice. \$35 Billion Windfall for Private Equity. Energy Subservience—Deep North American Integration. Bad for all Canadians.

This is not what I say as a partisan politician. This is stated by the Canadian Association of Income Trust Investors.

[Translation]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, today we are debating a bill that discusses trusts among other things. There was also the statement by the Minister of Finance this morning concerning tax havens, although he seems interested in only one aspect. And any impact is going to get buried in the work of an advisory panel.

Does my colleague not think that now the government should not only pass this bill, but also conduct a real investigation and take concrete action to eliminate tax havens? For example, the treaty with Barbados allows approximately \$4 billion in profits into Canada every year tax free. But if this money were taxed—as is usually the case with tax treaties—there would be \$800 million in taxes that would not have to come out of the pockets of the middle class and all taxpayers.

[English]

**Mr. Sukh Dhaliwal:** Mr. Speaker, I agree with the hon. member from the Bloc. In fact, I would like to remind the hon. member that this is the bill that the previous federal Liberal government brought forward in 1999. We, as Liberal members, are supporting this to make sure that all those technical amendments are made to make this fair for all Canadians and that is why I am supporting it as well.

• (1350)

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I had the opportunity to participate in the finance committee hearings in which the finance minister presented his calculation of the so-called tax leakage. Unfortunately, many of the people, including the Governor of the Bank of Canada, had prepared their speeches prior to hearing the evidence of expert witnesses who demonstrated clearly that there was flawed methodology and incorrect assumptions in the finance minister's presentation.

The facts are that tax revenues on an annual basis will be reduced some \$6 billion a year as a result of the private sector, private equity takeovers of income trusts to date.

Since the tax leakage that the finance minister was talking about was only \$5 billion, and that was over six years, maybe the member could help to answer how can Canadians determine that in fact losing \$6 billion a year is a better scenario than simply losing \$5 billion over six years?

It seems to me that tax fairness means that we make sure that everybody is paying their fair share, but certainly that we do not give away all of the tax revenue with respect to income trusts that have been taken over because of this broken promise.

**Mr. Sukh Dhaliwal:** Mr. Speaker, before I address the hon. member's question, over the last two weeks I have received letters from students in grades 5 and 6 asking for members of Parliament to restore decency in the House. I would request the hon. member for Peterborough and other Conservative members who have been heckling to listen to me. They can ask their questions when the opportunity arises. I would like to remind all members of Parliament of that.

As the hon. member mentioned, tax revenues are gone because these companies are being taken by overseas companies.

**Mr. Dean Del Mastro:** That is not what the statistics are saying.

**Mr. Sukh Dhaliwal:** Mr. Speaker, I do not know why the member for Peterborough is not listening. I remind him of the letters I received from grade 5 and grade 6 students about restoring decency in this House.

Companies will be paying their taxes overseas and we will not be able to collect from them. The loss to Canadians will be even bigger than what the hon. member thinks.

**Mr. Dean Del Mastro:** Mr. Speaker, the hon. member points out that I had a number of things to say. I certainly want to get back in on this debate. I have a hard time listening to comments that are being said because there is such a distortion of the actual truth.

**Mr. Paul Szabo:** CAITI and the Liberal Party. Step outside and say it.

**Mr. Dean Del Mastro:** The hon. member wants to quote from CAITI, Mr. Speaker. Absolutely. Let me tell the member what journalists are saying about CAITI. They are saying that CAITI is a bunch of thugs that are beating up on the media and will not allow the media to tell the truth on this story. Journalists are afraid. We can see what CAITI has done to the hon. member for Winnipeg North, the NDP finance critic, who has been under attack from CAITI. I commend her for not backing down from a bunch of thugs.

I would like to know why the member is siding with CAITI in light of all the evidence that has been brought forward by experts from coast to coast who have said that what was happening with trusts was bad for Canada long-term, bad for investment, bad for productivity and bad for employment. This government made a tough decision to do the right thing and the member should support it. He should not support the thugs.

*Statements by Members*

**Mr. Sukh Dhaliwal:** Mr. Speaker, if the member had been listening to me he would know that I am in fact standing here in support of the bill.

This government blacks out things and bypasses things. I am on the access to information committee and last week we had to deal with the report on Afghanistan. Does the member know which government blacked out things? It was the present Conservative government. The figures speak for themselves. When we inherited the economic disaster from the Conservatives in 1993 and this country was—

**The Deputy Speaker:** Order, please. It breaks my heart to bring this lively exchange to an end.

Resuming debate. The hon. member for Montmagny—L'Islet—Kamouraska—Rivière-du-Loup.

• (1355)

[Translation]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, it is my pleasure to rise to speak on this bill. I know that my remarks will be interrupted because there is only five minutes left before members' statements and oral question period after. In the first part of my remarks and from the outset, I want to say that the Bloc Québécois will be supporting this bill with respect to changing the rules for foreign investment entities and non-resident trusts. It was high time that this kind of action be taken to bring about changes in the major areas in this bill, on which I will elaborate a little later.

On this day when the Minister of Finance announced what he called a tax fairness debate, we can see that the government has overlooked two things. This bill should also have included something about the whole issue of the tax treaty with Barbados. If there is a loophole for tax avoidance in Canada right now, that is the one. In addition, on the face of the government's proposal this morning, it would seem that it simply voids what the budget said. Very rarely is a decision that is not to be implemented for another five years, and that will be submitted to an advisory panel in the meantime, announced in a statement by the finance minister.

The government realized somehow that what was announced in the budget was not specific enough. It was having a major negative impact on the economy while at the same time not addressing all potential abuse in that area. It is therefore right to vote for Bill C-33 to ensure that this legislation can come into force. Indeed, tax fairness issues had been identified by the Auditor General, and even by predecessors of hers, but had not yet been addressed.

However, today, we would have liked—particularly the Bloc Québécois—the government to take advantage of the great opportunity provided by this bill to correct a problem, to address a major flaw in Canada's whole international tax structure, namely the infamous tax treaty with Barbados. We expected the minister to deal with this issue. Unfortunately, he merely dealt with the deductibility of interest costs, by coming up with a solution that looks like an attempt to muddy the waters. Moreover, there is no indication at all that the issue of the tax treaty with Barbados will be settled.

When we talk to people about this issue, they find it a bit complicated. It is simply a matter of understanding that, under the

existing system—which is the result of the government's action, not something that happened by accident—each and every year, we lose \$800 million in taxes that should be paid by businesses on the profits that come back from Barbados without being taxed. Indeed, we would have expected the government to do something about this situation in today's legislation, but it did not.

The bill amends the rules that apply to non-resident trusts and to foreign investment entities. These changes were necessary in order to amend the Income Tax Act, which sets the tax rules for these non-resident trusts. Normally, a trust falls under Canada's Income Tax Act if it has received a transfer or the proceeds of property from a partnership, joint venture, trust, fund, organization, etc. The trust is required to pay taxes on its revenues to the Government of Canada. If it does not do so, beneficiaries are held responsible and they must pay those taxes themselves. However, the amounts imposed on beneficiaries will reflect their contribution to the trust. An additional relief will be provided to those beneficiaries whose contribution is minimal, compared to the other contributions made to the trust.

So, this bill includes various measures and amendments that change the rules that apply when this money is brought back to Canada. More specifically, these measures define the additional criteria used to determine the fair market value of the assets held by a non-resident trust. In addition to correcting this situation, we would have liked the government to also deal with the issue created by the tax treaty with Barbados.

I will let the House reflect on this issue that is not dealt with in the bill, on this major lack of fairness that has a huge impact on Canada's tax system.

**The Deputy Speaker:** Order, please. The hon. member will have 15 minutes left to continue his remarks.

We will now proceed to statements by members. The hon. member for Dufferin—Caledon.

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## STATEMENTS BY MEMBERS

• (1400)

[English]

### ORANGEVILLE BLUES AND JAZZ FESTIVAL

**Mr. David Tilson (Dufferin—Caledon, CPC):** Mr. Speaker, on Friday, June 1, the town of Orangeville will once again be the proud host of the Orangeville Blues and Jazz Festival.

The annual festival had its beginnings in 2003. A small group of five volunteers organized and operated a full-blown festival over three days. Today, this annual event is the largest musical festival of its kind northwest of Toronto, which draws extraordinary talent and some of the most acclaimed blues and jazz performers in Canada.

*Statements by Members*

The festival has been immensely successful due to the outstanding talent but also because of the tremendous efforts performed by the festival's organizers, such as Larry Kurtz, artistic director for the festival. I commend the efforts of Mr. Kurtz, as well as the other festival organizers, and thank them for drawing such positive attention to the town of Orangeville and to the local businesses and organizations in our community.

On behalf of the residents of Dufferin—Caledon, I wish the Orangeville Blues and Jazz Festival great success in its fifth season.

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**VICTORIAN ORDER OF NURSES**

**Mr. Lloyd St. Amand (Brant, Lib.):** Mr. Speaker, a historical and venerable organization in Canada is celebrating 110 years this year.

Established in 1897 by the wife of Governor General Aberdeen, VON Canada has been delivering health care and support services to Canadians in need and helping to build the Canadian health care system.

Since 1897, VON has been evolving to identify the health and social needs of Canadians and working with partners to develop programs to meet those needs. Decade after decade, VON has been called upon to respond to the changing health and social needs of Canadians and it has continued to deliver on its strong commitment to all Canadians.

VON continues to be a provider of high quality care through 51 branches in more than 1,300 communities across Canada affecting millions of Canadians each year.

I want to wish the VON a happy anniversary and I wish it 110 more years of dedicated service to Canadians.

\* \* \*

[*Translation*]

**MEMBER FOR LOTBINIÈRE—CHUTES-DE-LA-CHAUDIÈRE**

**Ms. Johanne Deschamps (Laurentides—Labelle, BQ):** Mr. Speaker, Quebec members from the Conservative Party have repeatedly stated in this House that the Bloc is useless in Ottawa. Well, not only is the Bloc Québécois useful, but you will never hear one of us speak as crudely as the member for Lotbinière—Chutes-de-la-Chaudière did at the May 7 meeting of the Standing Committee on Natural Resources.

The member said:

Often, a father will give his son advice on how to select a heating system. That is not usually something a mother discusses with her daughter; a mother is more likely to advise her daughter on what curtains to pick. That is the reality. It may be sexist, but that is the reality.

Yes, Mr. Speaker, it is sexist. After all, your remarks simply reflect the opinion this government has of women, as evidenced by the cuts to Status of Women, the new criteria for the women's program, and the elimination of the court challenges program.

I dream of a day when the very few women in the Conservative caucus will stand up to condemn such remarks.

[*English*]

**LIFE-WORK BALANCE**

**Mrs. Irene Mathysen (London—Fanshawe, NDP):** Mr. Speaker, yesterday, many of us took time to celebrate mothers but mothers in this country need more than flowers.

What mothers and fathers deserve is better work-life balance. They deserve not to be penalized for taking time off to care for children or sick and aging relatives.

New mothers deserve real maternity benefits. Currently, two-thirds of women who pay into EI cannot access maternity benefits.

Parents need affordable, not for profit child care so that working families can make ends meet. In order to make jobs work for women, we need to ensure flexible and family friendly workplaces.

This is the reason I introduced a motion that calls on the government to implement a multi-stakeholder task force to produce recommendations for better life-work balance choices. Women and men in this country should not need to choose either family or work. Canadians deserve the opportunity to do both.

Today the National Association of Women and the Law are here to discuss with parliamentarians many of these equality issues. I would like to take this opportunity to thank the organization for its work.

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**MONUMENT TO FALLEN SOLDIERS**

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Mr. Speaker, I am pleased and proud to announce to the House that on Thursday, May 10, the community of Tweed, Ontario dedicated a white marble memorial in recognition of our fallen soldiers in the Afghanistan conflict. This monument was the creation of internationally recognized sculptor, Mr. Paul Shier of Tweed.

The local legion, Tweed Branch 428, under the guidance of retired Lieutenant-General Jack Vance, was extremely proud of the turnout for the occasion. Over 500 people attended, including Bravo Company, 1 RCR from CFB Petawawa and a number of Silver Cross wives, mothers and their families.

The locally quarried marble, shaped as a six foot baying wolf, was suitably named *The Guardian*. Padre Wendell White reminded everyone that this statue would forever resonate in us as a reminder of the supreme sacrifice made by those who heard their nation's call but who did not return to their families and their loved ones.

We as a nation can be proud of Tweed's gesture of sympathy and support for our young men and women in uniform.

*Statements by Members*

●(1405)

**NATIONAL ASSOCIATION OF WOMEN AND THE LAW**

**Hon. Maria Minna (Beaches—East York, Lib.):** Mr. Speaker, I rise in the House today to recognize the invaluable work of the National Association of Women and the Law.

In celebration of Mother's Day, NAWL hosted a conference "Mothering in Law" to discuss the state of motherhood in this country. It painted a dismal picture.

Under the current employment insurance scheme, one in every three mothers outside of Quebec does not have access to the maternity and parental benefit program. Canada ranks last of OECD countries when it comes to investment in child care.

Now that advocacy and research will no longer be funded, the situation will be even more grim.

Today, women's groups are on Parliament Hill to meet with members of Parliament to urge them to support women's rights and equality, to reform the discriminatory elements of our EI system and to reinstate equality into the mandate of the women's program and fund research to advance the cause of women's rights.

Canadian mothers deserve more than scripted rhetoric and sound bites from the Conservative government. We need a government that truly supports Canadian families.

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**AGE OF CONSENT**

**Mr. Tom Lukiwski (Regina—Lumsden—Lake Centre, CPC):** Mr. Speaker, Bill C-22, an act to raise the age of consent from 14 years to 16 years of age, was recently adopted by the House of Commons and referred to the Senate. This bill is designed to protect our children against sexual exploitation from adult predators and is widely supported in my riding and across Canada.

The age of protection marks an important step toward strengthening our child protection laws. In our continued commitment toward safer streets and communities, I encourage the Liberal dominated Senate to pass the age of protection legislation into law as soon as possible so that our children can receive this much needed protection.

Since taking office, Canada's new government has made focusing on families a top priority. Initiatives, such as the \$2,000 child tax credit and the working income tax benefit, have strengthened Canadian families by giving them the necessary support to meet growing demands.

Again, I urge the Senate to pass Bill C-22 as soon as possible so that it may become law. Our families, our communities and, more important, our youth are counting on it.

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[Translation]

**CLIMATE CHANGE**

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** Mr. Speaker, the Bloc Québécois would like to point out the triumphant return of the *Sedna IV* to the port of Montreal on Saturday, May 12.

This majestic three-mast sailing vessel left on September 19, 2005 to document the effects of global warming on the Antarctic Peninsula. The majestic three-mast sailboat has completed a long voyage of 430 days during which sailors, filmmakers and scientists shot more than 600 hours of film that will be used to make the general public aware of the effects of global warming on wildlife and the environment. Jean Lemire stated unequivocally that the effects of global warming are already visible. According to his crew's observations, the average temperature during their winter stay was only -5 °C with rain and freezing rain every month.

Jean Lemire's team has done a remarkable job and the Bloc Québécois wishes to congratulate and thank him for this vital contribution to our understanding of climate change.

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**QUEBEC FAMILY WEEK**

**Mrs. Sylvie Boucher (Beauport—Limoilou, CPC):** Mr. Speaker, I would like to recognize the 12th annual Quebec family week to be held this year from May 14 to 20, with the theme "a parent and proud of it".

This year we will be discussing the parenting concerns of today and obtaining information about the best way to create a quality environment for the family and, above all, how to enhance the role of parents.

The role of a parent is to promote fundamental values, create a loving space, provide unlimited affection and, above all, have a positive impact on the world around us.

Our government has established a new \$2,000 child tax credit for every child under 18, resulting in tax relief of \$1.5 billion. We are working on behalf of families.

\* \* \*

[English]

**CHINESE EXCLUSION ACT**

**Ms. Colleen Beaumier (Brampton West, Lib.):** Mr. Speaker, today I rise in the House to recognize and to commemorate May 14, 2007, a day that marks the 60th anniversary of the repeal of the Chinese Exclusion Act.

Anniversaries such as this are always Janus-faced. Looking forward, it befits us all to celebrate the passing of a regrettable time in our recent history. Looking backward, we must also lament the very great injustice perpetrated by the Government of Canada.

Only those directly affected by the head tax will ever truly understand the tremendous hardship it created. Nevertheless, all of us can and must recognize this hardship and learn from it.

History cannot be re-written but the future remains ours to write. By recognizing and commemorating the repeal of the Chinese Exclusion Act, we remember those who suffered unnecessarily and we make a firm commitment never to perpetrate the same injustice again.

*Statements by Members*

● (1410)

**TEAM CANADA**

**Mr. Kevin Sorenson (Crowfoot, CPC):** Mr. Speaker, I rise to congratulate Canada's senior men's hockey team on its victory in the gold medal game in the 2007 World Men's Hockey Championship in Moscow.

Team Canada had a perfect record at the tournament, nine wins and zero losses, the first men's hockey team in 70 years to have a perfect record. In the final game it defeated Finland 4-2, leaving Finland with the silver medal and Russia with the bronze. This is the 24th world hockey championship title for Canada.

We congratulate head coach Andy Murray, the tournament's most valuable player, Rick Nash, Jonathan Toews, who is now the only Canadian to have won two international gold medals, both the junior and the senior, in the same calendar year, and the rest of the young men who made this victory possible.

I am most proud of Shane Doan, who grew up in my constituency, the captain of Team Canada. Many of us have known the Doan family for years and watched Shane grow up and play hockey around Killam and Castor, Alberta. He is an exciting hockey player in Phoenix in the NHL and now also on the international rink.

All of Canada is proud of this outstanding victory of our national men's hockey team. Congratulations.

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**THE ENVIRONMENT**

**Ms. Libby Davies (Vancouver East, NDP):** Mr. Speaker, the federal Conservatives and B.C. Liberals are pushing ahead to spend millions of dollars on the narrow thinking gateway proposal, which will include the expansion of Highway 1 into Vancouver. This transportation strategy is facing growing opposition from residents because it undermines the liveability and environmental sustainability of our region.

The federal government must take the lead by supporting environmentally sustainable solutions. People in East Vancouver and across the region want meaningful consultation from all levels of government, focusing investment on sustainable and achievable transportation initiatives that include better land use decisions, investment in public transit and the efficient use of existing roads and rail.

Expansion and growth at any cost is not an option. Instead, we must work with local communities for ethical and environmentally friendly solutions that meet climate change goals.

I recently held five forums in East Vancouver on climate change in our environment. The message from people was clear and powerful: make public policy decisions that improve our environment, not destroy it.

[Translation]

**MINISTER OF NATIONAL DEFENCE**

**Hon. Denis Coderre (Bourassa, Lib.):** Mr. Speaker, things were pretty topsy-turvy this weekend. The fax machine was working overtime.

Today, we have before us a man who has no courage, no convictions, no determination to carry things through. Yet this same man told us he was going to go through with it. We expected the member to show more of a backbone in the face of adversity; we did not expect him to back down at the first sign of difficulty. People should not put themselves at the mercy of polls like that.

Quebeckers are not stupid. They want a leader with a backbone. They want someone who will be there to brave the storm, who can represent the voters without trying to have his cake and eat it too. Quebeckers do not like quitters.

I am therefore asking the Minister of National Defence to reconsider his decision not to attend tomorrow's meeting of the Standing Committee on National Defence.

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**LE CARREFOUR HIGH SCHOOL**

**Mr. Richard Nadeau (Gatineau, BQ):** Mr. Speaker, today it was my pleasure to welcome one hundred or so students and their teachers, Christian Laforest, André Dubé, Dominique Gosselin, Éric Noël-De Tilly, Gontran Venne and Réjean Morissette, from the international education program at Gatineau's Le Carrefour high school.

For the past 10 years, this program has been making its mark in the Outaouais with its dynamic teaching methods and humanist approach. The students are encouraged to integrate their knowledge, abilities and know-how through various enrichment activities developed by their dynamic and dedicated teachers.

The students in the international education program are also encouraged to develop a sense of cooperation to prepare them to take an active role in their community.

The Bloc Québécois and I would like to congratulate the Carrefour teachers and students and we wish them great success in all of their endeavours.

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● (1415)

[English]

**TEAM CANADA**

**Mr. Rodger Cuzner (Cape Breton—Canso, Lib.):** Mr. Speaker, in Moscow yesterday Team Canada was back on top of the hockey world, world champions once again after a remarkable and historic tournament. It went undefeated. It was the class of the tournament and it won in style with a 4-2 victory over Finland in yesterday's gold medal game.

*Oral Questions*

Team Canada's third win in five years edges Canada past Russia and the Soviet Union's record for most world titles. Head coach Andy Murray said, "our emotional well as Canadian hockey players runs deeper than any other hockey country in the world". That is true and it goes for all Canadian people as well.

As the team returns home, Parliament and Canadians salute these all Canadian heroes and their gold standard for hockey greatness.

\* \* \*

**INFRASTRUCTURE**

**Mr. James Moore (Port Moody—Westwood—Port Coquitlam, CPC):** Mr. Speaker, the Asia-Pacific gateway and corridor initiative is vital to the economic health and future of British Columbia, western Canada and all Canadians. That is why this Conservative government, as we promised to do, is supporting the gateway with record investments.

Our government is taking the lead. In budget 2006 we committed \$591 million to the gateway. In budget 2007 we increased the amount to \$1 billion. Last week we announced infrastructure projects across B.C. We are delivering on our promises and Canada will be the stronger for it.

Premier Gordon Campbell said it best last week. He said, "the B.C. caucus of the federal government, the Conservative caucus has done a great job of grabbing this initiative, of understanding this initiative, of recognizing it's an initiative not just for British Columbia, that it's an initiative for all of Canada".

This Conservative government is investing in infrastructure, expanding our trade capacity and building a stronger, better Canada, exactly what we were elected to do.

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**ORAL QUESTIONS**

[*English*]

**AFGHANISTAN**

**Mr. Michael Ignatieff (Etobicoke—Lakeshore, Lib.):** Mr. Speaker, no party in the House has a monopoly on patriotism. No party has a monopoly on support for our troops or for the mission. No government has the right to hide behind our troops when the government is subjected to scrutiny in the House. That is what happened at Petawawa on Friday.

Why does the Prime Minister persist in believing that when the opposition does its job, which democracy requires, we are "tarnishing the reputation of our troops"?

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, it is quite right that the Prime Minister was at a rally in support of our troops at the base in Petawawa on Friday. I observed that he was very well received by the troops and the families of the troops there, which I think is a strong signal.

However, I will say this much. We do not hide behind our troops; we stand behind our troops.

**Mr. Michael Ignatieff (Etobicoke—Lakeshore, Lib.):** Mr. Speaker, the government continues its campaign of obfuscation on the end of the mission in Kandahar in 2009.

In the House the Prime Minister has committed to end the mission in February 2009. However, on Friday in Petawawa he said that we could not set an arbitrary deadline when our work had not ended.

Why will the Prime Minister not commit to end the combat mission in 2009, start working with NATO to ensure an orderly rotation from Kandahar when our mission ends?

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, it is always difficult to take questions like this from the Liberal Party because its position is actually different every day. In fact, one national leader has said, "We can't give up on the mission until we have deployed everything to ensure it works". Who said that? It was the Liberal leader just six months ago.

[*Translation*]

**Mr. Michael Ignatieff (Etobicoke—Lakeshore, Lib.):** Mr. Speaker, we are continuing to hear different answers to very simple questions. The Prime Minister is saying that it is too early to say whether he plans to honour his own withdrawal date in 2009. At the same time, the Minister of Foreign Affairs is telling this House that talks are under way with NATO about committing troops to Afghanistan.

Is Canada already in talks with NATO about rotating our troops out of Kandahar in 2009?

● (1420)

[*English*]

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, we on this side of the House have made it clear, when we put forward a resolution to the House, that our troops are there on a commitment until February 2009. That is the commitment of the government right now. Obviously, when it comes time to re-evaluate that, we will come back to the House.

There is one difference between the approach of this government and the approach of the previous Liberal government. The Liberals sent the troops there. They sent them into the south of Afghanistan. They never once came to the House for a vote approving those decisions.

**Hon. Bill Graham (Toronto Centre, Lib.):** Mr. Speaker, the hon. House leader can do his best to brush this matter off, but the fact is we know in the House that the highest loyalty to our troops is if we do our job here to hold the government to account for the very mission that they risk their lives for every day.

Does the Prime Minister not realize that his consistent partisan attacks on the patriotism of those who sincerely support our troops while having legitimate concerns about how the mission is being managed are undermining support for the mission in this country and failing the very troops that the Conservatives use as a cover to stifle debate on this crucial issue?

*Oral Questions*

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, I have a great deal of respect for the member for Toronto Centre, former minister of defence, former interim leader of the party.

When the question about supporting the mission to February 2009 came up for a vote in the House, that very member, who was interim leader of the party at that time, supported the commitment to keep the troops there until 2009. However, his subsequent leader, the current Liberal leader, voted against it that very same night.

**Hon. Bill Graham (Toronto Centre, Lib.):** Mr. Speaker, the consistent approach of the member and the government is to stifle legitimate debate about this mission and impugn the motives of members of the House, who are every bit as patriotic as the Prime Minister and every person sitting over there.

I call on the Prime Minister to change his approach before it is too late. His attacks are undermining the foundation of our democracy, which is informed debate in the House. Our troops know that. They are fighting in Afghanistan for those principles.

Do they not realize the ultimate betrayal of their sacrifice is to stand well back, not hide behind them, but stand so far back? They know how far back—

**The Speaker:** The hon. the government House leader.

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, when it comes to consistency, the people of Canada know where this government stands. We stand firmly, clearly behind our troops and behind their mission. It is not like the Liberal Party or its leader which change their position all the time. We are proud to stand behind our troops, the way our Prime Minister did at that rally on Friday. It would have been nice if a Liberal member had bothered to show up at that rally.

\* \* \*

[*Translation*]

#### ELECTORAL BOUNDARY READJUSTMENT

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker

**Some hon. members:** Oh, oh!

**Mr. Gilles Duceppe:** Mr. Speaker, some people like to boast, but we will see what Quebeckers decide in the next election in Quebec.

Speaking of elections, last week, the government announced changes to provincial electoral boundaries that will reduce Quebec's electoral weight. In fact, if the government's bill is adopted, Ontario will get 10 additional seats and Alberta and British Columbia will each get five new seats.

If the nation of Quebec is so important to the Prime Minister, why is he proposing a reform that marginalizes Quebec and reduces its political weight?

**Hon. Lawrence Cannon (Minister of Transport, Infrastructure and Communities, CPC):** Mr. Speaker, I am glad to see the Leader of the Bloc Québécois with us today. My goodness, it is as though he never left.

In answer to his question, I want to remind my hon. friend that the principle behind the government's approach is representation by population, which is based on principles.

We promised not only to correct the fiscal imbalance, but also to correct the electoral imbalance.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, democracy consists of more than just those principles. There are also principles underlying the recognition that Quebeckers form a nation. That recognition must find practical expression.

Does the Minister of Transport, Infrastructure and Communities, the political lieutenant for Quebec, realize that recognizing Quebec as a nation means not reducing its political weight? Yet this is what will inevitably happen.

I would like to know whether the principles behind recognizing Quebec as a nation can find expression here.

• (1425)

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, the principle that we support is the principle of representation by population. That is a clear, simple principle. Quebeckers can be glad because the bill guarantees that Quebec will continue to have 75 seats.

**Mr. Pierre Paquette (Joliette, BQ):** Mr. Speaker, the more time passes, the more Quebeckers are realizing that this government's claims of greater openness towards Quebec are nothing more than smoke and mirrors used during the election campaign to appeal to Quebeckers.

If the Prime Minister planned to marginalize Quebec, as the bill for reform of democratic representation introduced here in this House will certainly do, why did he not show greater transparency and talk to Quebeckers about this during his speech in Quebec in 2005?

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, the bill is fair for all the provinces. We will respect the principle of representation by population for the provinces experiencing significant population growth such as Ontario, Alberta and British Columbia. We guarantee that the Quebec's level of representation will stay the same, and that level is currently higher than Ontario, Alberta and British Columbia.

**Mr. Pierre Paquette (Joliette, BQ):** Mr. Speaker, it is not the Conservative Party guarantee that is being given. It is guaranteed by the Canadian Constitution. One has nothing to do with the other.

Will the Prime Minister, who boasts of his transparency, finally admit that his bill offers nothing for Quebec and, furthermore, that it only illustrates the fact that Canada continues with its own nation-building, while not only failing to account for the needs of Quebec, but also marginalizing Quebec politically?



*Oral Questions*

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, that is not true. That is entirely false. Quebec's representation is completely guaranteed by the bill. This level of representation will ensure that the province of Quebec will always have a strong voice in this House.

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**CORPORATE TAKEOVERS**

**Hon. Jack Layton (Toronto—Danforth, NDP):** Mr. Speaker, we must ask ourselves if the Bloc will change its mind over the course of the next 24 hours.

Workers and businesspeople in Quebec are very worried about foreign takeovers of Canadian industry icons.

Canada is losing its identity, jobs and control over natural resources. The loss of Alcan is another example of this strong trend.

Why does the Prime Minister refuse to take this seriously? Why will he not defend Canada?

[English]

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, there is no question that the Canadian economy is strong. Unemployment is at its lowest level since 1974. The rate of participation in the workforce is the highest it has ever been in the history of Canada. We are paying down public debt. We have the strongest economic fundamentals in the entire G-7 and they are getting stronger, thanks to this government.

I say to the member opposite that he should consider not only the investments that are being made in Canada, but the investments being made by Canadian corporations abroad, which are plentiful.

[Translation]

**Hon. Jack Layton (Toronto—Danforth, NDP):** Mr. Speaker, as *La Presse* pointed out this morning, Canadian companies are buying up smaller companies, which are worth less, while Canadian heavyweights are being quickly snapped up. The government can stop a transaction that is not in Canada's best interests.

How will the Prime Minister protect the jobs in Kitimat, Saguenay and at headquarters in Montreal? What will he do now to save our economic jewels like Alcan?

• (1430)

[English]

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, I am sure that the member knows we have many global Canadian corporations that have made and in fact are making very substantial acquisitions abroad. There is an element of reciprocity here. I suggest the hon. member consider that if we are to put up walls in this country, are other countries not to put up walls to our own corporations seeking to expand abroad? This is a two way street.

We do have strong Canadian corporations, global corporations that are getting stronger because of the strength of the Canadian economy and government policy.

[Translation]

**COURT CHALLENGES PROGRAM**

**Mr. Anthony Rota (Nipissing—Timiskaming, Lib.):** Mr. Speaker, we have learned that the report soon to be tabled by the Commissioner of Official Languages will take issue with the Conservative government for cancelling the court challenges program, one of the most important tools for minority linguistic communities.

It is appalling to realize that the government did not even take into consideration the needs of minority linguistic communities.

Will the Prime Minister reinstate the court challenges program as quickly as possible?

**Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC):** Mr. Speaker, as my colleague probably knows, a case regarding the court challenges program is before the courts. Therefore, we will not be commenting on this matter.

However, we have received the preliminary report. Our comments will be tabled within 30 days. In the 2007 budget, the Conservative Party committed \$30 million to our official language minority communities and the Liberals voted against it.

**Mr. Anthony Rota (Nipissing—Timiskaming, Lib.):** Mr. Speaker, they are using something they created to protect themselves.

[English]

All along the Prime Minister has said that the court challenges program was not needed because he would never do anything to contravene the charter. However, the Commissioner of Official Languages said that the official language communities need to have reasonable access to the judicial process to ensure that their interests are protected regardless of income. A two tier judicial system is not reasonable nor acceptable.

Will the Prime Minister assure all Canadians that they will have reasonable access to the judicial system by reinstating the court challenges program?

[Translation]

**Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC):** Mr. Speaker, I repeat that the case is before the courts.

The star Liberal candidate in Papineau, Justin Trudeau, who is against bilingualism. He is calling for the abolition of distinct school boards, both French and English, which has certainly created turmoil in New Brunswick.

We have made a commitment to the official language communities of our country. Since coming to power, we have authorized more than \$1.18 billion for official language minority communities.

*Oral Questions***OFFICIAL LANGUAGES**

**Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.):** Mr. Speaker, during the election campaign, the government promised to protect and promote official languages. However, its performance has been appalling. Indeed, the cancellation of the court challenges program, the watering down of the linguistic requirements in the Canadian Forces and the insulting translation done at the Vimy memorial are all evidence of the Conservatives' indifference. And now they are cancelling the meetings of the committee that was supposed to review the abolition of the court challenges program.

Will, at last, the Minister for la Francophonie and Official Languages assume her responsibilities and stop showing contempt for linguistic minorities? All we are asking her is to take her responsibilities.

**Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC):** Mr. Speaker, I would invite the hon. member, who lives in New Brunswick, to talk to the Liberal star candidate in Papineau and to ask him how he could possibly propose to abolish the distinct francophone and anglophone school boards in New Brunswick. Now, that is a totally unacceptable lack of understanding and contempt.

**Some hon. members:** Oh, oh!

**Hon. Josée Verner:** The member for Bourassa keeps making comments. For quite some time now, he has been showing this House that he speaks three languages: the French language, the English language and the dirty language.

**Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.):** Mr. Speaker, rather than lecturing others, the minister should call to order the chairman of the Standing Committee on Official Languages.

Recently, the Prime Minister appointed, as the new federal ombudsman for victims of crime, a unilingual anglophone. He also appointed a unilingual anglophone as the chairman of Ottawa's National Capital Commission, and another one as the chair of the employment insurance arbitration board, in Moncton.

Do we need to remind the government that Ottawa and Moncton are both officially bilingual cities? Does the Prime Minister realize that, by acting in this fashion, he is insulting linguistic minorities across the country? Will he stop insulting linguistic minorities?

• (1435)

**Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC):** Mr. Speaker, of course, the hon. member should, for the benefit of Ottawa and Moncton residents, point out the comments made by the Liberal candidate in Papineau. He should also ask his leader why he voted against the budget, which provides an additional \$30 million to communities.

Moreover, in recent days, he had a flyer distributed everywhere to tell Canadians how bad our budget is. He is himself campaigning against the additional moneys that we allocated.

**TAXATION**

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, this morning, the Minister of Finance refused to turn off the Barbados tax treaty tap, which allows Canadian companies to repatriate \$4 billion in profits without paying a cent in taxes to the federal government.

How can the Minister of Finance let the middle class pay the \$800 million in taxes that big corporations get away with not paying because they are using the loophole provided by Barbados?

When is he going to act?

[*English*]

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, I am pleased to confirm, as I did this morning, that our government will maintain its commitment with respect to the double deduction of interest by some multinational corporations in Canada that use tax havens obviously outside Canada. This is a form of subsidy by Canadian taxpayers of corporations using a loophole for tax avoidance. We are opposed to that. It is contrary to the principle of tax fairness. We are levelling the playing field so that we can lower taxes, not only for Canadian individuals but for their families and for corporations as well.

[*Translation*]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, if the Minister of Finance is really committed to effectively combating tax havens, as he claims, there is no two ways about it: section 5907 of the Income tax regulations has to be repealed. If he is serious about what he wants to achieve, when is he going to repeal it?

Deductibility of interest is one thing, but the \$800 million in taxes that corporations are not paying is another one that the minister has to address.

[*English*]

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, I agree with the member opposite that yes, there are some corporations that are not paying their fair share as a result of their use of tax avoidance loopholes, and yes, there is more work to be done.

I hope that the member will support the work we are doing so far. For the first time since the reports of the Auditor General and since the report of the Mintz committee, all of which were ignored by the Liberals opposite, as they did nothing for 13 years, we have a government that is protecting Canadians and their families for a fair share of paying taxes in this country and not subsidizing corporations.

\* \* \*

[*Translation*]

**FILM INDUSTRY**

**Mr. Maka Kotto (Saint-Lambert, BQ):** Mr. Speaker, recent studies published in the past few days clearly show that Canada, like China, Malaysia and India, is being lax when it comes to the issue of films pirated in movie theatres. The Canadian industry and the Government of Canada have suffered estimated losses of several million dollars.

*Oral Questions*

What is the government waiting for to legislate, to rein in this piracy industry and to bring the traffickers to court in order to bring an end to this illegal market of pirated products?

[English]

**Hon. Bev Oda (Minister of Canadian Heritage and Status of Women, CPC):** Mr. Speaker, as I have indicated to the House, we recognize the situation with regard to piracy and we are working on it. We will be bringing the actions we plan to take before the House for consideration.

\* \* \*

[Translation]

**COPYRIGHT ACT**

**Mr. Maka Kotto (Saint-Lambert, BQ):** Mr. Speaker, when will the government introduce its long-awaited bill on reforming the Copyright Act, an outdated piece of legislation if ever there was one, which should be modified as soon as possible for it to meet the needs of Quebec and Canadian authors and be in line with the two WIPO treaties Canada ratified in 1996?

**Hon. Maxime Bernier (Minister of Industry, CPC):** Mr. Speaker, I want to assure my hon. colleague that we are working on this matter and when we are ready, we will introduce a bill in Parliament.

\* \* \*

[English]

**TAXATION**

**Hon. Judy Sgro (York West, Lib.):** Mr. Speaker, the Minister of Finance has finally listened to the Leader of the Opposition and has backed down on his budget plan to eliminate interest deductibility. Unfortunately, the finance minister has already caused damage as a result of his act now and consult later approach.

It is clear that the finance minister's budget is unravelling. How can Canadians trust a government whose strategy on complex issues can be summed up with these three words: ready, fire, aim?

• (1440)

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, I did not hear a question, but I assume that comment was about interest deductibility and the use of tax havens.

Let us hear the position of the Liberal Party through its critic the member for Markham—Unionville. Once again, this is classic Liberal doublespeak. On May 7 he said, "When [the finance minister] says that we should go after abuses by tax havens and double-dipping, we agree". What did he say in the *Globe and Mail* this morning? He criticized the minister's attack on double-dipping.

The problem with the Liberal Party is that it does not have the courage to take a stand in favour of ordinary Canadians.

**Hon. Judy Sgro (York West, Lib.):** Mr. Speaker, we will see what happens when Canada's unemployment rate goes up as a result of some of the decisions the government is making here.

This is not about tax havens. This is about a Minister of Finance who is out of his league. Today's flip-flop is another admission of that. First we saw it on income trusts and now we see it on interest deductibility.

When will the minister learn to think about the consequences of his actions before he decides to drop a bombshell on another sector? Why did he "spend some time on it" only after he caused such a disaster?

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, here is the Liberal position on income trusts: first of all, when those members were in government they did nothing, and then when they are in opposition they say we should do nothing. Then we do something and they say, "Oh, my. I guess we should tax it too". That is the current position of this government.

What do those members say about tax havens? When they were in government they received all the reports on tax havens. What did they do about them? Nothing. There were 13 years of nothing.

Liberal members do not care about Canadian taxpayers. All they want to do is defend tax havens for their corporate friends.

**Hon. Scott Brison (Kings—Hants, Lib.):** Mr. Speaker, on page 241 of his budget the finance minister eliminated interest deductibility. This morning, the minister defended interest deductibility, saying that it "gives Canadian businesses a competitive edge".

Canadians expect flapjacks at breakfast, not flip-flops. Will the minister admit today that for breakfast he ripped up a page of his own budget, that he ate his own words, and that he swallowed himself whole by finally supporting interest deductibility?

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, I do not know any more what the position is of those members opposite. They were against double-dips. Now I think they are in favour of double-dips.

They seem to think that not only should ordinary Canadian taxpayers subsidize these large multinational corporations that are using tax loopholes, but of course they also believe that Canadian taxpayers should subsidize the Liberal Party of Canada.

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**EQUALIZATION**

**Hon. Scott Brison (Kings—Hants, Lib.):** Mr. Speaker, killing interest deductibility was not the only big mistake the minister made in his budget. In his budget speech, the minister said that "the long, tiring, unproductive era of bickering between the provincial and federal governments is over". That comedy lasted about 10 minutes, until Premier Williams and Premier MacDonald had a chance to listen to the speech.

Now that the minister has flip-flopped on interest deductibility, will he finally see the light and reverse his disastrous decision to kill the Atlantic accord?

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, as the member opposite knows, our government and our Prime Minister are totally committed to the Atlantic accords and the provinces can continue with the Atlantic accords if they choose to do so.

However, I am reminded of the income trust issue. As the member opposite well knows, his reaction to that was to demonstrate that he has the fastest thumbs in the east.

*Oral Questions*

● (1445)

**AIRPORT SECURITY**

**Mr. Laurie Hawn (Edmonton Centre, CPC):** Mr. Speaker, last Friday it was reported in the media that a Transport Canada security inspector at Pearson airport was charged.

Can the Minister of Transport provide more details on this case?

**Hon. Lawrence Cannon (Minister of Transport, Infrastructure and Communities, CPC):** Mr. Speaker, I can confirm that on May 3 a Transport Canada employee was arrested by Peel Regional Police and charged with alleged fraud and being in possession of a prohibited weapon. The employee was suspended without pay.

This is an ongoing example of how as a government we are much more vigilant today in terms of our safety and security. We have done it with the passenger protect program that we put in place last week. We have done it also with the restricted access cards to enable employees who must go into those restricted areas to be properly identified.

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**TAXATION**

**Ms. Judy Wasylycia-Leis (Winnipeg North, NDP):** Mr. Speaker, never mind the flip-flopping of the leader of the Bloc. The real whopper today is the Minister of Finance.

Do members know what he said on April 17? He said:

If everyone doesn't pay their fair share...individuals and families have to make up the difference because we have to pay for fundamental services one way or the other.

Today the minister bows under the pressure from Bay Street and the Liberals by handing them a billion dollar tax break. How do working families pay for this? Will it be with higher taxes, cuts in services or, like it was under the Liberals, both?

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, the clarification must have it about right, because we have the Liberals supporting corporate Canada and the NDP supporting another point of view.

Our point of view is a balanced one, that is, we want to reduce taxes overall and continue to do that in Canada. In two budgets so far, we have reduced taxes over the course of three fiscal years by almost \$38 billion, taxes of all kinds, including personal taxes, corporate taxes, excise taxes and consumption taxes in Canada.

We want to continue to do that. For that, we must have a level playing field. Everybody must pay their fair share.

**Ms. Judy Wasylycia-Leis (Winnipeg North, NDP):** Mr. Speaker, while the Conservatives listen to the Liberals, it is the NDP that is standing up for working families and ordinary Canadians.

The minister says he does not have money to help people deal with drug costs. He says he does not have money for manufacturing and resource jobs. He cannot close the prosperity gap because there is supposedly no money.

Lo and behold, the government found a billion dollars for Bay Street at the snap of a finger. Why is the minister choosing Bay Street over Main Street? Why is he widening the prosperity gap in this country instead of closing it?

**Hon. Jim Flaherty (Minister of Finance, CPC):** Mr. Speaker, I know the member opposite wants us to take on the corporations. She wants us to take on the corporations when they take a double deduction and claim an interest deduction in this country and an interest deduction somewhere else.

That is exactly what we are doing, because Canadian taxpayers, ordinary, hard-working Canadians, should not be indirectly subsidizing corporations in this country. I am sure the finance critic for the NDP will support this initiative by the Government of Canada.

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**AIRPORT SECURITY**

**Hon. Joseph Volpe (Eglinton—Lawrence, Lib.):** Mr. Speaker, on Friday the Minister of Transport announced the imposition of a no fly list, which does nothing to protect air travellers.

How does the minister's preposterously named passenger protect program safeguard privacy rights and Canadian sovereignty if he is obliged to share such a list with homeland security and defence in the U.S., but not with Canadians on the list?

Will he now admit that his initiative does nothing to combat terrorism and that it is nothing more than a capitulation to American demands that he comply with their no fly list?

**Hon. Lawrence Cannon (Minister of Transport, Infrastructure and Communities, CPC):** Mr. Speaker, I would invite my hon. colleague to read the regulation before casting aspersions. Basically, this regulation that has been put in place was put forward and of course did meet a number of conditions put forth by the groups the member is speaking of, and it did go through a consultation process.

Today, Canadians have a right to be able to fly safely and securely.

**Hon. Joseph Volpe (Eglinton—Lawrence, Lib.):** Mr. Speaker, that is always the wish of all Canadians.

[Translation]

The Minister of Transport, Infrastructure and Communities is solely responsible for the names added to the no fly list, not Canadian security organizations. He can consult anyone at all, including his cronies, any far right ideologues or anyone he appointed to the transport commission.

What guarantees or mechanisms can he give us today to ensure that any Canadian added to this list by mistake or upon American recommendation can have his or her name removed and any damage to his or her reputation repaired?

*Oral Questions*

●(1450)

**Hon. Lawrence Cannon (Minister of Transport, Infrastructure and Communities, CPC):** Mr. Speaker, as I explained, the system we have established obviously comes as a result of extensive consultation with the security community. Of course, it is not something that we just pulled out of a hat. The hon. member knows perfectly well that the system in place allows everyone the right to challenge the legitimacy of their name being on the list. There is a mechanism they can use to do so and this means greater security for everyone.

\* \* \*

[English]

**PESTICIDE MANAGEMENT**

**Ms. Bonnie Brown (Oakville, Lib.):** Mr. Speaker, last week the Prime Minister demonstrated that he was willing to roll over again instead of standing up to the U.S., this time on pesticide regulations.

The health minister claims that increasing the residue levels somehow represents the highest of standards when it comes to protecting the health of Canadians. Why has the government increased pesticide exposure for Canadians instead of insisting that the United States come up to our standards?

**Mr. Steven Fletcher (Parliamentary Secretary to the Minister of Health, CPC):** Mr. Speaker, Canada's government is committed to protecting the health of Canadians. We will continue to have among the highest standards in the world. Any changes that will be made in the future will be based on the best scientific evidence.

**Ms. Bonnie Brown (Oakville, Lib.):** Mr. Speaker, the health minister has claimed that his government's decisions are based on science and has promised he would not lower the level of safety, but the United States discovered, for example, that the fungicide vinclozolin can result in abnormalities in living things over multiple generations. A Health Canada report noted similar findings.

If Canada bows to the U.S. on this, it would allow eight times as much vinclozolin as it does now. Can the minister tell the House on what scientific analysis he based his decision?

**Mr. Steven Fletcher (Parliamentary Secretary to the Minister of Health, CPC):** Mr. Speaker, it is a bit rich for a Liberal member to raise this issue since the harmonization began in 1996 under the Liberal government.

Moreover, there is no political interference with any scientific procedures put in place by Health Canada, and there is no intention that there would be political interference as the member suggests. We will have the best standards based on scientific evidence, period.

\* \* \*

[Translation]

**NUCLEAR ENERGY**

**Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ):** Mr. Speaker, the Minister of Natural Resources claims to be a strong supporter of nuclear power, which he says is "very clean". No doubt the minister is not aware of the many warnings that have been issued concerning the potential danger of the intensive use of nuclear power to extract oil from the oil sands.

Can the Minister of Natural Resources explain why he has a plan that could lead to the construction of 10 or even 20 nuclear reactors even though we are not even close to solving the problem of nuclear waste disposal?

**Mr. Jacques Gourde (Parliamentary Secretary to the Minister of Natural Resources, CPC):** Mr. Speaker, I would like to thank my colleague for her interesting question.

This matter falls under provincial jurisdiction. The provinces are the ones to decide what kind of energy can be used to exploit the oil sands.

**Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ):** Mr. Speaker, the Parliamentary Secretary to the Minister of Natural Resources is clearly not aware that nuclear power falls under federal jurisdiction.

Is the minister aware that his position runs counter to the recommendation of the Standing Committee on Natural Resources, which stipulates that "no decision be made on using nuclear energy to extract oil ... until the repercussions of this process are fully known and understood."

Will he put a stop to these plans?

**Mr. Jacques Gourde (Parliamentary Secretary to the Minister of Natural Resources, CPC):** Mr. Speaker, any increase in oil sands production falls under provincial jurisdiction. We are working with Alberta to make this decision.

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●(1455)

[English]

**FOREIGN AFFAIRS**

**Hon. Ken Dryden (York Centre, Lib.):** Mr. Speaker, because of repeated statements by Iranian officials, including the president of Iran, for the annihilation of Israel and for Israel to be wiped off the map, a foreign affairs subcommittee passed a motion for the government to ask the United Nations, under its charter, to stop this incitement to commit genocide and to refer the matter to the International Criminal Court.

Of all the members on the subcommittee, only the two Conservative members voted against it, no one else. Why?

**Hon. Peter MacKay (Minister of Foreign Affairs and Minister of the Atlantic Canada Opportunities Agency, CPC):** Mr. Speaker, I want to commend the member for Mount Royal for bringing this motion forward.

All members of this House agree with the substance, and the sentiment is shared. President Ahmadinejad's comments with respect to Israel are hateful. Canada does not accept such hatred, such intolerance and anti-Semitism of any kind. This motion calls for a referral to the courts, which would give President Ahmadinejad a platform to proclaim his noxious views on Israel and the Holocaust.

*Oral Questions*

It is highly unlikely that this motion would pass. With respect to that, Canada will continue to have its voice heard loud and clear in the international community on the promotion of hatred as we have seen coming out of Iran.

\* \* \*

**ABORIGINAL AFFAIRS**

**Mr. Harold Albrecht (Kitchener—Conestoga, CPC):** Mr. Speaker, our government is proudly moving forward with human rights protection for first nations citizens through Bill C-44, An Act to amend the Canadian Human Rights Act. However, while the government is looking to rectify this long-standing inequity, the opposition parties continue to dither and delay.

How much longer do first nations citizens need to live without the protections that are taken for granted by all other Canadians?

Could the Minister of Indian Affairs please highlight the importance of the bill now before the committee?

**Hon. Jim Prentice (Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians, CPC):** Mr. Speaker, the Senate is not the only place where the opposition is denying justice to Canadians.

The operative clause of Bill C-44 is only nine words long but the House of Commons standing committee has been studying these nine words for 14 weeks and the opposition MPs have now decided to continue their searching analysis into October.

Therefore, first nations Canadians, who have been deprived of human rights in this country for 30 years, will remain so for another summer while the opposition members retire to their golf clubs and tennis clubs.

\* \* \*

[*Translation*]

**COURT CHALLENGES PROGRAM**

**Mr. Yvon Godin (Acadie—Bathurst, NDP):** Mr. Speaker, the Commissioner of Official Languages has confirmed it: the Conservative government's massive cuts to the court challenges program violate the Official Languages Act. The report says that the government has not taken the needs or interests of linguistic minorities into account.

Will the Prime Minister accept the recommendations of the Commissioner of Official Languages? Why did the government refuse to hand over all the documents that would have helped the commissioner's inquiry?

**Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC):** Mr. Speaker, as I mentioned earlier, we have just received this preliminary report. We will respond to the commissioner within the 30-day deadline.

That said, our government has clearly shown its constant support for linguistic duality. As far as official languages are concerned, we have signed agreements with the provinces, territories and the communities. In the last budget, we announced an additional \$30 million for communities and the NDP voted against that.

**Mr. Yvon Godin (Acadie—Bathurst, NDP):** Mr. Speaker, these are hard times for bilingualism in Canada.

Justin Trudeau is in favour of abolishing separate English and French education systems. The Conservative chair of the Standing Committee on Official Languages is cancelling committee sessions, and the federal government is making more unilingual appointments.

What is more, we cannot ask much of the Bloc Québécois because it is too busy doing its spring cleaning.

Will the Prime Minister defend the minorities and could he start by relieving the chair of the Standing Committee on Official Languages of his duties?

**Hon. Josée Verner (Minister of International Cooperation and Minister for la Francophonie and Official Languages, CPC):** Mr. Speaker, as the hon. member knows full well, the Standing Committee on Official Languages makes its own decisions. I have full confidence in its chair.

The hon. member knows very well to what extent, both on the world stage and here in Canada, our Prime Minister and our government are committed to promoting linguistic duality.

Could the hon. member explain why he is opposed to granting an additional \$30 million to official language minority communities?

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● (1500)

[*English*]

**PASSPORT CANADA**

**Hon. Raymond Chan (Richmond, Lib.):** Mr. Speaker, the Conservative government has failed Canadians on the passport issue and now the Parliamentary Secretary to the Minister of Foreign Affairs is blaming Canadians because they are applying for their passports at an unprecedented rate.

It is unacceptable that the Prime Minister, the Minister of Foreign Affairs and the Minister of Public Safety have refused to respond to the calls from the media.

Who is in charge over there and why will someone not take responsibility for this bungling?

**Hon. Peter MacKay (Minister of Foreign Affairs and Minister of the Atlantic Canada Opportunities Agency, CPC):** Mr. Speaker, the member opposite and his colleague from Vancouver may like to grandstand in front of the media and spread misinformation about the facts but the reality is that Passport Canada has hired 500 more employees to deal with the issue of backlog. In fact, we have increased capacity and output by over 40%.

Faced with an avalanche of passport applications of over 20,000 a day for a period of time, we are now dealing with that backlog, eating into the capacity by the professionalism, hard work and overtime hours of officials at Passport Canada. This issue is coming in hand.

*Routine Proceedings***DEMOCRATIC REFORM**

**Mrs. Nina Grewal (Fleetwood—Port Kells, CPC):** Mr. Speaker, today an MP in Ontario, Alberta and British Columbia represents, on average, approximately 21,000 more people than MPs in other provinces. Under the current formula that allocates seats in the House of Commons, this imbalance is projected to rise to nearly 30,000 people after the 2011 census.

Would the Minister for Democratic Reform please inform the House of what action he has taken to correct this imbalance?

**Hon. Peter Van Loan (Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, a cornerstone principle of democracy is that each vote should carry equal weight to the extent possible. With that in mind, in the last election we committed to restoring the principle of representation by population, which had fallen behind for the faster growing provinces of Ontario, Alberta and British Columbia. At the same, we committed to the provinces with slower growing populations that their seat counts would be protected.

As part of our agenda to strengthen accountability in democracy, I introduced new legislation on Friday entitled the democratic representation act, which keeps our commitment. This legislation provides a modern, balanced and practical approach to ensuring fairness in representation for all provinces in Canada.

\* \* \*

[*Translation*]

**HUMAN RIGHTS**

**Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, Ind.):** Mr. Speaker, one year ago, the UN was informed that Baha'is in Iran were being secretly monitored. Since then, Iran's Bahai's have been further persecuted, their rights have been violated and their lives have been in danger.

The Government of Canada has been in place long enough to have an official position on this situation.

What is the Minister of Foreign Affairs waiting for to clearly state that Canada is concerned about this situation and to demand that Iran honour international human rights commitments?

**Hon. Peter MacKay (Minister of Foreign Affairs and Minister of the Atlantic Canada Opportunities Agency, CPC):** Mr. Speaker, I thank my colleague for her question.

Clearly, Canada will continue to work in many forums, especially the United Nations, to address this deplorable situation in Iran. The Iranian government is continuing to oppress many groups and many people of this religious belief. We need to work with all the members of this House.

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[*English*]

**PRESENCE IN GALLERY**

**The Speaker:** I would like to draw to the attention of hon. members the presence in the gallery of the Hon. Clyde Jackson, Minister of the Environment for the Government of Newfoundland and Labrador.

**Some hon. members:** Hear, hear!

**ROUTINE PROCEEDINGS**

● (1505)

[*English*]

**CHINESE EXCLUSION ACT**

**Hon. Jason Kenney (Secretary of State (Multiculturalism and Canadian Identity), CPC):** Mr. Speaker, I rise today to commemorate an important anniversary in the history of this Parliament and a central moment in the history of Canada's Chinese community.

Sixty years ago today, this Parliament repealed the Chinese Immigration Act, also known as the Chinese Exclusion Act, and, in doing so, brought to an end generations of legislated racism directed at people of Chinese origin.

The government of William Lyon Mackenzie King introduced the Chinese Exclusion Act in 1923, this after Ottawa had collected \$23 million in head tax revenues from Chinese immigrants to Canada in the preceding 50 years.

This unjust law prevented anyone from China from immigrating to Canada. As a result, Chinese men already here endured two decades of stigma, solitude and discrimination, separated from their families and barred from the rights of subjects of the Crown here in Canada. Let us not forget that many of those bachelors helped to unite this country by their work on the railroad.

During the second world war, a brave generation of Chinese Canadians volunteered for the Canadian Forces in order to serve their country but, again because of discrimination, they were not put into action until, toward the end of the war, the British recruited them into Sir Winston Churchill's Special Operations Executive. They served with honour overseas in the defence of freedom and the defeat of fascism.

Douglas Jung stands out as one of those who volunteered to defend Canada overseas, training for service behind enemy lines. Thanks in part to the brave service of men like Douglas Jung, on May 14, 1947, the Dominion government could no longer maintain its unjust policies so the Chinese Immigration Act was repealed as part of the new Citizenship Act.

Today marks the 60th anniversary of that historic achievement. On June 22, 2006, in this place our government helped to bring a final end to that sad period in our history with the Prime Minister's formal apology for the injustice of the head tax and his expression of deep regret for the Chinese Exclusion Act.

As the Prime Minister said at the time:

It was an unconscionable act.

An act for which Canadians are deeply sorry.

*Routine Proceedings*

Canada is infinitely richer because of the contributions Chinese-Canadians have made and continue to make.

Today we salute the brave Chinese Canadians whose military service led to the repeal of that act and which paved the way for the elimination of unjust laws at the provincial and municipal levels.

[*Translation*]

Since the Prime Minister made his apology, the government has issued ex gratia symbolic payments to 42 living head taxpayers. We are making ex gratia payments to the spouses of deceased head taxpayers. We will soon be announcing the details of the national historic recognition program and the community historic recognition program, which will fund projects commemorating this sad period in our history.

Fifty years ago next month, in 1957, Douglas Jung became the first Canadian member of Parliament of Asian and Chinese origin. He subsequently represented Canada at the United Nations. We pay tribute to his spirit and to the spirits of all those who rose up with dignity and overcame decades of discrimination against people of Chinese and Asian origin.

[*English*]

In his maiden speech in the House of Commons, Douglas Jong said:

While those of us in the Conservative party will take particular pleasure in my election, which election will refute any argument that this party has been discriminatory to certain groups in the past, I am sure that hon. members on both sides will rejoice that we in this country have a system of government that does not extol its virtues by fanfare, but by expressing our belief in our principles by deeds and not words.

On this important anniversary, let us all call to mind those who overcame adversity and injustice to help build a Canada that is a nation of freedom, democracy and equality of opportunity for all.

• (1510)

**Ms. Colleen Beaumier (Brampton West, Lib.):** Mr. Speaker, I rise in the House to recognize and to commemorate May 14, 2007, a day which marks the 60th anniversary of the repeal of the Chinese Exclusion Act by Mackenzie King's Liberal government.

The Chinese Exclusion Act, and the head tax it followed, is a blight on Canada's history of tolerance and diversity, and an affront to the values all of us hold dear today.

Liberals understand that an apology is an essential part of the healing process for a community that was once the victim of past injustices. For this reason, in 2005, the member for LaSalle—Émard, as the Prime Minister of our country, apologized to the Chinese community for the head tax and the Chinese Exclusion Act. That apology expressed on behalf of all Canadians our regret for the hardship and difficulties inflicted on those victims and their families directly affected by the Chinese head tax and the Chinese Exclusion Act.

Liberals also believe it is critical that there is an appropriate plan to educate Canadians on this chapter of our history. That is why we signed an agreement in principle with several communities to provide funding for education and commemoration initiatives.

We hope that the government will honour these agreements and deliver in full the funds that were committed by us. This would allow

those communities to shed a new perspective on their past, share their histories, educate us all, and help ensure that these kinds of injustices are not repeated in the future.

Canadians should also reflect today on what is required of our government to ensure these kinds of grave injustices are not repeated in the future. That is why the Liberal opposition has voiced its disapproval of the Conservative government's decision to cancel the court challenges program, which provided an important tool for Canadians to exercise and defend their charter of rights.

As the member for Saint-Laurent—Cartierville said recently in a speech commemorating the anniversary of the charter, the legacy of the charter is too precious for us to remain indifferent to those who, through antagonism or neglect, would seek to undermine it. There are still battles to be fought. There are still rights to be won.

Finally, and most important, let us also celebrate today the extraordinary success that Canadians of Chinese origin have achieved. The talent and energy that they have brought to Canada has contributed to our success as a country, whether in business, the professions or in politics. Today Chinese Canadians are truly the face of Canada, as demonstrated by our former Governor General who, as a woman and Canadian of Chinese origin, has raised the profile of Chinese Canadians here at home and around the world.

Today's anniversary presents us with an opportunity not only to remember those who overcame adversity and injustice but to cherish and protect the foundations of tolerance and diversity on which Canada is built. Only by defending the values of equality and respect on which our society depends can we ensure that injustice is avoided.

Today, let us remember and learn from the grave injustices of the past and let us work together to create a future where these injustices are all but impossible.

[*Translation*]

**Ms. Meili Faille (Vaudreuil-Soulanges, BQ):** Mr. Speaker, today we are celebrating an important anniversary in the history of the Chinese community.

I join with the hon. member for Laurier—Sainte-Marie and leader of the Bloc Québécois and with the other members of the House of Commons to commemorate this day, which marks the abolition of the Chinese Immigration Act, which required a security deposit from people wanting to come to Canada. Sixty years ago, the government made history by abolishing discriminatory measures based on race.

Today, we remember that between 1923 and 1947, people of Chinese origin were treated a lot more harshly than others. The government intentionally stopped Chinese immigration after having taken \$23 million from the Chinese people. At that time, people of Chinese origin had to endure being separated from their families and could not become Canadian citizens. It goes without saying that forcing those people to live far from their wives and children was a totally exaggerated and inhumane measure.



*Routine Proceedings*

When we read the papers from that time, including those from Quebec, we can see that the difficulties of the Chinese community were already recognized. The problem was much worse in British Columbia, where the great majority of people of Chinese origin had settled.

On behalf of the Bloc Québécois and myself, I would like to recognize the hard work of the people who pleaded for history to finally be corrected here, in this House, on behalf of the victims. Without them, without their exemplary dedication to this cause for many years, nothing would have been possible.

Several of them are here today and I salute them. They were relentless in the pursuit of justice. We should pay tribute, once again, to the memory of all those who could never be reunited.

Since the apologies that were made last June, the community has started to turn the page on this sad chapter in the history of Canada. It has celebrated this announcement as a great victory for the future of the community. However, we deplore the fact that the government has not provided a symbolic compensation to direct descendants. Yet, last June, the parliamentary secretary had not closed the doors to such a possibility.

Has everything been settled? It goes without saying that we have to learn from these events to ensure that history does not repeat itself. The memory of the victims and the great injustices that were committed must inspire our daily thoughts as parliamentarians and leaders in our communities and help us to make better, fairer and more humane decisions.

Several members of the Chinese community are still having difficulty talking to their children about this. This action from another era was extreme and had severe consequences.

Such discriminatory acts should never happen again. We carry this great responsibility. It is a matter of justice.

● (1515)

[*English*]

**Mr. Bill Siksay (Burnaby—Douglas, NDP):** Mr. Speaker, I am pleased to speak today on behalf of the New Democratic Party to commemorate the 60th anniversary of the repeal of the 1923 Chinese immigration act, the Chinese Exclusion Act.

On Saturday night, the member for Vancouver East and I were guests at a very important banquet in Richmond, British Columbia. Sponsored by the Chinese Canadian Military Museum Society and SUCCESS, this event celebrated 60 years of citizenship for Chinese Canadians. Special guests at the dinner were the members of Army, Navy and Air Force Veterans in Canada Association, Pacific Unit 280, the only Chinese Canadian veterans organization, who are also celebrating their 60th anniversary.

Part of the evening was a reaffirmation of Canadian citizenship, which was particularly meaningful given that we did it standing with men and women who served Canada in our armed forces, despite the fact that they were not allowed to be citizens of this country.

They knew the racism of the day. They and their families were making significant contributions to our economy and our communities, but at the time they enlisted they could not become citizens because of the Chinese Exclusion Act.

It was not lost on anyone present that despite the situation they faced as young people in Canada, despite the discrimination they knew, these men and women had made a hopeful choice to defend Canada, and even today they chose to celebrate 60 years of full citizenship rather than draw attention to a dark time in Canadian history.

There is good reason to celebrate. Chinese immigrants to Canada have made huge contributions and continue to do so. Canada has changed because of their contributions, changed for the better, and they too have become different people, but we must not forget the experience of the Chinese immigration act and of the head tax. Racism must have no place in the official policies or legislation of Canada. We must be vigilant, remember and learn from our history.

We know that Chinese labourers were exploited in order to build the national railway. We must never allow foreign workers to be exploited and must ensure safe workplaces, Canadian wage rates and full rights. We must not establish false barriers to immigration and citizenship, fee structures that have other motives or other outcomes.

Canada still needs immigrants for nation building, for the needs of our families, and for the strength of our economy. Lessons learned from the Chinese immigration act and the head tax must guide us still.

We have made progress and an official apology has been made. Head tax payers have received symbolic payments. Other commemorations are planned, but we must also recognize that the work of recognizing this injustice and the hurt this legislation caused to families over many decades is not done. We must make the settlement inclusive of their suffering.

The success of Chinese Canadians, of these Canadian citizens in the last 60 years, has demonstrated conclusively how wrong the Chinese Exclusion Act was. The veterans of Army, Navy and Air Force Pacific Unit 280 were right. We do have reason to celebrate.

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● (1520)

## COMMITTEES OF THE HOUSE

### ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

**Mr. Bob Mills (Red Deer, CPC):** Mr. Speaker, I have the honour to present, in both official languages, the seventh report of the Standing Committee on Environment and Sustainable Development entitled "Bill C-298, An Act to add perfluorooctane sulfonate (PFOS) to the Virtual Elimination List under the Canadian Environmental Protection Act, 1999".

In accordance with its order of reference of Tuesday, October 31, 2006, your committee has considered and held hearings on the subject matter of Bill C-298, An Act to add perfluorooctane sulfonate (PFOS) to the Virtual Elimination List under the Canadian Environmental Protection Act, 1999, and agreed on Thursday, May 10, 2007, to report it with amendments.

*Routine Proceedings*

**Mr. Tom Lukiwski:** Mr. Speaker, discussions have been held with all parties and I think if you were to seek it, you would find there is unanimous consent that during the debates of May 16 and 17, 2007, on the business of supply, pursuant to Standing Order 81 (4), no quorum calls, dilatory motions or requests for unanimous consent shall be received by the Chair and within each 15 minute period, each party may allocate time to one or more of its members for speeches or for questions and answers, provided that in the case of questions and answers, the minister's answer approximately reflect the time taken by the question and provided that, in the case of speeches, members of the party to which the period is allocated may speak one after the other.

**The Speaker:** Does the hon. parliamentary secretary to the government House leader have the unanimous consent of the House to propose this motion?

**Some hon. members:** Agreed.

**Some hon. members:** No.

**The Speaker:** There is no consent.

**Mr. Tom Lukiwski:** Mr. Speaker, we will try this one and hopefully opposition members will have consulted with their lobby before they give an answer. There have been discussions and I think you would find, if you were to seek it, unanimous consent that Bill C-47, an act respecting the protection of marks related to the Olympic Games and the Paralympic Games and protection against certain misleading business associations and making a related amendment to the Trademarks Act, be deemed to have been read a second time and referred to a committee of the whole, deemed considered in committee of the whole, deemed reported without amendment, deemed concurred in at the report stage, and deemed read third time and passed.

**The Speaker:** Does the hon. parliamentary secretary to the government House leader have the unanimous consent of the House to propose this motion?

**Some hon. members:** Agreed.

**Some hon. members:** No.

**The Speaker:** There is no consent.

\* \* \*

**PETITIONS**

## ANIMAL RIGHTS

**Mr. Dave MacKenzie (Oxford, CPC):** Mr. Speaker, I am pleased and honoured today to rise in the House to present a petition that was circulated by a young lady in my riding, an elementary school student, who did a great deal of research and has developed this petition.

The petition requests that Parliament enacts legislation against the use of animals in the testing of consumer products.

## PACIFIC GATEWAY

**Mr. Sukh Dhaliwal (Newton—North Delta, Lib.):** Mr. Speaker, pursuant to Standing Order 36, I am honoured to table a petition in this House signed by residents of my riding of Newton—North Delta. This petition signed by almost 400 residents expresses serious

concerns regarding Pacific Gateway infrastructure development along the South Fraser Perimeter Road and the negative impact this will have on neighbourhoods, air and water quality, and the protected Burns Bog.

Residents are calling on the government to provide economic support to ensure that the environmentally and socially sustainable options are considered. I am pleased to affix my signature to this petition.

**The Speaker:** I do not think the hon. member can sign a petition to Parliament since he is a member of the House and is being petitioned by the petition. He may want to sign the document which he uses to table the petition, but signing the petition itself is something beyond the scope of members since we are petitioning ourselves and it is not permitted.

• (1525)

## TOBACCO INDUSTRY

**Mr. Joe Preston (Elgin—Middlesex—London, CPC):** Mr. Speaker, I rise today with great pleasure to present a petition of over 2,000 names from my riding and other areas of southwestern Ontario asking Parliament to implement a comprehensive, fair, orderly and accountable tobacco farmer exit strategy as soon as possible.

## CORPORATE ACCOUNTABILITY STANDARDS

**Ms. Alexa McDonough (Halifax, NDP):** Mr. Speaker, I am pleased to present a petition calling upon Parliament to require Canadian companies operating internationally to meet clearly defined corporate accountability standards, including existing international human rights and environmental standards, as a precondition for both public and political assistance of any kind through Canada and its agencies and departments.

The petitioners urge that Parliament develop effective monitoring verification and compliance mechanisms to ensure that Canadian companies operating internationally meet these standards, and that Parliament develop legislation to hold companies and their directors accountable in Canada when found complicit in human rights abuses and environmental destruction abroad, and to offer victims of such violations a forum where their grievances can be addressed.

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**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, I ask that all questions be allowed to stand.

**The Speaker:** Is that agreed?

**Some hon. members:** Agreed.

[Translation]

**The Speaker:** The Chair has notice of a point of order from the hon. member for Louis-Hébert I am now prepared to hear him.

*Government Orders***POINTS OF ORDER**

## STATEMENTS BY MEMBERS

**Mr. Luc Harvey (Louis-Hébert, CPC):** Mr. Speaker, first of all I would like to thank you for giving me the opportunity to clarify the situation.

Last Friday, in the House of Commons, I was commending a group that introduced soccer to Quebec and have been playing at the Notre-Dame-de-Foy campus in Saint-Augustin-de-Desmaures.

I wanted to pay tribute to Canada's soccer players and to this group of soccer enthusiasts in particular. I also wanted to point out that some of them have come from all over the world and made Canada their adoptive home. They have enriched our country and have led us to a better appreciation of soccer. During my speech, I wanted to say that since the introduction of soccer, more than 25,000 people in Quebec City now play the game. I wish to apologize to all those I may have offended and or who may have taken offence.

It is unfortunate that the opposition seems to wish to take advantage of a language error that I sincerely regret. Canada is a great country because of its diverse cultural communities. I had no intention of offending them and I wish to give them my heartfelt thanks for their important contribution to the Canadian mosaic.

In closing, I would like to thank Mr. Edgardo Sanchez and his soccer friends for giving me the opportunity to present him with my riding's recognition medal for his contribution to the community. I would like to add that I will proudly wear the same uniform as Mr. Sanchez for the game.

I would like to take this opportunity to invite all members of the House of Commons to come and play in this friendly game on Sunday.

**The Speaker:** I am certain that the honourable members appreciate the clarification by the hon. member for Louis-Hébert.

[*English*]

Before I call government orders, I wish to inform the House that because of the ministerial statement, government orders will be extended by 14 minutes.

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**GOVERNMENT ORDERS**

[*Translation*]

**INCOME TAX ACT**

The House resumed consideration of the motion that Bill C-33, An Act to amend the Income Tax Act, including amendments in relation to foreign investment entities and non-resident trusts, and to provide for the bilingual expression of the provisions of that Act, be read the second time and referred to a committee.

**The Speaker:** Before question period, the hon. member for Montmagny—L'Islet—Kamouraska—Rivière-du-Loup had the floor and he had 15 minutes remaining.

The hon. member for Montmagny—L'Islet—Kamouraska—Rivière-du-Loup.

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, I would like to remind this House and those who are listening that we are debating Bill C-33, Income Tax Amendments Act. The objective of this bill is to amend certain rules concerning trusts, to ensure tax fairness.

The Bloc Québécois agrees with this bill, and this amendment should have been made a long time ago. The first part of the bill deals with an amendment to the rules concerning non-resident trusts and foreign investment entities. It is an amendment or clarification of section 94. This part of the bill sets and clarifies the taxation rules for non-resident trusts. These clarifications and amendments are made through the amendment of section 94 of the Income Tax Act, which sets the taxation rules for non-resident trusts.

In general, a trust is subject to the Income Tax Act if it has received a transfer or loan from an association, joint venture, trust, fund, organization, individual, company, general partnership or syndicate residing in Canada.

Non-resident trusts must pay income tax to the Government of Canada. If they do not, the beneficiaries are held responsible and must pay the amounts owing themselves. However, beneficiaries will be taxed in proportion to their holdings in the trust. Additional tax relief will be in place for beneficiaries whose revenue is minimal compared to other revenues from the fund. The purpose is to make this balanced and sensible. The changes proposed in this part of the bill amend the rules that apply when money is brought back into Canada.

More specifically, these measures define additional criteria to be used in calculating the fair market value of assets in a non-resident trust. Fair market value is the highest price, in terms of money, that can be obtained for an asset on a completely free, unrestricted market during a transaction between a buyer who wishes to buy and a seller who wishes to sell who are prudent, informed and competent and who are acting independently of one another. Naturally, there is always some leeway in determining fair market value, but the bill nevertheless sets out the concepts in such a way as to control the tax implications of this type of activity.

The second part of the bill addresses the Income Tax Act's definition of an exempt foreign trust. This part of the bill specifies the kinds of trusts that are eligible for tax exemption under the Income Tax Act. These measures ensure that only those trusts that are truly eligible for tax exemption can benefit from this tax advantage. We know that trusts are created for all kinds of reasons. We must therefore ensure that only trusts that are eligible according to the act can benefit. This will result in fairer tax treatment of all citizens.

*Government Orders*

A list allows to distinguish between the trusts that can be exempted and the ones that must pay income tax. For example, trusts that are eligible to be exempted from the Income Tax Act are as follows: exempt non-resident trusts, trusts for beneficiaries with mental infirmities who are non-Canadian residents and whose contributions to the trust were required to support the needs of the beneficiaries. In other words, it makes quite a lot of sense that trusts whose purpose is exclusively humanitarian should not be taxed. There are also trusts that are created as a consequence of the breakdown of a marriage and whose beneficiaries are children under 21 years of age, or under 31 years of age if enrolled full time at an educational institution, resident trusts that are eligible for the tax exemption, trusts operated for the purpose of administering or providing retirement pensions to employees and charitable trusts.

Thus, the first part deals with changes to the rules applying to non-resident trusts or foreign investment entities, the second one provides the definition of foreign trusts that are exempted from the Income Tax Act and the third one contains general changes to the Income Tax Act.

The main measure provides more general amendments to this act. First, elements have been added to the employment income. This includes any amount receivable at the end of the taxation year in respect of covenants agreed to by an employee, and a change to the calculation of the amount reported through stock option plans for employees.

• (1530)

Then, various other items that will become deductible from employment income are added. For instance, employees will be allowed to deduct from their income legal expenses incurred in legal proceedings to collect amounts owed by the employer, and the premium under the Quebec parental insurance plan. These changes are designed to bring the Income Tax Act in line with the new realities.

For example, the parental leave scheme is very popular in Quebec. It was established when the federal government finally agreed to give back the EI amounts intended for this type of provincial initiative. It took a long time, but now the scheme is in place. It provides parents with sufficient income for flexible amounts of time, which they like better. It has already started to have a significant impact on birth. In this respect, it meets two important objectives at once. Now, we are amending the federal Income Tax Act accordingly. I think it is appropriate to support this measure and, indeed, the bill as a whole.

The last part of the bill contains amendments in relation to terms or expressions that could have a different meaning in French and in English. This may sound like a detail, but in reality, it can often cause legal problems when it comes to interpreting the law. The Bloc Québécois believes that Bill C-33 will improve the application of the Income Tax Act. The Bloc Québécois supports this bill, which will restrict the use of non-resident trusts as tax loopholes.

With fewer loopholes, the government will be able to increase its revenue by collecting from people who should be doing their part.

As an aside, this bill will fill a number of holes in the legislation in terms of tax fairness. But one glaring hole remains. I am referring to

the one left open with tax treaties and tax heavens, and more specifically the one between Canada and Barbados.

Like any other tax treaty, the Barbados tax treaty initially provided that profits generated by Canadian companies should normally become taxable when the money was repatriated to Canada.

One section, section 5907, was added, which eliminated all taxation. Thus, while money invested in Barbados by Canadian companies is hardly taxed—it is almost ridiculous—thus leading to huge profits, that money can be brought back to Canada and is still not taxed. As a result, this becomes a tax incentive. At the end of the day, this is tax avoidance and has absurd repercussions. For example, over the course of 2007-08, a total of \$4 billion will be brought back from Barbados in the form of dividends and recovered by Canadian companies, which will pay no taxes on that money.

We find this decision somewhat absurd, an abnormal situation that should be handled differently. Today, the Minister of Finance made a announcement regarding tax fairness and interest deductibility when companies borrow money to invest abroad. We would have liked to see part of his announcement address the tax treaty with Barbados. Surprisingly, it did not even touch on it.

During question period today, the minister was very careful not to respond to this question and to reiterate the action taken concerning interest deductibility. His announcement today more or less drove the nails into the coffin. He announced that interest deductibility will prevent double taxation. However, in five years, he is establishing a panel to examine the issue. I think it is a rather well organized retreat, but it reflects this government's lack of preparation in the related texts.

As regards the budget, we were expecting some details to be provided, and we were hoping that this tax avoidance hole would be plugged, but that is not going to happen. It is rather strange to give a warning that this is going to be done in five years from now. At the same time, a committee is being set up to look at all these issues. Usually, when it comes to finance, the government brings forward ways and means notices that immediately come into effect and that send a clear message. Let us hope that the minister's decision will not add to the negative message that was sent when the budget was tabled. At the time, the government did not explain how it was going to ensure that tax avoidance is eliminated. The specifics that were provided today can certainly, in a way, make companies feel more secure, but they are also a threat hanging over all the industries. In the industrial and financial sectors, investments are often made 5, 10 or 15 years in advance.

• (1535)

The message being sent today is still not good enough. And worse still—as I pointed out during the first part of my speech, in reference to the statement made today by the minister—the minister was totally silent on how the tax treaty between Canada and Barbados should be amended.

*Government Orders*

Let us not forget that we are talking about tax havens, about states where the rate of taxation is nil or very low. Their lax tax system encourages many wealthy taxpayers to discreetly transfer a portion of their fortune there, and many businesses to set up subsidiaries. They are then able to avoid paying taxes on part of their revenues.

People complain that they pay too much taxes and they wonder why that is, given the level of services that they get in return. There is one aspect that must be taken into consideration: if there are groups in our society that do not pay their share, then other groups must make up for the shortfall. What happens in reality is that either some people pay more taxes than they should, or else some services are not provided, all this because we did not manage to put a stop to the tax avoidance situation caused by this tax treaty.

It is very surprising that the government did not go forward on that issue since the problem is the result of changes made by the former Liberal government. We have been counting on the new Conservative government to address the situation. However, even today, we still do not have any indication that it intends to do that. Even though the Standing Committee on Finance is making a study on the subject, after the Bloc made a proposal to that effect with the support of the Conservative members, the minister does not seem ready to do anything and is not indicating that he would take action even if there were recommendations going in that direction.

The House can be assured that in the report that will be produced at the end of the current review by the finance committee, the Bloc will undoubtedly make concrete recommendations. Indeed, on tax issues it has often been said that the questions regarding trusts are very complicated. However, with regard to the issue of the tax convention with Barbados, there is a very simple solution. There is one subsection in the very long section 5907 that we could simply abolish. After that, all profits coming from Barbados could be taxed at the time they are brought into Canada.

We would find that quite acceptable. If we had a tax agreement whereby, when money was invested abroad, the profits would be adequately taxed once they were brought home, an appropriate deduction could then be allowed. This is roughly the model developed by the United States and Japan. This is a theory, a practice that should be examined by Canada. Rather than continuing with the current practice—the very discriminatory regulation 5907—we could quite simply allow the money to be invested in Barbados, and when it comes back to Canada, subtract the amount the company has already paid in income tax to Barbados from the amount due to Canada. There would still be a significant contribution within Canada to correct the situation.

As I am being signalled that I only have two minutes left, I will end with these comments. I urge the government to examine this issue over the course of the next few weeks. We hope that the study by the Standing Committee on Finance will result in concrete measures being introduced in the fall economic statement or next year's budget. However, a solution absolutely must be found because, at present, all political parties agree that we are not getting our money's worth, despite the contribution of taxpayers. Such measures could be key to lessening the burden on taxpayers, on those who benefit from various government programs. It is important that we move in that direction.

The Bloc Québécois continues to take a constructive approach. We are voting in favour of the bill but we hope that the Conservative government will move forward as quickly as possible to find real and concrete solutions to the significant problem of tax evasion presented by the Canada-Barbados Income Tax Agreement.

\* \* \*

● (1540)  
[English]

**BUSINESS OF SUPPLY**

**Mr. Tom Lukiwski (Parliamentary Secretary to the Leader of the Government in the House of Commons and Minister for Democratic Reform, CPC):** Mr. Speaker, with apologies to my hon. colleague, there have been further discussions and if you were to seek it, I am confident you would find unanimous consent for the following motion. I move:

That, during the debates on May 16 and May 17, on the Business of Supply, pursuant to Standing Order 81(4), no quorum calls, dilatory motions or requests for unanimous consent shall be received by the Chair and, within each 15 minute period, each party may allocate time to one or more of its members for speeches or for questions and answers, provided that, in the case of questions and answers, the minister's answer approximately reflect the time taken by the question, and provided that, in the case of speeches, members of the party to which the period is allocated may speak one after the other.

**The Acting Speaker (Mr. Royal Galipeau):** Does the hon. parliamentary secretary have the unanimous consent of the House to move the motion?

**Some hon. members:** Agreed

**The Acting Speaker (Mr. Royal Galipeau):** 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)

\* \* \*

● (1545)

**INCOME TAX AMENDMENTS ACT, 2006**

The House resumed consideration of the motion that Bill C-33, An Act to amend the Income Tax Act, including amendments in relation to foreign investment entities and non-resident trusts, and to provide for the bilingual expression of the provisions of that Act, be read the second time and referred to a committee.

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I thank the member for doing a very good job on some selected issues out of this bill. It is only 550 pages long. I can assure the House that I will vote in favour of the bill to get it to committee where it can have the rigorous scrutiny it requires.

The member has raised some interesting points with regard to tax havens and other issues. He also talked quite a bit about some of the values or some of the attitudinal positions we should take with regard to a number of these changes, particularly as it relates to the interest deductibility quagmire that we seem to be in, given the finance minister had made a very broad sweeping general statement about cancelling the interest deductibility on foreign investments.

*Government Orders*

Now we have some changes again. We have had ten year periods, now we have five year periods. We have had some towering effect. This is a moving target.

It concerns me because similar to the income trust debacle, the broken promise, signals were given to the marketplace, which interrupted the market and disrupted the marketplace to the extent there was a virtual meltdown.

Now we have some questions within the investing community on the interest deductibility. It is disruptive in my view. Does the member feel that the uncertainty or the lack of clarity from the finance minister, whose name rhymes with clarity, could give us an idea whether this can have some negative impact on the decision making of businesses while we deal with this strange animal that he has put on the table for us?

[*Translation*]

**Mr. Paul Crête:** Mr. Speaker, ever since the budget was tabled, we have been waiting for the budget implementation bill that will address this issue. We expected that the Minister of Finance's statement today would clarify the situation. In his statement, we read this:

Our proposed anti-tax-haven initiative is composed of four specific parts:

—Firstly, preventing the use of double dipping and other tax avoidance schemes —

—Secondly, we are providing corporate Canada with a transition period of almost five years—

—Thirdly, any tax revenues generated through the anti-tax-haven initiative will be used to further reduce business taxes in Canada—

—Finally, we will continue to look for ways to bring fairness to Canada's tax system.

This is not clear. The government said it was important to have the right tools to help companies compete internationally. Many other countries have these sorts of measures. The government told us that it would do away with tax avoidance and the excesses that result from it.

Yet today, the statement simply says that double dipping—making one tax deduction here in Canada and another in the country that receives the funds—will be prohibited. There may even be three countries involved. This should be clarified.

The statement also says that companies will have five years to comply with the rules. These rules must be defined as soon as possible. If they are not clarified in the coming months, companies might invest in the wrong place or delay investing. This is a downside to the government's current position. We need clear, accurate, relevant information as soon as possible.

The government still has work to do. We hope it will release information as soon as possible. In a similar vein, why does the government not just go ahead and abolish the tax treaty with Barbados or at least the specific provision of the treaty whereby profits that return to Canada from Barbados are tax exempt? This is not fair to taxpayers.

**Mr. Guy André (Berthier—Maskinongé, BQ):** Mr. Speaker, I would like to congratulate my colleague for his excellent speech on this bill that amends the Income Tax Act as far as trusts are concerned. Of course, as our colleague told us, we approve this bill

because it contains some measures that are more in keeping with some social measures that we have put forward.

However, I would like my colleague to explain something. What is the public to think of a government that cuts programs for the poorest in our society—whether they are literacy programs, the court challenges program or women's programs—, a government that does not encourage people on EI but at the same time maintains a treaty that provides tax havens to rich companies?

How does my colleague explain this situation? What is the public to think about this lack of ethics on the part of a government that continues to help the rich while cutting programs for the poorest of the poor?

● (1550)

**Mr. Paul Crête:** Mr. Speaker, I want to thank my colleague from Berthier—Maskinongé for his question and the examples he gave us. Indeed, the money not paid in taxes under the tax treaty with Barbados is paid by others. As a result, we do not have adequate services. We can list the cuts made by the Conservative government over the past year in a number of areas, including the court challenges program, programs concerning women's groups or different parts of our society that need these types of services. There lies the answer.

For this year, the federal government will probably fail to collect \$800 million in taxes. This \$800 million would go a long way. Some of it could go toward lowering taxes and some of it could be used to reinstate services that have been cut. This would be an important gesture and it is a very good illustration of the current balance in Canadian taxation. There is a major problem with the tax treaty with Barbados and the solution is simple: the elimination of just one paragraph from section 5907 would correct the situation and bring about more fairness.

This would be realistic, quick and we could assess the facts, while the government's position on interest deductibility seems to be bogged down. There is no indication as to how the government is going to get out of this. I am anxious to see how the business sector will react. Between yesterday and this morning's announcement, things seem to be looking up because the government is putting off its decision. However, this sends a tenuous message to the business sector.

It is this type of situation that needs to be corrected. I would like the federal government to take a swift decision to correct the tax treaty with Barbados. This does not require vast studies. We already have all these figures at the Canada Revenue Agency or at the Department of Finance. Then a very clear message could be sent that would be consistent with the minister's promise to take care of tax havens. Nonetheless, to make good on his comments, he needs to at least take that one step.

[*English*]

**Mr. Paul Szabo:** Mr. Speaker, the member commented on an interesting point. If we provide tax cuts in certain areas and reduce revenue, it means it has to be made up by either raising taxes in another area or cutting services.

*Government Orders*

The member may want to comment on the advisability of the pension income splitting program, which would only benefit those who have defined pension benefit plans, who have a partner and whose pensions are in excess of about \$38,000 just to start to get any benefit. It seems that it is benefiting high income earners over low. How does that tie in with the whole theme of tax fairness?

[*Translation*]

**The Acting Speaker (Mr. Royal Galipeau):** The member has 45 seconds to answer.

**Mr. Paul Crête:** Mr. Speaker, this is a complex issue which deserves much attention and probably more than 45 seconds. Obviously, at each step, it must be determined if a given tax measure is adequate. Its fairness, its efficiency in generating revenues and its relevance must be taken into account.

I hope that the government will display the same maturity we are finding today in Bill C-33, which we support, but many aspects of this issue have not been addressed.

• (1555)

**Mr. Pierre Paquette (Joliette, BQ):** Mr. Speaker, to begin with, I would like to congratulate my colleague from Montmagny—L'Islet—Kamouraska—Rivière-du-Loup. His presentation was extremely clear. I will probably have the opportunity, in my own presentation, to substantiate even more what he just said. As he pointed out, the Bloc Québécois is in favour of Bill C-33, An Act to amend the Income Tax Act, including amendments in relation to foreign investment entities and non-resident trusts, and to provide for the bilingual expression of the provisions of that Act. It corrects a number of things.

Again, this is somewhat like when I spoke to the changes to the excise tax. Sometimes, we debate in the House of rather casual subjects. This is far from *Tintin in the Congo* or *Tintin in Tibet* and even farther from *The Crab with the Golden Claws* or, for example, *The Castafiore Emerald*. This is not very sexy for a debate, but it is a necessary debate, just as the one on the excise tax. Bill C-33 corrects various provisions of the Income Tax Act which made it easy to circumvent tax rules and allowed tax evasion.

The bill responds to the shortcomings identified by the Auditor General in her November 2005 report. This bill will require disclosure of additional information about non-resident trusts, which will allow a more rigorous analysis of the figures submitted to the Canada Revenue Agency, in accordance with the recommendations of the Auditor General.

As my colleague has mentioned, tax evasion goes against the basic principles of horizontal and vertical fairness in the way we treat individuals. We must never forget that fairness is of paramount importance if we want people to have any trust in the tax system. This means fairness not only between individuals, but also between the different categories of individuals.

When the tax system is viewed as being unfair, there is also, unfortunately, a certain nonchalance in the public opinion about everything that relates to tax evasion. Working for pay under the table is a case in point. We absolutely need a tax system that not only is extremely fair, but that also has the appearance of being fair. Every time we can close a loophole and prevent people from believing that

there is a double standard that benefits those who can afford those mechanisms, we have to do so. We were talking earlier about tax havens and about specialists and experts who can teach people how to avoid their collective responsibility.

It seems to me that we have to try and close those loopholes, and that is what this bill is doing. As I mentioned before, the Bloc Québécois will support Bill C-33.

Both the absence of fairness and the perceived absence thereof create a sense of laxity within the affected society. They also cause taxpayers to feel that they are being treated unfairly. As I said, practices that do not quite comply with the legislation are becoming more and more accepted and commonplace. Moreover, the government is losing revenue that, as my colleague said, must be made up for by higher taxes elsewhere, especially for the middle class, or by cuts to necessary public services.

As I said, we will support this bill even though it lacks that something special. It is definitely relevant, and as such, I think it deserves our attention even though it is not exactly a fun read.

I will provide a little background. In Canada, taxable revenue on trusts is calculated for individuals, not families. Here, income can be split among family members, resulting in major tax advantages. In fact, this is a common financial planning tactic among higher-income taxpayers.

• (1600)

They use family trusts to split income among as many family members as possible to take advantage of those family members' tax brackets. Obviously, when the income is split among many, some members of the family may have lower tax rates than if just one or two family members declare the income.

Canada's income tax system is based on a progressive tax rate structure. As such, individuals who have low or medium income pay less tax than high-income earners. As I just said, splitting income is one way to save taxes within a family or household.

To take advantage of this method, one must have a family trust. In addition to allowing income splitting, the trust can protect assets against the beneficiaries' creditors or ensure the use of an asset by a spouse until death before transferring the property rights to the children. The trust can also ensure that children have sufficient capital to cover the cost of tuition or living expenses while studying.

*Government Orders*

Even though trusts may seem to be an attractive way of avoiding tax, annual management fees can run to several thousand dollars. Once again, often it is the wealthy who are able to invest and who have enough money so that the advantages and disadvantages balance out and these trusts become attractive investment vehicles. Therefore, trusts are clearly investment vehicles that are available primarily to wealthy taxpayers.

In my opinion, on the whole, taxpayers do not appreciate income splitting, because it goes against one of the main principles of taxation policy: fairness. I mentioned this earlier. To comply with the principle of tax fairness, government gradually regulated the use of trusts and tried in various ways to reduce the benefits of income splitting.

The use of offshore trusts as investment vehicles has many advantages in terms of tax avoidance. Offshore trusts enable Canadian taxpayers to shelter assets from the tax system. Since Canadian tax authorities can have a very hard time obtaining information on investments in such vehicles, this opens the door to tax avoidance.

I remember that in a report—I think it was on the show *Enjeux*—journalists went to Barbados to locate companies such as the ones owned by the sons of the former Prime Minister, the member for LaSalle—Émard. The journalists were astonished to find that the headquarters of CSL International was not only a law office with four employees, but also the headquarters of about 100 other companies. Unfortunately, this information was not known previously, because it is not always easy to travel to conduct the necessary investigations. That is why it is important to have an easier way to obtain the necessary information.

In January 2000, the federal finance department introduced legislation to prohibit splitting with minors. People may not use children under 18 years of age, who are usually not yet working and therefore have no income of their own.

Under the attribution rules, capital gains on shares in the trust can be split, enabling the trustees to save on tax. Contrary to the attribution rules, this provision taxes the recipient of the split income at the top marginal rate, instead of reattributing the income to the transferor or lender.

However, the lack of clear legislation pertaining to foreign trusts created loopholes allowing the use of trusts established in foreign countries in order to continue to profit from the various advantages of income splitting. Moreover, the problems with information gathering—and I gave an example of that earlier—to establish the market value of assets of offshore trusts has facilitated tax evasion. In my opinion, it is important to remember that.

• (1605)

We also need to remember what the market value of assets is, that is, the highest price that would be agreed upon in a completely open and unrestricted market between fully-informed, knowledgeable and willing parties dealing at arm's length without constraint. This is the definition of fair market value. As I said earlier, it is a provision that was put in in that regard.

It was hard to establish the fair market value of offshore trusts. This value could be underestimated or the owners could find ways to

ensure that the people at the Canada Revenue Agency had the impression that the value was lower.

Consequently, in a section of her 2005 report the Auditor General looked at the various loopholes found in the application of the Income Tax Act. She made a number of recommendations to close these loopholes with respect to the treatment of foreign investment trusts.

Of course, a ways and means motion was introduced on November 9, 2006. The Minister of Finance included this motion in Bill C-37 and its purpose is indeed to amend various rules concerning income tax. This ways and means motion had three main components.

First, the bill amends the Income Tax Act in order to clarify and specify the tax rules for non-resident trusts and foreign investment entities. Those provisions will allow the government to better regulate the use of those offshore investment vehicles by clearly establishing the foreign investment entities that may be exempt from taxation, the rules for ensuring that the foreign trust will be deemed to be resident in Canada and the investment vehicles to be taxed. The provisions will also specify how the attribution rules will apply when a foreign trust is deemed to be resident.

On that subject, I would remind the House that California, for instance, amended its legislation two or three years ago to ensure that, in the case of a company established in California and whose head office is in California, but that does business all over the world, revenue generated by that company must be included in the revenue of the head office. People saw this as strong action against tax avoidance and against tax havens. In fact, this has existed in Canada for a number of years. As a rule, a company whose head office is in Canada must pay taxes on all its revenue, regardless of whether it is generated in Canada or abroad, as long as there is no tax treaty, of course. If a tax treaty exists—we have such treaties with several countries—it is a matter of not taxing the same entity twice for the same revenue. This is completely understandable.



*Government Orders*

The problem I want to underline, and maybe I will be able to come back to it, is that when we have a tax convention like the one we have with Barbados, where the tax rate varies between 2.5% and 1%, this is a regressive tax instead of a progressive tax. The tax rate goes down as revenues go up. Of course these are only symbolic tax rates. Canada considers that revenues have been taxed a first time in Barbados and does not tax them a second time in Canada. When the tax rate of the foreign country is reasonable and comparable to the rates we have in Canada, tax conventions are totally acceptable. Unfortunately, when we deal with a country that does not have a real and transparent tax system but a system that is used only to allow taxpayers to avoid paying income tax in Canada, we do have a serious problem.

The second aspect relates to a number of general provisions in the Income Tax Act. I am still referring to the ways and means motion of November 9, 2006. First, it changes some general provisions of the act to ensure an efficient enforcement of the measures contained in the first part. The bill proposes a few changes to the Income Tax Act to include different measures in Bill C-28, A second Act to implement certain provisions of the budget tabled in Parliament on May 2, 2006. That is to say that the bill is modifying a previous bill that had already been introduced in this House. Some of the changes were suggested by the Canada Revenue Agency to clarify or facilitate the enforcement of measures included in the Income Tax Act.

• (1610)

The third and final component deals with the bijural aspect of the proposed amendments.

In other words, this last part adds or modifies expressions in the English and French versions in order to respect the semantics of civil law and common law. As we know, both apply in Quebec. This is inherent to the unique nature of the Quebec nation.

Let us now examine the individual parts of the bill resulting from the means and ways motion. The first part refers to changes to the rules that apply to non-resident trusts and foreign investment entities. A certain number of amendments and clarifications to section 94 establish the rules for taxation of non-resident trusts.

This part of the bill establishes and clarifies the rules regarding taxation of non-resident trusts. These clarifications and changes are made by amending article 94 of the Income Tax Act, as I already mentioned, which sets the tax rates for non-resident trusts.

As a general rule, a trust is subject to the Income Tax Act if it has received the transfer or loan of assets from an association, a joint venture, a trust, a fund, an organization, a natural person, a partnership or a financial syndicate resident in Canada. The non-resident trust must pay tax on income to the Government of Canada. If it does not, the beneficiaries are held responsible and must pay the amounts due. However, beneficiaries only pay their share of the tax on the trust. Additional relief is provided for beneficiaries who make a minimal contribution compared to other contributions to the trust.

The various changes proposed in this section of the bill amend the rules that apply to repatriation of moneys to Canada. More specifically, these rules define additional criteria for calculating the

fair market value of assets. I have already mentioned the definition of fair market value for assets held by a non-resident trust.

Second, again in part 1, there are definitions of foreign trusts exempt from the Income Tax Act. This part of the bill specifies which type of trusts are eligible for tax exemption under the Income Tax Act. These measures will ensure that only trusts truly eligible for tax extensions could use this tax benefit. This will result in fairer tax treatment for everyone. Without going into too much detail, the following list indicates which trusts can be exempt and which trusts must pay tax.

Among the trusts eligible for exemption under the Income Tax Act, the exempt non-resident trusts, are trusts for beneficiaries with a mental infirmity who are not residents of Canada, and whose contributions to the trust are made to provide for the beneficiary's needs. This goes without saying.

Also exempt are trusts established after the breakdown of a marriage to provide for the children from the marriage who are under 21 years of age or under 31 years of age if they are enrolled full time at an educational institute, as well as charitable trusts, of course.

As far as the first exemption is concerned, I believe it is entirely consistent with what the Minister of Finance announced in his budget in February on the possibility of parents amassing, through a specific plan, money to provide for the needs of their severely handicapped children.

Resident trusts eligible for tax exemption are trusts for administering or providing pension benefits to employees, as well as charitable trusts.

Finally, the changes made to the Income Tax Act essentially mean that we have to ensure, quite simply, that the legislation as a whole is consistent.

In closing, Bill C-33 will ensure better application of the Income Tax Act.

The Bloc supports this bill to restrict the use of non-resident trusts as tax loopholes. This will allow us to maintain tax fairness—or improve it since it is not fair enough yet—and also show taxpayers in general that parliamentarians are interested in this and are concerned about their perception of fairness in the system. This will bring in a little more money for the good government.

• (1615)

*Government Orders*

[English]

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, the member has raised some extremely good points particularly with regard to the family trust issues. Prior to becoming a member and as a chartered accountant, I used to work for a couple of clients who had these arrangements. They are not illegal, but the avoidance of taxes or the reduction of taxes can be very substantial for the highest income earning Canadians.

In a speech given by the member for Peterborough, he said that one of the objectives of this bill was to maintain the integrity of the tax base. He also talked about income trusts.

In terms of maintaining the integrity of the tax base, I would ask the member to comment on the income trust broken promise, and whether or not it appears the government thought this through in terms of the impacts on investors and indeed on the consequential sell-off of income trusts through private equity takeovers. This has been estimated to now cost Canada the loss of about \$6 billion of revenue each and every year. That is way more than the differential in the tax burden between corporations and income trusts. This does not seem to be protecting the integrity of the tax base.

I wonder if the member is aware of the impact of the lost revenue on the takeover of income trusts. Should we not be pursuing some protections to ensure that this kind of hemorrhaging of the tax base does not continue?

[Translation]

**Mr. Pierre Paquette:** Mr. Speaker, I thank the member for his question. Indeed, Bill C-33 contains interesting aspects regarding the reduction of tax evasion. However, it is still just a band-aid on a cancer. We think there are other priorities. I spoke about the tax treaty with Barbados. If the Minister of Finance and the Conservative government really want to reduce tax evasion, they will have to amend that treaty and the law in order to turn off the tap. Until now, we have not seen the minister show any such commitment.

There has been a lot of talk about interest deductibility for Canadian companies investing abroad. The minister backed off and said that he was doing this to prevent tax evasion in tax havens. This is also a measure which could be interesting in some regards, but it is throwing the baby out with the bath water. So, it is good to see the minister backing off from his initial plan, but even if he maintains the non-deductibility of interest charges for Canadian companies investing abroad, this is still a small measure in the big picture. It is somewhat the same for income trusts.

During the proceedings of the Standing Committee on Finance, I was very surprised to see that the Minister of Finance was not able to demonstrate to us that existing income trusts were generating a tax loss that is extremely harmful to the Government of Canada's financial position.

Minister Audet told me that, in the case of Quebec, these trusts were responsible for a shortfall of about \$40 million. That is significant, particularly since the Prime Minister made a promise regarding this issue during the election campaign. It seems to me that the government could have found a solution that is more respectful of the two and a half million Canadians who contributed to income

trusts and who, among other things, probably believed the Prime Minister during the election campaign, when he promised that he would not touch these trusts.

That said, my greatest concern with income trusts was their effect, in the longer term, on Canada's economic development. For example, BCE, a corporation, was to become an income trust, because of the pressure exerted by one competitor, TELUS, and not because of its own corporate interests. In my opinion, this was more important than the issue of revenue losses for the federal or the Quebec government.

The hon. member is right when he says that this is creating a perverse effect, particularly regarding the value of the Canadian dollar. Many of these businesses represent a minor investment for foreigners, particularly Americans. So, we found out that there was a very real risk.

I have learned one lesson from all this. As with interest deductibility, as with income trusts, and as with many other issues, the Minister of Finance has good intentions, but he takes measures that seem improvised and whose consequences have not, in my opinion, been properly examined.

In conclusion, this will not prevent the Bloc Québécois from supporting Bill C-52. However, it could mean that, in the coming years, all parliamentarians, and the members of the Standing Committee on Finance, may have to look at this issue again, in order to suggest to the government, regardless of which party may be in office at that time, ways that are more effective on an economic, fiscal and financial level.

• (1620)

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, I would like to expand on the comments of my colleague from Joliette, who is very familiar with financial matters. He gave examples of situations where the current minister, with the best intentions, proposed a policy that was in need of some fine-tuning. The picture I am getting could be added to the one he was talking about. I am thinking about the program for GST rebates for tourists.

In this case, the Bloc Québécois, the industry and other political parties had to make strong and repeated arguments to achieve a few partial corrections to an unacceptable situation, in which organizers of conventions for outfitters or other similar events were losing a considerable international competitive advantage. It is the same type of situation with interest deductibility.

As for GST rebates for tourists, an extra effort should be made to come up with a reasonable solution for duty-free shops.

But my question is more general. I would like my colleague from Joliette to tell me, since pre-budget consultations on next year's budget will be starting soon—it is already the time to be working on these things—should tax avoidance not be an important issue? Should it not be important to make increasing transparency in Canada's tax situation a priority, or to ensure that there is a significant improvement beyond Bill C-33, which we are studying right now?

*Government Orders*

**Mr. Pierre Paquette:** Mr. Speaker, I thank my colleague from Montmagny—L'Islet—Kamouraska—Rivière-du-Loup. I finally pronounced the name of his riding correctly. I will prepare myself a little better when he asks me a question in the future, so I can get the name of his riding correct.

He is absolutely right. In my opinion, if we want the public and the taxpayers to remain confident in the income tax system, we must resolve this tax evasion issue which, year in year out, erodes the tax base, as a former Auditor General, Mr. Desautels, pointed out, I believe.

The part that is not paid by those taxpayers who do not assume their collective responsibilities has to be paid by others who have no other choice, simply because they have no TP4 and they cannot play with all these loopholes in the Income Tax Act.

In such cases, we sometimes feel—as we clearly felt in Quebec and I think it must have happened in other regions as well—a kind of revolt of the taxpayers, because they think the joke is on them and they are the only ones being stuck to pay for everyone else. This is not entirely true, because our system is actually rather progressive, but at the same time it is not entirely false, because there are big holes that need to be fixed. The tax treaty with Barbados is one of these holes that we have to fix if we want to keep the confidence of the whole population in our taxation measures.

[*English*]

**Mr. Dean Del Mastro (Peterborough, CPC):** Mr. Speaker, I thank the hon. member for his comments and his efforts on the finance committee. I want to point out that it was with the support of that member and his colleague on the committee that allowed us to have the whole topic of tax havens put into the federal budget recommendations.

Would the member like to make some comments on why that is important and why it should be important to all federal members of Parliament?

• (1625)

[*Translation*]

**The Acting Speaker (Mr. Royal Galipeau):** The hon. member for Joliette has 30 seconds for his comments.

**Mr. Pierre Paquette:** I have to admit that any time he gets an opportunity, the Minister of Finance talks about tax havens. He talked about it last October in his fall economic statement, and he also talked about it in his two budgets.

We see a number of measures that are headed in the right direction, but it seems that the government is reluctant to tackle the root of the problem which is the tax agreement with Barbados. For the whole financial world, at the international level, Barbados is a tax haven for Canadian interests and we must adopt very strong measures to counter that.

**The Acting Speaker (Mr. Royal Galipeau):** Is the House ready for the question?

**Some hon. members:** Question.

**The Speaker:** The question is on the motion. Is it the pleasure of the House to adopt the motion?

**Some hon. members:** Agreed.

**Some hon. members:** On division.

**The Speaker:** I declare the motion carried.

(Motion agreed to, bill read the second time and referred to a committee)

[*English*]

**The Acting Speaker (Mr. Royal Galipeau):** It is my duty pursuant to Standing Order 38 to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Richmond Hill, Foreign Affairs; the hon. member for Surrey North, Health; the hon. member for Rimouski-Neigette—Témiscouata—Les Basques, Passports.

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### SALES TAX AMENDMENTS ACT, 2006

The House resumed from April 25 consideration of the motion that Bill C-40, An Act to amend the Excise Tax Act, the Excise Act, 2001 and the Air Travellers Security Charge Act and to make related amendments to other Acts, be read the third time and passed.

**Mr. Rick Dykstra (St. Catharines, CPC):** Mr. Speaker, I appreciate the opportunity to speak to Bill C-40 at third reading. The bill contains a number of amendments to Canada's sales tax system. It also reflects the goal of our government to improve fairness in our tax system and ensure that it functions smoothly for individuals and businesses alike

However, before getting into the specifics of Bill C-40, I would like to remind hon. members of the key elements of advantage Canada, a plan put into action in budget 2007. The plan has five key advantages.

The first advantage is a tax advantage. We wanted to create new opportunities and choices for people and when we lower taxes we help do that. It helps keep our best and brightest here at home and it attracts the best and brightest from across the world. We always say that Canadians pay too much tax relative to competition so we did something about it.

Since budget 2006, we have reduced taxes. We have decreased the GST. We have increased the basic personal amount of exemption. We have reduced the lowest personal rate of tax. We implemented Canada's employment credit of \$1,000 for every employee in the country who pays taxes. We also have other targeted tax relief measures.

Our tax fairness plan went even further for Canada's seniors. We implemented a \$1,000 increase in the age credit amount and, most important, we finally, after successive governments, introduced pension splitting for seniors.

Those were significant steps but we needed to go further, and we did in budget 2007.

In budget 2007, Canadians again come out ahead through real tax relief that benefits working families.

*Government Orders*

• (1630)

**Mr. Paul Szabo:** Mr. Speaker, I rise on a point of order. The bill is quite specific with regard to the legislation before us with regard to sales taxes. Although I appreciate that the member can speak for a long time about the budget, about seniors and about every other issue, I think it would be important to ask the member to please address the bill itself since, by putting this kind of information on the floor during debate, it really makes it relevant for every other member who follows and that means that every issue he has mentioned could be included in the debate of every other member. I do not think we want to go there.

**The Acting Speaker (Mr. Royal Galipeau):** The hon. member for Mississauga South is thanked for his point of order. The hon. member for St. Catharines was recognized for 20 minutes and I am sure that he will come to the subject at hand soon.

**Mr. Rick Dykstra:** Mr. Speaker, the member can rest assured that the next part of my speech dives right into that topic.

I would like to remind the member that the next time he stands to speak to any issue that he heed the words and advice that he just gave me because I think they would be outstanding for him to follow as well.

Bill C-40 would also improve our tax advantage. It would improve fairness and efficiency in the sales tax system and would ease compliance in administration for businesses and for government.

The bill consists of three parts. The first pertains to the GST and the harmonized sales tax. The second relates to the taxation of wine, spirits and tobacco. The third concerns the air travellers security charge.

I will begin with the GST. This bill is principally aimed at improving the operations and the fairness of the GST-HST in specific sectors of the economy. The principle behind the measure encompasses important areas for Canadians.

First and foremost is health care. Canadians know that our health system is one of the best and it needs to stay that way. Bill C-40 contains a number of measures to help improve it. It would cement the GST and the HST exemption for speech language pathology services and it would add the services of social workers to the list of services exempt from the GST or the HST. This is consistent with the policy criteria for the inclusion of a particular service on the list of the GST-HST exemption in all provinces.

The criteria is as follows. If a service is covered by the health care plan in a given province, it is exempt in that province. If a service, however, is covered by the health care plan of two or more provinces, it is exempt in every province. If a profession is regulated as a health profession by at least five other provinces, the services of that profession are exempt in all provinces.

The government is also very aware of the challenges faced by individuals with disabilities. Budget 2006 went above and beyond the recommendations of the Technical Advisory Committee on Tax Measures for Persons with Disabilities. In that spirit, Bill C-40 broadens the specially equipped vehicle GST-HST rebate for individuals with disabilities. It also exempts the sale and importation of a blood substitute known as plasma expander. It also restores the

tax-free status of a group of drugs commonly used to treat a variety of conditions, such as seizure control, anxiety and alcohol withdrawal.

Those measures illustrate the government's commitment to ensuring that Canadians continue to have access to timely and quality health care.

Canada's new government is committed to reducing taxes for individual Canadians as well as for Canadian businesses.

Budget 2007 reduces the paper burden on small business by 20% by no later than November 2008. It also decreases the frequency of business tax remittance and filing requirements.

These measures are technical in nature so I will not get into the details but I will say that, broadly, they will ease compliance by removing technical impediments and simplifying compliance with the GST-HST legislation.

The second part of Bill C-40 dealing with excise measures relates to tobacco and alcohol products. The bill would amend the Excise Tax Act, 2001 to implement minor refinements that would improve the operation of the act and more accurately reflect current industry and administrative practices.

The bill would also implement related and consequential amendments to the Access to Information Act, the Customs Act, the Customs Tariff and the Excise Tax Act.

The principal measures related to the Excise Tax Act, 2001 are as follows. The first is tobacco. Bill C-40 would extend the requirement to identify the origin of tobacco products to all products, including those for sale at duty-free shops or for export. This is consistent with the framework convention on tobacco control, an international treaty on tobacco control. It also clarifies which tobacco products may be supplied to the export market or the domestic duty-free market. For example, cigarettes, tobacco sticks, fine cut tobacco or cigars may be supplied but it does not include packaged raw leaf tobacco.

• (1635)

I will move on to the spirits licence, which is required to produce alcohol products using a still. There are still some cases where private laboratories, provincial liquor boards and vintners use stills to produce spirits, to analyze substances containing ethyl alcohol.

Bill C-40 would authorize these entities to possess a still without holding a spirits licence. However, to limit possession of non-duty paid spirits, the bill would also require these parties to immediately dispose of those spirits once the analysis is complete. This would also defer payment of duty by certain small vintners selling wine on consignment in retail stores until the wine was actually sold.

*Government Orders*

As I said, a number of administrative measures are in the bill. One has to do with the exchange of information between Canada and its foreign governments. The bill would permit the Minister of National Revenue to exchange excise duty information with foreign governments that are signatories to the Convention on Mutual Administrative Assistance in Tax Matters. The bill would also add a discretionary power for the chief statistician of Canada to provide statistical information concerning business activities to all the provinces. It is similar to an existing provision that is already in the Income Tax Act.

Third and finally are air travel security charge measures. The bill would relieve the charge in respect of air travel donated by an air carrier to a registered charity that arranges free flights for individuals as part of its charitable purposes. It means that certain charities that arrange free air transportation services for people who cannot otherwise afford the cost of flights for medical care will not have to pay the air travel security charge.

This is a good time to introduce a couple of examples. It includes the flights of a lifetime, such as those provided by the Children's Wish Foundation of Canada and other similar charitable organizations that organize dream trips for physically, mentally and socially challenged children. It is not something new. It is one of which all of us across the country are certainly aware. Now we have eliminated any additional costs that may be incurred by these individuals.

Tax legislation must be applied consistently. Proposed ATSC relief for charitable flights reflects that objective by being consistent with relief from other federal levies provided to registered charities. It is also consistent with other ATSC relief measures such as that provided in respect of air ambulance services.

Summing up, Canada's new government understands that good government and good tax policy go hand in hand. Well focused tax policies are a sign of a government with some vision, and this government is all about that. We are looking ahead and planning for the steps we need to take to build a stronger economy and a more confident Canada. In doing so, together we can make Canada a world leader with a long term focused economic plan not just for today, not just for tomorrow, but for years to come.

• (1640)

**Mr. Sukh Dhaliwal (Newton—North Delta, Lib.):** Mr. Speaker, thank the member on the other side for St. Catharines for keeping his speech to the point, and I am going to do it as well.

I am pleased to rise today to speak to Bill C-40, An Act to amend the Excise Tax Act, the Excise Act, 2001 and the Air Travellers Security Charge Act and to make related amendments to other Acts. Before I do that, I commend the hon. member for Markham—Unionville for his good work on this file.

As the title suggests, the bill is largely housekeeping. Much of the bill has to do with bringing previous legislation in line with the original policy intent of the government. The rest of the bill involves implementing previously proposed legislation that simply required further study before being drafted.

This is generally done in consultation with affected individuals and industries, which, as I understand, was the procedure followed in this instance. The bill has so far moved through second reading and

report stage with the support of all parties. I expect it will continue to do so today.

Bill C-40 has three main components, as the hon. member on the other side mentioned. The first includes new measures related to the goods and services tax and the harmonized sales tax. The second part contains amendments to the Excise Act, 2001 and other acts with respect to the taxation of tobacco, spirits and wine. Finally, the bill contains measures that affect the air travellers security charge.

Let me begin with the first part that deals with the goods and services tax.

A good portion of the bill deals with how health-related services are treated by the GST. We on this side of the House know how important our public health care system is to the lives of everyday Canadians. I am proud to be a member of the party that devised our current 10 year program to strengthen health care. We delivered \$42 billion to the provinces to improve services, reduce wait times and ensure that Canadians would get the care they needed. Not only should they get the care they need, but every Canadian, irrespective of where they live, should have the same quality of health care.

While Bill C-40 is not the landmark piece of legislation that our health accord was, it does contain a number of health-related provisions, which will be important to Canadians. For instance, the bill would confirm the GST-HST exemption for speech language pathology services. Speech language pathologists can include occupational therapists, physical therapists, therapist assistants, public health nurses, child psychologists and others. Typically they provide services to young children with communication disorders and adults in rehab centres. I am glad to see the draft GST exemption of these services proposed by the previous government would be implemented through this bill.

The bill also confirms that the sale and importation of blood substitutes, known as plasma expanders, will be zero-rated for GST purposes. A plasma expander is a blood substitute product which is used primarily to maintain circulatory blood volume during surgical procedures or trauma care.

Bill C-40 would also broaden the specially equipped vehicle GST-HST rebate so the rebate would apply to motor vehicles that were used subsequent to being specially equipped for use by the individual with disabilities.

The bill would also affect the harmonized sales tax in Nova Scotia, where the government has called for the provincial tax portion of the homebuyer's rebate to be limited to \$1,500. This has been done at the request of the government of Nova Scotia, and there is no reason why any of us should oppose it here.

*Government Orders*

●(1645)

Some of the other GST related measures in the bill include accommodating special import arrangements between businesses in certain situations where goods are supplied outside Canada to a Canadian customer and simplifying GST compliance burdens by excluding beverage container deposits that are refundable from the GST.

It will ensure that when a charity provides a property to a person or a business under a short term lease, the GST is exempt on any goods supplied with that property.

The second section of the bill deals primarily with excise tax measures surrounding the sale and production of tobacco and alcohol.

The 2005 Liberal budget announced new funding over five years to enhance federal tax compliance and enforcement in the tobacco industry. At that time, we set aside new money for enhanced markings of tobacco. I am glad to see the bill would extend the requirement to identify the origin of tobacco products to all products, including those for sale at the duty-free shop or for export.

Tobacco contraband does not only hurt the government's bottom line, it also hurts communities and can be a source of funds for organized crime. That is why the Liberals allocated \$8 million to fight tobacco contraband two years ago.

As a side note, I was very disappointed to see that the government's new budget had absolutely no money to help tobacco farmers transition toward other crops, but that debate is for another time.

Moving on, the bill contains measures that would authorize laboratories to produce alcohol and spirits for the purpose of studying ethanol alcohol without them having to hold a spirits licence.

The third and final part of the bill focuses on the air travellers security charge. It will ensure that air travel seats donated to charities through air carriers are not subject to the air travellers security charge.

I will take a brief moment to revisit the reason that we have the air travellers security charge in Canada.

In the months following 9/11, the previous Liberal government jumped into action with a series of measures to improve public safety, secure our borders and ensure that the lives of Canadians and Canadian businesses could go on with as little disruption to their daily lives as possible. As a result, we strengthened Canada's borders dramatically. We increased security at Canadian airports with as little disruption to passengers as possible. The air travellers security charge was levied to help pay for these upgrades.

While no one particularly enjoys a new tax, I think most Canadians would agree that in February 2002 we did the right thing by instituting the air travellers security charge to help protect Canadians.

As a side note, the current government, which at the time was comprised mostly of the Canadian Alliance Party, voted against the

security charge and, in fact, against the creation of the Canadian Air Transport Security Authority. The Liberals, however, did believe that Canadians would be willing to pay a little more to ensure that the air travel in Canada was as safe as possible. As a result, I am proud to say they are in fact safer.

Furthermore, as airports across Canada purchased and installed new technology and as new security procedures were implemented, the start up costs began to go down. Accordingly the Liberals used their last three budgets to lower the air travellers security charge three times so Canadians would only need to pay what was necessary to ensure their safety on board flights.

●(1650)

As for this particular measure of Bill C-40, reducing barriers and disincentives to charitable giving, such as the travellers security charge on donated seats, is an excellent way to ensure that businesses such as airlines can help charities carry out their good work. I am happy to support this initiative.

In Canada there are currently over 80,000 registered charities, the vast majority of which are honest and hard-working organizations that provide valuable services for Canadians. While I am proud that Canadians give so much of their time and money to charities to make this country and the world a better place, I was dismayed when the current government chose to eliminate the charities advisory committee this past fall.

The committee was comprised of members of the charitable community as well as Canada Revenue Agency employees. Together they worked to ensure that charities were aware of their obligations under the Income Tax Act. They worked to ensure that Canadians could be confident that when they donate their hard-earned money to a charitable cause the bulk of that donation actually goes toward that cause.

More importantly, it was the responsibility of the committee to propose legislative changes to the Department of Finance and Canada Revenue Agency, changes that would make life easier for Canadian charities. The irony here is that it was this committee's job to come up with new ideas such as eliminating the air travellers security charge on airline seats donated to charities, a measure we are now debating in this bill.

What did the government save by eliminating this volunteer-led committee? Essentially, it saved only the cost of travel and hotel accommodation for when the committee members met three or four times a year. It may have been \$100,000. I certainly believe the committee's advice was worth that much. I certainly hope that the government will consider reinstating the charities advisory committee.

As I said at the beginning of my remarks, this is a very large and very complex bill. Its contents are largely non-controversial and in some instances are the result of years of consultations. Accordingly, I am happy to support this bill.

*Government Orders*

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** Mr. Speaker, I thank my colleague for his comments with respect to the fairness of the tax policy. He is a recently arrived member, so I know that he will not recall some of the debates we have had in this House previously, but I am wondering if he could comment on seeking tax fairness in combination with the northern living allowance.

This is something that happens in some of the rural sectors of our country, but in a seemingly selective way. This bill seems to seek to redress some of the imbalances of the tax system, yet how taxes are applied in some of the more remote or far-flung regions of our country seems to be hit and miss, and it seems to be more politically motivated than it is structurally motivated in regard to changing it to a fairer and more balanced system.

My question is very specific. If the member agrees with the measures in this bill, does he also agree with the concept of taking a basket of goods, let us say, and using that as a measurement for how we allow the northern tax allowance or the rural living allowance to be decided in this country?

A number of my constituents, particularly in the Queen Charlotte Islands, Haida Gwaii and some of the more remote communities, get frustrated and confused about why their cost of living is so much higher for transportation to services, hospitals and the like, as well as for just the basic living commodities such as home heating and food. However, a basket of goods is a way to measure where tax allowances should be made in this country rather than having some meandering political line across our country as it is right now.

**Mr. Sukh Dhaliwal:** Mr. Speaker, I would like to thank my hon. colleague, the member for Skeena—Bulkley Valley, for putting this question to me, because when we talk about fairness when it comes to taxes, they should be equitable. When we look at the more remote areas, like the north and the rural areas, we have to pay attention.

In fact, I am sure that hon. members will recall that I spoke about the new employees who want to settle in areas like those the hon. member for Skeena—Bulkley Valley mentioned. They should be given incentives so they can settle there and be productive members of society. The proper growth would go on.

As I said earlier on health care, irrespective of where Canadians live, they should have the same quality of health care. In the same fashion, irrespective of where Canadians live, they should have equitable taxation fairness so they can make ends meet, as they have different challenges to face in those remote areas. I certainly support that.

• (1655)

[*Translation*]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, while it is not directly relevant to this bill, I think it would be appropriate to know what the member thinks of the program that was abolished by the Conservative government, the GST rebate for tourists. This has a major impact.

Corrective measures were taken already for outfitters and conventions. Would it not have been appropriate for similar measures to be adopted for duty-free shops, to avoid the problem being experienced now, which creates a major disadvantage for those

shops, even if it might have meant adopting a private system as other countries have done?

Would it not be appropriate for the government to act quickly? Why has it not done so in the case of Bill C-40?

[*English*]

**Mr. Sukh Dhaliwal:** Mr. Speaker, I could not agree more with the hon. member from the Bloc, because my riding is also a border riding adjoining the U.S. I am from British Columbia. The 2010 Olympic Games are coming to B.C.

Tourism is a key industry in British Columbia. I am sure it is also key in Quebec and from coast to coast to coast as well. As a British Columbia MP, I strongly support this member's concept and would ask the government to reinstate the GST rebate for tourism so the tourism industry can survive.

In fact, under the previous Liberal government, we moved the tourism office to British Columbia to promote tourism. We have to be prepared for the 2010 Olympics.

[*Translation*]

**Mr. Claude Bachand (Saint-Jean, BQ):** Mr. Speaker, it gives me pleasure to rise today to speak to Bill C-40 on behalf of the Bloc Québécois. With our research staff and those responsible for this issue, we conducted a review of this bill and, all in all, we have found very little to criticize. A lot of people, in Quebec among other places, will be pleased with many of the measures being introduced. I would like to address the first one, which is to make some medical services exempt from tax, thereby facilitating access to such services.

I remember that physiotherapists came to me a few years ago. They told me that it was important to allow these types of services to be exempt from tax. Out of need or because of their insurance, many people who could not afford to wait for public health care wanted to go see a physiotherapist after a car accident or an occupational accident. Systematically, these people had to pay tax on those services.

Then, under a ways and means motion, the previous government considered the possibility of looking at which types of medical services could be made exempt from tax from year to year.

This assessment had to be done every year. So, every year, the government determined whether it had properly identified those services that should be taxed and those that should be exempt from tax. It would ask itself, for example, if it was appropriate not to tax physiotherapy. The following year, around budget time, the word would often go around that physiotherapy would be taxed.

Physiotherapists visited MPs at their offices. I remember fighting with them for their services not to be taxed. Eventually, the government of the day decided not to tax them. It will be much better, however, to have legislation on that. This will avoid having this annual debate about what to tax, what to exempt from tax and what should be kept on the list of health products that should be exempt from tax.

*Government Orders*

This will take us closer to a standard of services that all recipients can find relatively interesting. It is not an easy thing to do when your health or physical well-being is affected to go see a health professional in an emergency or because you are required to under your insurance plan. In such cases, one has to pay not only the fee for services, but also the GST on that fee. It think it is completely worthwhile to have a list.

This is something we see quite often with speech-language pathology. Bill C-40 refers specifically to speech-language pathology. I would point out that problems with hearing and pronunciation are becoming increasingly common in our society.

I know parents whose children have speech problems, for example. They are having a very hard time accepting the fact that they have to wait two years to consult someone in the public sector. They often have insurance that allows them to turn to private clinics. When these parents go to consult a speech-language pathologist, it is much the same as with physiotherapy, which I mentioned earlier. These people have to pay for the professional services and then pay tax on top of that.

Since speech problems are on the increase, it is important, when people have no choice but to consult the private sector, that they not pay an additional tax.

It is somewhat similar to access to surgery. The taxes can be deducted. There are situations in which waiting is not an option. It should be recognized that waiting may not be an option in the case of physiotherapy and speech-language pathology services, and people should not have to pay taxes on top of the cost of professional services.

Social services are another part of medical services.

● (1700)

Many people these days want to consult social workers to help resolve children's behavioural problems or attention deficit problems.

As the father of a daughter myself, if she had required such services at age six or seven, I would not have wanted her to have to wait two years before meeting with a specialist in the field of social work, while she was having integration problems or any other such problems at school. Thus, I feel it is important to recognize parents' financial efforts and not make them pay additional taxes. I think that would be the right approach.

Furthermore, there is also a tax burden for charities. As a former unionist, I worked closely with charitable organizations. People in these organizations were close to the union movement. We defended a shared cause, that is, a more social approach within our society, a more equitable and fair approach. These people work year round for excellent causes. These causes might involve church groups or any type of organization that is a registered charity. In my view, the bill's new provision will be advantageous for them.

For example, a business owner who rents a shop in downtown Saint-Jean or elsewhere in Canada can deduct both the tax and the rent from his income taxes. If an owner gives space worth \$10,000 in one of his buildings to a charity group, he can forego the rent and

deduct it from his taxes. I think that really helps people who are supporting an important social cause.

I mentioned churches, but that might not exactly apply because they often own the premises they need to carry out their activities. This would apply more to the many registered charitable organizations that should have the opportunity to use premises for a minimal cost, that is, rent-free with no obligation to pay the rent at the end of the year. Often, the cost of rent can force an organization to cut services.

For example, if charitable organizations are allowed to use space for free, they can provide services to the public. These services are very important; nowadays, many people cannot get by without them.

We also really like the measure that supports small vintners. In fact, this affects me personally. As the member for Saint-Jean, I have to say that in Quebec, wine producers have been having a lot of problems lately. There have been some issues with the Société des alcools du Québec. It made no sense that liquor stores in Quebec were stocked with wines from all over the world, but not wines from Quebec. When I shop at the LCBO, Ontario wines are on every shelf, as are British Columbia wines. In Quebec, there were problems with that. People had to get their wine directly from the producers. Then they were hit with an excise tax, which made them less competitive. Wine production is becoming more and more competitive. Now, even the French acknowledge that they are in a very competitive environment. Wines come from all over. Stores now carry wines from South Africa, all over Europe and around the world.

Since this is a very competitive market, we should give a helping hand to the vintners. We should tell them that they no longer have to pay the excise tax. This would give them the latitude to probably offer more affordable prices. I do not think that the producers would put the entire savings from the excise tax in their pockets. I think they would pass on the savings to consumers, thus making these wines more competitive.

We like some other provisions, such as the ones on tobacco.

● (1705)

There are some clarifications on the provisions of the excise tax to better fight against contraband tobacco products. It is about time. We are not the first to think of this, since even the Romans thought to tax luxury goods. In today's society, we consider taxing unhealthy products, such as cigarettes. This is nothing new. Rome thought of it before us. Given all the harmful effects of tobacco, I think it is important to maintain the level of taxation. Smuggling must also be avoided, and I think that the current provisions will ensure that the origin of the tobacco product must be known.



*Government Orders*

We will have to deal with the fact that on aboriginal reserves, there are many of these little smoke shacks that sell tobacco products without tax, products whose origins are unclear as well. I regularly drive through part of the reserve at the exit of the Mercier bridge. It goes from one side of the border to the other. Some measures in Bill C-40 will make it possible to better control cigarette smuggling. It is not acceptable that some people can get away with this, while the corner store in downtown Saint-Jean must pay the total price. Conditions are not tough enough; all the corner stores must sell cigarettes with prices and taxes indicated, while elsewhere, such as on the reserve, for example, things are different.

Thus, I believe that this measure will not only get a handle on the problem, but will also allow the government to generate some revenue. This is what I mentioned this morning about Bill C-33. When an illegal trade develops and is almost entirely untaxed, it is the government that loses revenues, because some people will buy their tobacco products there instead of at the corner store.

Therefore, we encourage this measure, because it will try to finally put an end to cigarette smuggling and, if we really succeed, it will put more revenues in the coffers of the government, which will be able to spend some on all kinds of services and will be able to improve health or education services, as I mentioned this morning.

The same goes for alcohol. In the bill, some overtures have been made about the objectives. First, it allows provincial liquor boards and vintners to possess a still. This was previous illegal. Personally, I know someone—I will not tell his name—who would give me a bottle of grappa once in a while. He did not sell it to me; this was totally legal, I tell you right now. However, to produce grappa, you must have a still and a licence.

Before, one had to go through many people and many steps, and there were costs associated with these steps. The bill will save the provincial boards all these steps and costs inherent in the purchase of this equipment used to produce and sell alcohol. This legislation will allow people, whether they be wine producers or not, who wish to make grappa or any other type of wine, to do so legally. They will be able to buy these stills.

Moreover, another type of illegal trade will be eliminated. I was personally happy to be given a bottle of wine by this person, but maybe other producers were illegally selling their production and the government was losing out on these revenues. This will allow such companies to operate legally, to obey the law and to provide the government with some revenue.

I would also like to talk about the security surcharge at some airports.

● (1710)

After the events of 9/11, I remember sitting on the legislative committee where senators and MPs discussed a considerable surcharge—based on the number of passengers—to provide all airports with the necessary equipment to fight terrorism.

Now we learn that this charge will be eliminated at certain airports. In my opinion, this will allow airports to avoid being crushed by the weight of this surtax. We note that the La Grande 3 and La Grande 4 airports will no longer be subject to the charge

However, this is offset by the fact that certain airports that were not on the list—the Mont-Tremblant airport in particular—will now be added. There has been a significant increase in passengers at this airport because this part of Quebec is experiencing tremendous growth. Thus, they will be taxed and the charge will be added.

In other words, applying a charge to an airport that is already very popular and that is already making a bit of money, is preferable to applying a charge to all airports. Small airports would have trouble because each time a plane lands, a surtax is charged. Thus, this is significant for the budgets of small airports and we truly approve of this measure.

There are a number of provisions in this bill that we truly like.

Given that I have the time, I would like to go back a bit. Earlier I spoke of speech language pathology, but only with regard to young children who have hearing or speaking impairments. However, this measure will also help individuals who are slightly older.

I believe that many seniors may be receiving treatment for speech-language pathology. For instance, I am thinking of my father who suffered a series of strokes. Rehabilitation is a difficult and often lengthy process because of the long wait times for health care.

People with insurance could afford treatment for speech-language pathology. If they can afford it and decide to pay for it themselves, then why tax them? The situation is a little like that of the young children I was talking about earlier, who have problems speaking or hearing. The same is true of seniors who have the same sort of problem. And these clients are not wealthy. We know the statistics about seniors. Any measures that could help them further would be welcome.

We are still waiting for the federal government to look at seniors' tax returns and pay them the guaranteed income supplement immediately if they qualify. We are still calling for that. However, if they need a speech-language pathologist, we agree that this service should be tax exempt, as the bill provides.

The bill contains only good measures. There may be some things we would like to see taken further, but we believe this is a very good start. There are some measures in the bill that we have wanted to see for a long time, such as the duty on wine. Vintners would talk to me about this regularly. They will be very happy to learn that the Bloc Québécois is supporting this bill.

As I mentioned earlier, on the whole, this bill contains attractive measures not only for airports and vintners, but also for people who need health care services.

We can please all these people, and these measures are along the lines of what we want to see happen. That is why the Bloc Québécois will be very happy to support this bill.

*Government Orders*

• (1715)

[English]

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I tend to agree with a number of the points that the member has raised. The bill is about 120-odd pages long and there are numerous provisions enacting a number of changes to improve the operations and fairness of the GST and HST. The member discussed a number of those in his speech.

There is one area where I am not exactly sure whether I fully understand the full impact of the changes, but it has to do with the GST or HST on health. The member talked about the speech language pathology services, but the bill also deals with exempting health related services rendered in the practice of the profession of social work.

I do not know if the member noticed that, but social work is a very broad concept. With regard to the operations in the fairness of the tax, I would be interested to know how far this concept of social work should go and whether or not the bill opens up a new horizon of tax fairness opportunities or maybe assistance particularly in those professions which are probably directed at helping those in most need in our society.

[Translation]

**Mr. Claude Bachand:** Mr. Speaker, I wish to thank my colleague for his very pertinent remarks.

How far will we open extend the notion of social work? For my part, I considered that it was limited to social workers. Earlier, in my speech, I gave the example of a youth who had problems integrating into his school environment, and whose parents have to wait a long time before being able to meet a social worker. In my opinion, this bill is quite specific in this regard.

Could that be extended to a consultation with a psychologist? I think that more study must be done on this subject. If a child has a problem, if there is no psychologist in his school and if his parents must wait years before getting advice, I would not object to a psychologist seeing this child. However, he is partly right. How far should we extend it? For the time being, I know that speech language pathology is included, as well as social work.

For our part, we had limited that to social workers. It is not negligible. A social worker may not be a psychologist, but a good social worker surely understands the issues of the school environment, among others, and can make a valuable contribution when someone asks for help. We will stay vigilant and we will evaluate the situation as it evolves in order that the extension does not go too far.

I gave the example of the psychologist, and I said I would not be against that. As far as social workers are concerned, that is clearly in the law presently. We shall see if it needs to extend to other professions. For the time being, this is how I interpret the bill.

• (1720)

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, I found the speech by the hon. member particularly interesting. Of course, the Bloc will support the bill. However, I would like to draw the member's attention to an addition he certainly noticed.

I refer to the problem the government created when it abolished the GST rebate for tourists. We succeeded in getting some changes to the program to protect, for example, outfitters and big meetings and conventions. However, the duty free shop owners and operators are still making representations.

Since the member is an active member of the border caucus, he must undoubtedly be concerned by the issue, all the more so because there is a big duty free shop in his riding, close to the American border.

I would like to know if he thinks that the government should change the unfair situation in its future bills. If it could be done through bill C-40 it must be possible to do it in the future.

**Mr. Claude Bachand:** Mr. Speaker, I thank my colleague for giving me an opportunity to speak to this matter.

Indeed, this is a problem we have heard a good deal about, particularly with the border caucus we have created like our American friends. I am co-chair of this caucus with three colleagues from the three other political parties. We have heard about this problem and also shop owners met with us. The government will not be refunding tourists about \$70 million in GST. This is somewhat difficult to accept because most of them were getting the refund in the duty-free shops. Instead of going home with all the money they had left, they were spending it in duty-free shops.

The government had some return on this money. I do not see this saving of \$70 million on a budget of close to \$250 billion as a good move. I wonder if it is too late to amend the bill. Since this is third reading, it may be a bit late.

The government is encouraged to make further adjustments in a future parliament. I believe this does not need to be done through a bill. The government could make a regulation to ensure that this measure is not implemented. The government is urged to come to its senses and not prevent the benefits linked to the GST rebates for tourists.

People are saying the refund benefited the tourists. But such is not the case. Tourists were being refunded and they would often spend the money immediately. Now, the money goes to the government. I think this is a bad move from the government and it should correct the situation as soon as possible.

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, the intent of Bill C-40, which we are studying today at third reading, is to correct various weaknesses with the GST and the excise tax. First, I would like to talk about some aspects of the excise tax, more precisely the measures on tobacco and alcohol, and some other enforcement aspects.

*Government Orders*

The measures to make some provisions on tobacco in the Excise Tax Act more precise should help the fight against tobacco smuggling while simplifying the collection of the tobacco tax. The bill will extend the requirement to identify the origin of tobacco products to all products, including those for sale at duty-free shops or for export, consistent with the international Framework Convention on Tobacco Control.

We can see that the whole tobacco smuggling issue is something that comes up on a regular basis. It seems that smugglers, from one generation to the next, are more and more original and innovative in their smuggling methods. We have heard a great deal from those concerned, from grocers among others. A kind of secondary, parallel market has sprouted up across Quebec and Canada.

Now the solution lies in part in the measure contained in this bill. We will probably need to ask for other measures to add to the punishment aspect. In any event, we will have to make sure that we really know where the tobacco comes from and that we also know, when a pack of cigarettes is sold outside a reserve for example, where it comes from and where it was produced. There would be no more ambiguity then and the customer would automatically know where it comes from and could not pretend that he or she did not know anything about the situation. This has a major economic impact on the regular network, the legal sales network, including groceries and all the other businesses that sell cigarettes.

Of course we will keep on with the campaigns to reduce tobacco use and hope that tobacco use will diminish. As far as the legal aspect is concerned, we have to make sure that the current law is properly enforced. There is at least one measure that seems to go in the right direction and this is one of the reasons why we will support this bill.

As far as alcohol is concerned, part of the bill deals with some level of modernization. Provincial liquor boards and vintners would be allowed to possess a still, or similar equipment, to produce spirits for the purpose of analyzing substances containing ethyl alcohol without holding a spirits licence.

As we know, our legislation still includes old provisions dating back to the days when some very strict restrictions were in effect regarding alcohol consumption. Some of these principles are still found in various acts, and even in the basic structure of the Quebec liquor corporation act. We are finding out that, in everyday life, with the changes occurring in consumption habits, it is important to provide local producers with as many tools as possible to allow them to develop good products, because this will often help them secure new markets. Indeed, sometimes they are not able to do so at the international level, because those products that are imported in large volumes are often sold at a much lower cost. This is why it is important to move forward with such measures.

A lot of changes are occurring. In my riding, a few years ago, a wine producer created the Vignoble du Faubourg. This producer was awarded the Grand prix du tourisme in Quebec, and it has achieved promising results. Authorizing the use of this type of tools will definitely allow us to move forward in this area.

There are other things in this bill, including measures pertaining to the air travellers security charge, and some tax relief. Other measures

that deal with various areas include: a tax exemption for certain medical services; a lower tax burden for charities; helping small vintners—as I mentioned earlier—and measures relating to tobacco.

So, for all of these reasons, the Bloc Québécois will support this bill. This is a piece of legislation that includes many small provisions. A large number of measures are proposed, such as those in the health sector.

For example, the government is amending the act so that, in the future, speech-language pathology services will be tax exempt. This amendment to the act will confirm the tax exempt status of those services.

● (1725)

The change will facilitate access to services for seniors who suffer strokes. There are many interesting measures. There is one that ensures that the exemption of supplies by charities of real property under short-term leases and licences extends to any goods supplied together with such real property. That will allow charities to fulfill their social mission with fewer financial pressures.

There are also measures concerning business arrangements. The Goods and Services Tax Act will be amended to provide transitional relief on the initial asset transfer by a foreign bank that restructures its Canadian subsidiary into a Canadian branch.

This last measure will give a foreign bank which owns a Canadian subsidiary the tools it needs to restructure it to the benefit of the Canadian economy. That will help foreign banks doing business in Canada to transform their subsidiaries into Canadian branches and will stimulate an increase in competition in the Canadian banking industry. We know that that industry will see more change in the future.

The debate on bank mergers is not over yet. Right now, measures are being introduced to allow Canadian banks access to foreign markets but when foreign banks have subsidiaries here we want to facilitate matters for them, depending on the context and according to the law.

The bill removes technical impediments that hinder the use of existing group relief provisions under the GST. This amendment simply clarifies the rules of application of the legislation already in effect. It is very technical in nature. In addition, the bill simplifies compliance by excluding beverage container deposits that are refundable to the consumer from the GST base. This will make it easier for businesses to manage collection and will lighten the regulatory burden associated with deposits, with a view to promoting more recycling and environmental protection.

The measure also clarifies the treatment of the right to use certain types of amusement or entertainment devices, such as gaming devices, when provided through the operation of a mechanical coin-operated device that can accept only a single coin of twenty-five cents or less as the total consideration for the supply.

*Government Orders*

This obviously is an omnibus bill that addresses a wide range of specific issues.

During speeches by my colleagues in this House I have often raised the issue of GST for tourists. I wanted to see in this bill or in any decision made by the government, assurances that all the negative effects of the measure announced in the budget would be eliminated.

The government probably realized in good faith that the GST rebate program was costing too much. It decided to eliminate the program, when it could have tried to find another way to manage it. Some countries that have this type of program simply outsource the management of the program. Thus, it is businesses—for example, duty free shops or other types of businesses—that ensure the administration of the tax and simply reimburse the government what it is owed. This eliminates a very costly bureaucratic process.

We should look into these avenues in order to find a way to maintain this program, which provides a significant competitive edge for the tourism industry in Canada and Quebec. Similar programs exist in other countries and some original ideas have been proposed.

What is more, a number of months ago, the Conservative government made systematic cuts in several areas. It was like these cuts were made blindly, without any consideration to their impact. We now have a concrete example that applies to the purpose of this bill before us and that calls for us to move forward to correct the situation.

I think that it is fair to say that this bill, which was introduced quite a while ago, puts forward measures worth recognizing. I would like to come back on those in relation to health, an area where speech therapy is under consideration for becoming zero rated. I do believe this is a very positive step, which would confirm the zero-rated status of speech therapy services and facilitate access to these services for youth with language disorders.

Also, this amendment will facilitate access for seniors who suffered a stroke. This is why I think it is important that these measures be implemented as soon as possible.

The sales and importations of a blood substitute known as plasma expander could also be zero rated. It is a little complicated to explain, but basically a blood substitute can be used in the treatment of people who have suffered massive blood loss, severe burns or an open fracture.

• (1730)

The intention was to ensure that these products would be zero rated. People's health is important, and these kinds of measures have to be put in place.

The government will restore the zero-rated status of a group of drugs collectively known as Benzodiazepines. These include medications such as Valium, Ativan and other similar products used primarily to treat anxiety, for alcohol withdrawal or as a preanesthetic medication. These help and improve people's health.

With respect to charities, the bill will allow the exemption of supplies by charities of real property. I think that is a worthwhile measure.

As a whole, this bill deserves to be passed by this House. It is currently at third reading. It has been considered and amended where necessary. It also announces work that will have to continue in these areas.

Concerning the GST and the excise tax, a thorough examination and technical improvements are often needed. Some have been suggested during this debate. It is now time to pass this bill and to ensure that it will really fulfil its role, that it will make some situations more human and that the very concrete work done to allow small wine businesses, for example, to make a name for themselves and to develop, will be made more effective.

This bill is non partisan in nature and does not require an extensive debate. Legislators have to intervene in very contentious areas, but, at times, they must support bills that are the result of in-depth discussions among participants and of recommendations coming from different areas.

Time spent on drafting a bill often impedes a lot with action. It is important to act quickly. In this case, we have already waited too long to implement some of these measures. That is why I want this bill to pass as quickly as possible.

• (1735)

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** Mr. Speaker, I congratulate my colleague for his speech on the bill.

Among other things, he mentioned the measures that have been announced concerning the GST collection. The member explicitly mentioned the five categories affected, one of which was charities. Charities will be exempted from all taxes on goods related to real property. These goods are supplied with real property leases and particularly short-time leases. Fundamentally, that will alleviate the burden on these organizations, which will be in a position to concentrate on their real mission as soon as the bill is enacted.

How can these measures allow charities which are in our ridings to concentrate on their mission and how will it alleviate their burden? How can we make sure that the people who receive services from these organizations can effectively receive them?

**Mr. Paul Crête:** Mr. Speaker, I thank the hon. member for his question and for the details that he provided.

When we pass laws, it is particularly satisfying when such measures can be implemented. Charities are often organizations that provide services to specific clientele, that have specific needs in terms of equipment, and that may also have specific building needs to be able to do their work.

What we hope to do with this measure is to streamline as much as possible the administrative rules governing charities, so that they will spend as little money as possible on administrative procedures.

This provision ensures that the exemption of supplies by charities of real property under short-term leases and licences extends to any goods supplied together with such real property.

*Government Orders*

For example, a building may be bought in my riding by a charity, through a foundation. At some point, the charity may find out that it needs this equipment. They have their day to day operations, and this measure will help reduce costs, particularly the administrative costs that often results from such operations.

When it comes to the GST, things can quickly get complicated. Additional administrative staff is required. It is very important that charities can fulfill their social mandate under less financial pressure. One of our responsibilities as elected people is to ensure that this is done, so as to promote the spreading of wealth. At times, this can be achieved in a spectacular fashion at specific events, but it can also be done in a concrete way, through measures such as those included in this bill.

● (1740)

[*English*]

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, on a more general basis, the purpose of the bill is to make amendments to the Excise Tax Act, the Excise Act, 2001, and the Air Travellers Security Charge Act, and to make amendments to certain other acts.

The bill is some 126 pages long and it includes obscure references to amendments that are not understandable on their own. We would need to look at the existing legislation to understand where they fit and how they tie in with other things.

It would seem to me that the House has taken up a great deal of its time and the committee's time to deal with these matters because they are amendments to legislation rather than through regulation.

It would seem to me that where fine-tuning, operational efficiency and fairness issues can be the objective of the bill, there may be an opportunity here, as an example, to suggest to the Department of Finance that in crafting legislation on matters, such as we are talking about today, that these kinds of issues, rather than being incorporated into the legislation itself and therefore requiring other legislation to change it, that the more judicious use of regulations to the legislation might be a way to get swifter action on some of the important matters that the member raises in his speech about helping charities, vintners, social workers and others.

[*Translation*]

**Mr. Paul Crête:** Mr. Speaker, my hon. colleague raises a very good point. He is an experienced parliamentarian and has dedicated a great deal of time to parliamentary work.

Indeed, we are talking about enacting legislation flowing from other legislation that has existed for years. I think a good parliamentary exercise with one piece of legislation would be to entrust it to the organizations responsible for reviewing the regulations so that a comprehensive study can be done and a recommendation made.

The observation that always has to be carefully considered is the following. When governments resort to regulations, the legislators are excluded from a part of the process. I have already seen this in other bills. It was a means of avoiding debate in the House to some extent, avoiding debate between legislators by saying that it would be included in the regulations. As they say, the devil is in the details. That is said in negotiations, for instance. Thus, I feel it is important

that clear choices can be made between what can be addressed by legislation and what must be addressed by regulations.

This is a discussion that can take place when the Standing Orders of the House are reviewed and in the course of our various activities here. Perhaps we could also find a specific field in which to conduct such a study on a bill that will allow us to see if, indeed, there is not a specific field in which a consensus could be reached and in which studies of this nature could be conducted, and thereby avoid a partisan debate on the matter. It would have to be in a subject matter that is the result of a consensus among the parties of this House.

**Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ):** Mr. Speaker, I believe there is not much time left for what I want to say right now.

I wish my colleague could at least give me his opinion on the comment I am about to make and answer a question I will ask.

My comment concerns the hard work done by the Bloc Québécois and that all parties should do. I believe we could serve as an example of the way members of Parliament should work. It can be seen that we are treating this issue seriously because it is very important for certain communities. This brings me to a question concerning wines.

The excise tax on wines can affect small businesses. And when we talk about small businesses we are talking about communities. I represent the riding of Gaspésie—Îles-de-la-Madeleine. Last year, the budget contained a measure on microbreweries. The same thing could happen with wine. Such measures help small businesses with one, two or three employees, to consolidate and eventually expand. This could even be made part of the appeal for tourists in certain parts of the beautiful and great future country of Quebec. This is the comment I wanted to make on the hard work being done by the Bloc Québécois.

My question is as follows. Does my colleague believe that wines will get the same treatment as microbreweries?

● (1745)

**Mr. Paul Crête:** Mr. Speaker, I thank my colleague for his question. It gives me an opportunity to add something I did not mention before.

This bill will defer the payment of duty by small vintners selling wine on consignment in retail stores operated by an association of vintners until the wine is sold. For very small businesses, any additional cost can really eat into profits, which are often quite slim.

This measure came about because members went to see small vintners and listened to what they had to say. This measure is good for these companies' bottom line. On the one hand, we have a measure that lets them have a still to develop new products, and on the other, we have a measure like this one that relates directly to the GST.

Let us hope that all these measures will help this sector develop better in the coming months and years.

*Government Orders*

[English]

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I want to congratulate a number of the members who took the time to review some of the provisions of Bill C-40 as they relate to their regions or matters which are of particular interest to them or their constituents.

In the question I asked of the previous speaker, I was not being facetious. I looked at the bill and took the opportunity to review its various provisions. Being the co-chair of the scrutiny of regulations committee, it made me wonder why so many of these provisions which appear to be clarifying or directed at operational efficiency are not necessarily changing the legislation with respect to the exigency of a tax.

One member described this as an omnibus bill. That is exactly what it is. It touches a number of acts. It does not read as a story from beginning to end where everything builds on everything else. In fact, one has to have in hand the related legislation and the specific sections to which those changes may relate and then they must be looked at in context. I suspect that if we were to take all of the related documents that tie into this to help us understand what it really meant, it would probably take days and days simply to peruse everything.

Having said that, it certainly makes a good case for those who craft the legislation to consider the use of regulations more fully in terms of providing the tools to those responsible for accountability of the legislation to be able to make the kinds of changes where fairness or operational efficiency, et cetera, may be the object. Any regulations appended to a piece of legislation must be authorized by the legislation itself. We cannot make law through regulations, but we can certainly provide the detail.

As a chartered accountant I have spent many years playing around with provisions within the income tax system. That document is very unwieldy and cumbersome, but in some respects it takes into account some of the other tools that are available to modify legislation or at least the application of legislation by the use of regulations. There is a variety of other documents, whether they be interpretation bulletins or information circulars, which also help Canadians.

I wanted to raise that point simply because it happens a lot in this place. It is very difficult for members of the finance committee who have the opportunity after second reading to have witnesses from the department come forward to provide explanations. Everyone is not a tax expert. What is needed is the lay language, what we lay out for other parliamentarians.

The way this place operates, very often parliamentarians have seconded the responsibility to do the due diligence on legislation to their colleagues at committee. They accept that the work has been done in a proper fashion and that the key elements of concern have been raised with officials and other witnesses, who may be stakeholders and have come before the committee to deal with it. It makes it very awkward to ask what the relevance is of the third reading debate if we cannot really get into some of the detail.

• (1750)

There is a lot of detail here. I am not sure whether or not there will be many answers forthcoming from the House. It would be a very

interesting process to try to explain some of these measures. For instance, there is a page and a half which deals with the definition of what a returnable container is and a returnable container charge. The amendment in one aspect takes about a half a page to insert the words "the returnable container in a province". That is the change. I am not sure whether or not there is anything more to that, other than there has to have been a dispute at some point in time where someone challenged the legislation on a clarity issue and this was simply a matter of trying to resolve that and put that issue to bed.

A number of members talked very well with regard to the changes as they affect charitable groups and organizations. I certainly concur with the direction of the changes that have taken place, particularly since most members of Parliament have been extensively involved with charitable groups. Those groups have had very good representation on the Hill. A number of the points they have raised, whether it be directly with members or through related committees, have been very helpful.

Scanning down the list of issues, some who may be watching will probably wonder why we are talking about the GST and HST. That came up in the 35th Parliament when there was legislation to provide for the replacement of the GST with a revenue equivalent, which was taken up by certain provinces. The HST, which stands for harmonized sales tax, rather than goods and services tax, combines both the federal and the provincial taxes into a one line item.

In this bill the principal measures that were taken with regard to the goods and services tax, or where applicable the harmonized sales tax in certain provinces, have to do with a couple of key areas, certainly in the area of health. With regard to health, Bill C-40 confirms the GST-HST exemption for speech language pathology services. It also exempts health related services rendered in the practise of professional social work, zero rates sales and the importation of a blood substitute known as plasma expander. It restores the zero rated status of a group of drugs collectively known as benzodiazepines. It broadens the specially equipped vehicle GST-HST rebate so that the rebate applies to motor vehicles that have been used subsequent to being specially equipped for use by individuals with disabilities.

I looked at those specifically. I cannot say that I have looked at much more in the bill simply because there was not sufficient time to do it properly. The one area where I thought the bill opened up some interesting horizons has to do with the exempt status of health related services rendered in the practise of the profession of social work.

If we look at the related legislation and look at the practise of social work, I have a feeling that the discussion of this and maybe the change that has been made here may open up a broader range of requests for the same exempt status with regard to social work as defined. I am not sure that is a bad thing either, but it does point out that the tax system is never static.

*Government Orders*

•(1755)

When certain changes are made, others in the same or similar activity want to examine the rationalization for a change in the Excise Tax Act or the Income Tax Act. They want to more fully understand whether or not we are talking about providing benefits to certain groups that may have a stronger lobby or that may have come up with certain other challenges or interpretations to the application of existing rules, to changes in regulations or to changes in the laws in other jurisdictions. We often want to look at those to ensure we are keeping up with the trends with an international filter on what we do.

I thought that was interesting and I certainly support it conceptually. I do not know what might come up, but every time we touch something, others see a relation to their work somehow.

On Friday I had an opportunity to work in my constituency office. I had a visit from a gentleman who has a business which provides home care for seniors. It is an expansive home care service, and includes such things as bathing, medication, shopping, almost whatever service the senior might need. The gentleman asked whether there was any way he could get some breaks. It is an important job and he has to pay people, which is his biggest expense. He would like some sort of subsidy or assistance because, like most social work, it is generally some of the lowest paid work on a per hour basis of most professions. There are a lot of people who are paid very, very poorly in the provision of social related work.

I am not sure how we get from here to there, but this is part of that whole argument about the prosperity gap, about the difference between the rich and the poor. That gap is widening. There are only certain amounts of money. For people who require social assistance, as related to the social work definition, there is only so much that can be afforded and only so much that can be taken out of the customer to provide the services. I flag that issue. This may open up some interesting horizons for a number of businesses that qualify under the current definition of the profession of social work.

There is the discussion also related to charities. As I said, I certainly agree with the exemption of supplies by charities of real property under short term leases and licences.

There is a section on business arrangements. I do not think I can add any more to the debate on that.

There was some discussion about tobacco and alcohol. I thought it was interesting. This morning my private member's bill related to alcohol warning labels was before the House. I looked very carefully at the provisions in Bill C-40 to see if there was a tie-in. I suppose the only tie-in is that they both relate to alcohol, but not with regard to the tax.

In any event, with regard to tobacco, this bill extends the requirement to identify the origin of tobacco products to all products, including those for sale at duty free shops or for export, consistent with the Framework Convention on Tobacco Control, which is an international treaty on tobacco control. It also clarifies that cigarettes, tobacco sticks, fine cut tobacco and cigars, but not packaged raw leaf tobacco, may be supplied to the export market or the domestic duty free market. These changes were made, I am sure, from the interventions of the duty free industry and certainly those who are involved in the export market. We have had a number of discussions

over the years about how we operate vis-à-vis other countries with which we have trade relations.

•(1800)

With regard to alcohol, the bill authorizes private laboratories, provincial liquor boards and vintners to possess a still or similar equipment to produce spirits for the purpose of analyzing substances containing ethyl alcohol, which is beverage alcohol. Ethanol is another word that is used to describe it. It is a poison, but I will not go there because that is a whole other area of interest, certainly with regard to me, but in any event, with regard to analyzing substances containing ethyl alcohol, it authorizes laboratories, boards and vintners to possess a still or similar equipment without holding a spirits licence.

That is interesting because it seems to me that in our legislation having a licence to do something, to possess things and so on, is a precursor to doing certain activities. In this particular case, I am sure that probably a number of petitioners made argument before the tax authorities that in the case of private laboratories or provincial liquor boards and vintners, where the analyzing of substances takes place, the need for a licence was not necessary. I suspect that we are talking about some other regulatory implications, but in this particular case I suspect that the licensing process may be a problem for some of them.

The other area I simply want to comment on is the GST rebate program for tourists. As we know, this has been a very contentious issue for a number of members of Parliament, particularly with regard to those members who are in border areas.

Tourism is an extraordinarily important part of the Canadian economy. I had the opportunity to chair the outdoor caucus of our caucus in the last Parliament and I got to know quite a bit about the tourism industry. Particularly after SARS, which was I think what spawned that caucus, that group of parliamentarians interested in the tourism impacts, it was amazing to find out how sensitive the industry was to disruptions that in fact really did not affect tourist areas but were more in the urban centres. Yet we found that in a broad range of goods and services, whether it was lodging, rental of boats or fishing equipment or other purchases of equipment, all of those things took a dramatic decline.

There is another aspect. I think those members who are from the Maritimes, and in particular P.E.I., will tell you that tourism is down very substantially now. They believe, whether because of SARS or because of the GST rebate program for tourists, that those who had come here in the past suddenly found that this was enough to make them look for substitutes. They started to look for other options. In fact, many found that the substitutes, which were a better economic deal for them, had the same or similar benefits or enjoyment they had when coming to Canada.

*Government Orders*

Therefore, I am very pleased to see that this also has been resolved. I think it is important that Canada's tourist industry continue to be well supported. It is unfortunate that some damage has been done. In an economic downturn, and in particular where the dollar has been quite strong, we have to be vigilant about the unintended consequences of certain moves.

I think it behooves all of us to continue to urge those responsible for the accountability of our financial policy to think it through very carefully and to do the consultations that are necessary to ensure that our tax system remains not only operational but fair.

• (1805)

**Mr. Gord Brown (Leeds—Grenville, CPC):** Mr. Speaker, the member for Mississauga South talked about the tourism industry. The tourism industry is the industry I happen to have grown up in. Over the years I have seen government actions in a positive way and even in a negative way.

The member talked about the GST visitor rebate program. Now, of course, the government has introduced the tour operator and convention incentive program. There were many representations made to the government.

I have had a lot of experience with that GST visitor rebate program. The member talked about accountability. The new program, from my knowledge and understanding, is far more accountable. No American tour groups or conventions have had to pay GST that did not have to pay it before. In fact, no group has had to pay GST that did not have to do so before.

In light of the fact that the new program is much more accountable, is it something the member would be happy to support?

**Mr. Paul Szabo:** Mr. Speaker, the member is quite right. There was a significant threat to the convention industry and the member's riding would certainly have been affected by it.

As legislators, we go through this process: we do our due diligence, we determine where the problems are, and we correct them. Whenever we make changes, it is to help us, as we say in our prayer each and every day in this House, "make good laws and wise decisions". In this regard, I believe it is good legislation and a wise decision.

• (1810)

[*Translation*]

**Mr. Claude Bachand (Saint-Jean, BQ):** Mr. Speaker, I would like to ask my friend a question to return the favour he did for me. I missed part of his speech.

Nevertheless, earlier he asked me whether it was possible to broaden the concept of social worker. I went so far as to say that I felt the same thing could apply to a psychologist. I think my friend was afraid we would take the concept of social worker too far. The bill refers to social workers, though.

Would he be in favour of broadening the concept of social work services to include other professions such as psychology or similar professions?

I would like his opinion on this. I am simply returning the favour he did for me earlier, when he asked me about my own speech. I

would like his opinion on broadening the concept of social work to include other types of jobs.

[*English*]

**Mr. Paul Szabo:** Mr. Speaker, I would hesitate to give a definitive answer without having considered it carefully. However, I listened carefully to the member's comments earlier. He spoke about specific cases. He spoke about speech pathologists. He spoke about psychologists. We know that in this complicated, fast-paced world we live in, children often are the victims here.

As a value or as a principle of approach to considering it, I would say that children are important to Canada's future and that investing in their health and well-being is something that is certainly worth considering very seriously.

**Hon. Larry Bagnell (Yukon, Lib.):** Mr. Speaker, the last Liberal and Conservative speakers both have alluded to the damage done to the tourism industry by the cuts last year. Surplus money that was taken from the Canadian Tourism Commission could have been used for marketing the museum assistance program, MAP. Museums are very important in tourism.

Both members talked about the GST rebate, which has been partially reinstated. I do not want the members to be under the illusion that this is fixed. The tour operators and the convention people will get the rebate, which is great, but individual tourists are very important to my riding and they will not.

On Friday night in my speech at the Association of Yukon Communities, I assured the people that we would work to reinstate that rebate. Individual tourists who drive from the United States into Canada, for instance, and we have a lot of them, do not get the rebate any more. I am asking if the member would commit to help me fight to get this reinstated to help our tourism industry.

Finally, I have a constituent named Tony Fekete, who often comes to see me at the airport and suggests that in Canada we should not be ruling by regulation. Canada is unlike Europe, where governments are not allowed to do that. He thinks we rule by regulation far too much and government is not accountable. I wonder if the member would like to comment on that for my constituent.

**Mr. Paul Szabo:** Mr. Speaker, I am glad the member raised the issue of the rebate as it applies to individuals. He is quite right. It has not come back to what it was in the past, which is unfortunate.

Many communities around the country may not have the facilities for tour operators or to host conventions. However, when people go to the local lodges or the small motels and services for the wilderness, the outdoors and the non-urban or even semi-urban, these are the areas where the vitality of that local economy depends on those people.

We often do not appreciate the sensitivity of a few dollars here or there. Even the symbolism of a tax to be paid, which people cannot get back when they go back home, knowing that others can get it, is not helpful.

The answer to the member's first question is that it is very much something that should be reinstated. I know the people in our border communities would like to see that as well.



*Government Orders*

Finally, with regard to the regulation side, things cannot be done by regulation that are not authorized by the legislation itself. A tax cannot be created in a regulation. The tax must be authorized within the legislation itself.

My comment earlier about looking toward regulations is that when there is some fine-tuning, which clearly is not changing the enabling provision of the legislation but rather clarifying the items or the language so that it clarifies the concerns that taxpayers may have raised in certain other cases, that to do it by regulations certainly is a more efficient way to do it simply because it does not need to come before the House of Commons. It can be done by order in council, basically by cabinet on the recommendation of the related minister.

• (1815)

[*Translation*]

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** Mr. Speaker, I would like to return to part 2 of the bill to amend the Excise Act, 2001.

Part of this bill pertains to alcohol, among other things. I am thinking especially about the measures to promote the growth of the wine industry in Canada. Does the member think that the deferral of the payment of duty for small producers selling small volumes gives them a considerable advantage?

In fact, small producers will have to pay this duty after the bottles and the products have been sold. By the way, there are 42 vineyards in Quebec. Does he think that this type of measures will give an advantage to the wine industry in Canada?

[*English*]

**Mr. Paul Szabo:** Mr. Speaker, that particular provision basically defers the payment of duty by small vintners selling wine on consignment in retail stores operated by an association of vintners until the wine is sold.

Effectively, if I understand it correctly, we are talking about the deferral of a payment which, for a small business, is very important because it helps cash flow. It matches cash inflows and cash outflows so that inventory is not being financed even though it is on a consignment basis.

I would say to the member that I do understand the benefit to small businesses, such as vintners, but if we were to take this to its logical conclusion, where all these little ways in which we can help businesses were all put into our legislation and have specific clauses with specifics for this one and that one, our legislation would explode. That is exactly what has happened to the Income Tax Act. It has so many exceptions, exemptions, et cetera that it has made it very complicated. As a matter of fact, for many it is too complicated to safely handle their own tax matters.

I guess that makes the accountants and the lawyers very well off. I suspect, if anything, they may save on the duty but it might be offset by the need to have an accountant to explain it all. In principle, I like it but with regard to the details, I think we must be extremely careful about the micro-administration of businesses through tax and excise tax acts.

[*Translation*]

**Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ):** Mr. Speaker, I am extremely pleased to present today the results of my consideration and analysis of Bill C-40, which I have studied closely.

This bill is divided into three parts. The first part aims to institute corrective steps to improve and specify certain measures having to do with the collection of the GST. The second part amends the act in order to zero-rate particular products and services. It then turns to the excise tax, laying out certain measures related to the taxation of wine, beer and spirits. The third part amends the rules on the air travellers security charge collected at various airports.

Let us take a closer look at each of these three parts. First of all, the measures concerning the GST and the HST, which applies in some provinces, are divided into five distinct categories. Also—and I find this quite interesting—this bill modifies rules that apply to health services, charities, business arrangements, governments and the process by which the GST is administered.

With respect to health, this bill amends the act to confirm—and this is very important to me—the exemption for speech-language pathology services. This important amendment confirms the tax-exempt status of these services and makes it easier for young people struggling with language difficulties to access them. As I said, this is a personal issue for me. I spent many years working in health care, specifically, in child psychiatry. I know that this measure will be very beneficial to children struggling with this difficulty and to their parents, because they are the ones who pay for therapy. Parents of children with such difficulties really appreciate this kind of tax relief. They need support, both financial and moral.

I am sure that this tax exemption will relieve parents who have to seek this kind of care of an enormous burden. During my years in child psychiatry, I saw countless parents struggle helplessly with the cost of these services. People were torn. Sometimes, they said they did not have enough money to ensure proper treatment for their children. I think that this bill will really lend a hand. This is an important part of this bill. It will give hope to these parents who need a lot of support as they try to provide their children with the services they need to develop normally. Now they will have the resources to ensure their children's optimal development. In addition to helping children, this measure will also help seniors access these services.

With the rising incidence of heart disease and stroke, many older people need speech-language pathology services. Often, older people have limited financial resources.

I think this measure will help children struggling with language difficulties, their parents, and various seniors who have unfortunately had accidents and need these services.

*Government Orders*

● (1820)

The bill also exempts health-related services rendered in the practise of the profession of social work. Earlier I heard one of my colleagues ask whether we should extend this to other professions, in particular psychologists, and potentially remedial teachers. It should really be considered, because these kinds of services most often target people with severe difficulties, and the government could provide additional assistance to these people.

Such measures are important because, among other things, they facilitate access to private social work services. So the people who really need it have quick access to these services without constantly wondering if they can really afford them. This measure in the new bill is very important.

We know that when the legislation takes effect, the government will be able to remove taxes from sales and imports of a product that can, in some instances, replace blood, a very important alternative for saving the life of a seriously injured patient.

This bill will also restore the zero-rated status of a group of drugs, with very scientific names, known as benzodiazepines. This is extremely important because they are medicinal derivatives used by individuals suffering from anxiety. We are talking about such drugs as Valium, Ativan and others that relieve the anxiety of those suffering from more or less serious mental illnesses. They are also used to help with drug or alcohol withdrawal. This measure will once again relieve the financial burden for those individuals who require these types of medications. Quite often, the individuals who need these services or medications find themselves in more difficult circumstances. Therefore, we must support any measure that can help reduce expenses for these individuals and that also seeks to improve access to better and more significant health care. That is what we are going to do.

Finally, still in the health care sector, the bill will provide for the reimbursement of the GST for those who use specially equipped motor vehicles. I am thinking mainly of those with severe physical handicaps. When these individuals resell or have to adapt their vehicles, they need the government's help, once again, to make it easier to access services and, at the same time, improve their quality of life. Their everyday life changes considerably when governments provide more readily accessible financial assistance.

Charities will be affected by different measures in this bill. One amendment exempting supplies by charities of real property under short-term leases and licences will be extended to any goods supplied with such property. Hence, the range of services provided by charities is expanded without the rate of taxation necessarily being too high.

This measure represents savings for such organizations, which can improve their service to a clientele that, once again, often consists of the most disadvantaged in our society. This gives them some room to manoeuvre, which is quite often required to maintain their activities. They need government support and that is provided by this bill.

As far as business arrangements are concerned, the bill amends the GST Act. It provides transitional relief on the initial asset transfer by a foreign bank that restructures its Canadian subsidiary into a

Canadian branch. This measure will act as an incentive to foreign banks in Canada to restructure their subsidiaries as Canadian branches, which will promote more competition in the Canadian banking sector.

● (1825)

The bill also removes technical impediments that hinder the use of existing group relief provisions under the GST/HST. This amendment simply clarifies the rules for the application of legislation already in effect.

In addition, the bill simplifies compliance by excluding beverage container deposits that are refundable to the consumer from the GST/HST base. This will make it easier for businesses to manage collection and will lighten the regulatory burden associated with deposits, with a view to promoting more recycling and environmental protection. The importance of it all becomes more obvious to me in the light of all the debates that are held on the various measures dealing with the protection of the environment here in the House and elsewhere. I think we should support any measure that can help save the planet. This might not be an impressive measure, but it is by making small adjustments that we will succeed and achieve results.

The fourth category applies to the government. If the bill is passed, it will exempt a supply of a right to file or retrieve a document or information stored in an electronic official registry. This provision will allow municipalities and other government agencies to provide information to individuals at a lesser cost than before. With such a measure, the individual comes out a winner since access to information will be easier.

The bill also ensures that a small supplier division of a municipality is treated in the same manner as a municipality that is a small supplier. Thus, fair treatment will be respected.

Finally, it is important to note that this is a significant change that must be taken into account in the application of the legislation. The bill adds a discretionary power—which is interesting—for the Minister of National Revenue to accept late-filed applications for the GST New Housing Rebate and the Nova Scotia HST New Housing Rebate for owner-built homes, where exceptional circumstances have prevented the applicant from meeting the normal filing deadline.

These are measures that support the ordinary citizen, who is often overwhelmed by all the paperwork involved in applying for an exemption or a rebate. Sometimes people are denied their right because they did not manage to fill out the entire form on time. In that situation, we are helping them in a very tangible way.

*Government Orders*

The bill adds a discretionary power for the Minister of National Revenue to accept late-filed elections between closely related financial institutions for adjustments that they are required to make for the provincial component of the GST and the provincial sales tax.

As far as exchanging information is concerned, it permits the Minister of National Revenue to exchange GST and QST information in Quebec with foreign governments that are signatories to the Convention on Mutual Administrative Assistance in Tax Matters. The government will thereby be in a better position to deal with tax evasion. How much money is lost through the entire tax evasion scheme? How many people do not pay taxes when they should? If, through measures that will allow for a better exchange of information, we can limit tax evasion, that is a major bonus for the government.

Finally, the bill gives the Chief Statistician of Canada the discretionary power to provide statistical information concerning business activities to the provinces, similar to an existing provision in the Income Tax Act. This new power will give the provinces better access to income statistics, which will allow them to better focus their public policies.

I would now like to discuss some of the measures that propose an amendment to the excise tax. These measures deal with tobacco and seek to give greater precision to certain provisions contained in the Excise Tax Act in order to better defend against the smuggling of tobacco products and facilitate collection of taxes on tobacco. The bill includes measures to extend the requirement to identify the origin of tobacco products to all products, including those sold at duty-free shops or for export.

• (1830)

It clarifies that cigarettes, tobacco sticks, fine-cut tobacco or cigars, but not packaged raw leaf tobacco, may be supplied to the export market or the domestic duty-free market.

As for alcohol, the bill has two main objectives. First, it allows provincial liquor boards and vintners to possess an equipment similar to a still for the purpose of analyzing substances containing ethyl alcohol without having to hold a spirits licence. I believe that, for the security of citizens, vintners must be better able to ensure the safety of their operations and products.

This measure will help liquor boards, especially in Quebec, and vintners reduce the huge paper burden as well as major costs for these licences. Moreover, to promote the growth of the wine industry, the government, by passing this bill, will allow for the deferring of the payment of duty by small vintners selling wine on consignment in retail stores operated by an association of vintners.

There are also measures to help vintners. My colleague talked about Quebec wine producers earlier. In 2006, there were 42 vineyards in many regions of Quebec, including Lanaudière, the Eastern Townships, Montérégie and the Lower Laurentians. Every year, over 100 hectares of vines are cultivated in Quebec, and the sector has experienced steady growth over the past few years. This measure will help wine producers and will diversify and increase wine production in Quebec. The main products are excellent: white wine, ice wine and fortified wine. This measure will promote the development of this industry, improve marketing of

products made in Quebec and support the province's agro-tourism opportunities, which are becoming more and more popular. I am thinking of Quebec's Wine Route and its network of small producers who will appreciate this support for the development of their industry.

The third and final part of the bill includes previously announced relief provisions with respect to the air travellers security charge. It also addresses the Air Travellers Security Charge Act. Basically, the bill relieves, in particular circumstances, the air travellers security charge in respect of air travel sold by resellers or donated by air carriers.

The bill provides authority for the Governor in Council to add, delete or vary by regulation the schedule of listed airports. For example, the bill will immediately change the status of three Quebec airports to ensure that standards are appropriate for the market and market demands.

The bill removes La Grande-3 and La Grande-4 from the list of airports subject to the surcharge under the Air Travellers Security Charge Act. This measure reflects the special nature of these airports where security is not as big an issue as it is in larger airports that have different goals. This corrects a situation that these airports found challenging.

However, the amazing increase in air traffic at the Mont-Tremblant airport, which is somewhat the opposite, has meant that the minister has decided to include it in the list of airports now subject to the air travellers security charge. This is a good thing because there is a lot of international traffic at this airport.

Consequently, it is clear that all these measures, changes and improvements mean that Bill C-40 is evidently in the best interest of Quebecers. We are convinced that the people as a whole will support us. The Bloc Québécois will then vote in favour of this bill.

• (1835)

I would like to end by saying that Bill C-40 is designed to correct the technical shortcomings I mentioned earlier pertaining to the GST and the excise tax. The tax would be removed from certain medical services so as to facilitate access to them and lighten the tax burden for charitable organizations. The bill contains measures that will benefit small wine producers. It tightens the rules governing the production and sale of tobacco products in order to fight smuggling and it adapts the air travellers security charge to the present situation in Quebec.

The Bloc Québécois is in favour of this bill and will support it.

• (1840)

**Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ):** Mr. Speaker, I thank my colleague for his remarks on Bill C-40.

*Adjournment Proceedings*

My question and comment will focus on the health-related measures in the bill we are debating today, and the collection of the GST on health services. As my colleague said many times, he has a background and has worked in child psychiatry. He is in a good position to confirm that services currently provided are costly and put a heavy burden on families. In connection with this bill, he gave the example of speech-language pathology services, which will now be zero rated. These services provided to children with language difficulties and disorders will now be zero rated.

He also mentioned the exemption for social work, that is social workers who provide services. Again, under this bill, these services will be exempt, and therefore zero rated.

My question is the following. Based on his experience as a child psychiatrist in a former life, can the member think of other services that should be zero rated? Should other services be exempt from tax to ensure that families with children struggling with language or other difficulties can breathe a little? The fact is that these families are often faced with hefty bills. Based on his former line of work, are there other services that he would like to see included under this zero-rating measure? I can think of psychology services perhaps, but could he give us more examples?

**Mr. Jean-Yves Laforest:** Mr. Speaker, I thank my colleague for his question, which will allow me to clarify.

I worked for 32 years in child psychiatry in the public sector. It is very difficult for public services to provide everything people need. Absurd situations are more and more commonplace. There is so much poverty in some areas that child psychiatrists find that many young people will present with psychological disorders connected with the level of poverty and social development in their environment. Many children suffer from problems related to the psychology and overall development of their personality.

These problems can be solved using speech-language pathology, psychoeducation, psychology and psychomotility services. But public services have difficulty responding fast enough to solve problems expeditiously. Sometimes young people are put on waiting lists for such problems. When a young person is on a waiting list, his or her parents will be tempted to turn to the private sector for services.

This is where the bill can really make a difference. It will remove the tax from services that some parents will want to provide for their children to help them in their development. When parents provide these services for their children and then have to pay tax on them, it is very discouraging for these people, who need support and encouragement. It is very hard when, on top of everything else, the government has a hand in their pockets.

So in response to my colleague's question, yes, we have to consider that other professions or other—

**The Deputy Speaker:** Order, please. The time allocated for debate has expired. We now proceed to the adjournment proceedings.

**ADJOURNMENT PROCEEDINGS**

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

• (1845)

[*English*]

## FOREIGN AFFAIRS

**Hon. Bryon Wilfert (Richmond Hill, Lib.):** Mr. Speaker, I am pleased to rise tonight on an area of foreign policy which I think is very important to many Canadians, and that is the situation on the African continent.

A few years ago, the prime minister of the day had pushed at the United Nations for something which countries like Russia, China, Pakistan, et cetera, agreed to, and that is the responsibility to protect. There is a collective responsibility among all nations to deal with issues such as genocide, war crimes, crimes against humanity and ethnic cleansing.

There are just two examples I wanted to look at tonight. The other month we had the president of Liberia here and we saw the rather stumbling approach of the government with regard to her presence, but the issue that I want to talk about first of all is in Zimbabwe.

The Liberal Party has called, both on March 13 and on April 24, for action by the government to deal with the deepening crisis in Zimbabwe and the fact that Mugabe has deployed his security forces, his green bomber militia, to basically turn a country which used to be an exporter of food into an importer. By the end of this year, inflation will reach as high as 4,000%.

People are fleeing Zimbabwe, risking their lives every day because of this regime which has brutalized people on the streets and in their homes, has packed the courts, has changed the nature of government, and has essentially allowed few foreigners to document what is happening. We only hear from those who have been able to leave.

We called upon the Government of Canada to increase aid from \$4 million to \$20 million for medicines, food and other essential supplies, to working with NGOs, to appoint a Canadian envoy to deal with this crisis, and to pressure the Security Council into bringing Robert Mugabe, the president of Zimbabwe, before an International Criminal Court for crimes against humanity. Yet, we have heard nothing but silence from the government benches.

The Sudan in Darfur is another example where again Canada had shown leadership in the past. A former Liberal prime minister had been to the Sudan in 2004, advocated and supported the role of the African Union, along with the logistical support of Canadians helping members of the African Union on the ground. There is a genocide going on, and again we hear little from the government benches.

*Adjournment Proceedings*

If the central tenet of Canadian foreign policy is to be human rights, if it is to be the security of the individual, then we need to act. Africa is not simply something that we can read about or watch in the news. It is something that Canadians have a deep understanding of and concern for. We need to see action at a multilateral level. Whether it be through the United Nations or in concert with our allies, we need to take action.

We have put forth, through the previous government and obviously now, proposals to the government. We would like to work with the government to ensure that if in fact we are going to act, we need to act in concert with our allies.

I would point out that on the international policy statement, which the previous government had enunciated in 2005, I have yet to hear from this government whether it supports it or rejects it. It has been very quiet on it, but part of that policy statement was the issue of intervention to provide support in these cases.

**Mr. Deepak Obhrai (Parliamentary Secretary to the Minister of Foreign Affairs, CPC):** Mr. Speaker, I want to thank the hon. member for raising the very important issue of what is happening in Africa. He very rightly pointed out the countries where we have a very serious and grave concern about what is going on.

As a matter of fact, talking about Zimbabwe, on many occasions the Minister of Foreign Affairs and I have condemned what is going on in Zimbabwe. We have met with the opposition leaders who have come here and we have used our diplomatic channels to put pressure on the government of Zimbabwe to respect human rights.

However, we know that is not happening. The best course of action is to pressure the African Union to bring some kind of resolution to the issue in Zimbabwe. There is no question that what the hon. member has said is happening in Zimbabwe is happening in Zimbabwe. It needs to be addressed.

We have put pressure on South Africa. I understand it is using what is called quiet diplomacy. At the end of the day, Africa is a continent and we need to get the leaders in Africa to put pressure on Zimbabwe. I am very happy to tell the hon. member that the president of Zambia has finally said that what is happening in Zimbabwe is not acceptable and now is putting on pressure.

I agree with the member. Our diplomats will work in the international arena to ensure that our point of view is made very clear to Zimbabwe. We will ask the African Union to help us bring a peaceful resolution to the crisis in Zimbabwe.

In reference to the point the member raised about Sudan, I want to tell the hon. member that the previous Liberal government had made a commitment to Sudan and we are continuing with that. We are spending \$8 million a month in Sudan to ensure that the African Union and the UN forces get the necessary tools to bring the warring parties to peace. As the member rightly pointed out, many people say that genocide is happening in Darfur.

As a matter of fact two weeks ago I was in Egypt and I had a lengthy talk with UN Secretary-General Ban Ki-moon about his impressions of what is happening in Sudan. He thought there was some hope and that there would be some movement in getting a UN hybrid force in Darfur. We are working through the security council. I had an opportunity to talk to the Chinese foreign minister to see if

his government would put pressure on the government of Sudan. I am happy to report to the member that the Chinese have appointed a special envoy for Darfur.

Yes, these are areas on which I share concern with the member. Canada is working in those areas. Canada is at the forefront. Canadians are doing diplomacy behind the scenes, but we are getting our point across.

● (1850)

**Hon. Bryon Wilfert:** Mr. Speaker, one of the forums in which Canada can play a very important role is the Commonwealth. Historically on the Zimbabwe issue, the previous government had worked with Nigeria and South Africa in dealing with the Zimbabwe situation.

There is no question that the situation has become far worse over the last year. The average life expectancy of a woman is 32 years and of a man is 37 years. This is clearly an intolerable situation.

We see abuse of human rights unprecedented on the African continent. Yet we again need to use all of our diplomatic offices. The hon. member suggests quiet diplomacy or diplomacy behind the scenes. I also suggest that maybe we should call in the Zimbabwe diplomats in Ottawa and indicate to them that if things do not improve, we would consider expelling them.

**Mr. Deepak Obhrai:** Mr. Speaker, I agree with the hon. member that we need to use the institutions we have available. He rightly pointed out that the Commonwealth is one of those institutions.

I want to tell the hon. member that at the end of the day, the president of Zimbabwe has openly said he will not listen to anything that comes from western countries. He will not go back to the old colonial style of white people telling him what to do. Of course his assumption is absolutely wrong. We are not interested in that kind of thing, but he has said that. That is why the best approach is to use the African Union, his own peers, to tell him that what he is doing is wrong.

Insofar as the representative of Zimbabwe in Canada, it is better for us to have the representative remain here and we can tell the representative what the Canadian people want to happen and she can tell her government what the Canadian public is saying. I am sure she will be listening to tonight's debate. I hope she will pass these comments on to her government and indicate how the people of Canada feel in reference to Zimbabwe.

## HEALTH

**Ms. Penny Priddy (Surrey North, NDP):** Mr. Speaker, on April 16, I asked the Minister of Health a question about the False Creek clinic in Vancouver. I will connect the dots a bit.

The False Creek clinic in Vancouver is charging patients hundreds of dollar for urgent care. Urgent care, as it describes it, is emergency like care, which is exactly what the Americans call emergency services.

*Adjournment Proceedings*

I asked the minister whether he saw this American-like clinic in Vancouver as being a problem. We have seen many private clinics open across the country in the last number of years, not only under the current federal government but under the previous one. From time to time fines are levied, depending on which province it happens to be. I think B.C. and Ontario have had some fines. I am not aware that Quebec has had any fines.

When I asked my question at that time, the minister told me that he did not see any double standard at all in charging for what were medically necessary services. It seems to me that if an organization is charging for medically necessary services it is in breach of the Canada Health Act. To me that seems to be a problem. At that time, the Minister of Health assured the House that his department was reviewing the situation at False Creek.

I am very concerned about what is happening at that clinic. I am very concerned that we continue to slide down this slippery slope toward an American style health care with the opening of more private clinics and now private clinics charging for medically necessary services, which is absolutely what the Canada Health Act says we cannot do.

I am hoping that perhaps the parliamentary secretary could help me understand, in the next four minutes, two questions. First, why does the minister not think False Creek charging for medically necessary services is a problem. Second, why is that not in conflict with the Canada Health Act?

Perhaps he could spend the other two minutes explaining to me when we will hear back about the things that the ministry is looking into, things that have been raised in the House that are not a problem but are being looked into. I am not quite sure why, if it is not a problem, people are looking into it.

I am also looking for a timetable. When will we hear back about False Creek? When will we hear back from people looking into St. Paul's Hospital selling MRIs to people in off hours? When will we see a report come back to the House about those issues that are not a problem but which the ministry is looking into.

I am very concerned about the proliferation of private clinics and I look forward to the parliamentary secretary's answers to my two questions.

• (1855)

**Mr. Steven Fletcher (Parliamentary Secretary to the Minister of Health, CPC):** Mr. Speaker, I thank the hon. member for Surrey North for raising the issue of the reopening of the False Creek Urgent Care Centre and also for the very strict timelines in answering her very interesting questions.

First, let me emphasize the federal government's desire to work in collaboration with the provinces and territories to ensure that the publicly funded health care system is strong, universally accessible and equitable and that Canadians have access to the care they need when they need it.

The Canada Health Act is Canada's federal legislation for publicly funded health care insurance. The Canada Health Act establishes criteria and conditions related to insured health services and extended health care services that provinces and territories must

fulfill to receive the full federal cash contribution under the Canada health transfer.

The aim of the Canada Health Act is to ensure that all eligible residents of Canada have reasonable access to medically necessary services on a prepaid basis without direct charges at the point of service for such services.

The Canada Health Act requires that all medically necessary services provided by participating or enrolled physicians be covered by the provincial or territorial health insurance plan.

As the hon. member for Surrey North noted, on April 9 the False Creek Urgent Care Centre reopened to the public after recruiting doctors from out of province to work at the clinic. These physicians are not enrolled in British Columbia's medical services plan and, as a result, operate completely outside the provincial health insurance plan.

In this situation it is important to note that services provided by physicians who are not enrolled in their provincial or territorial health insurance plan, or who are non-participating physicians, are not considered insured health services under the Canada Health Act.

The right of physicians to practise outside of provincial or territorial health insurance plans was recognized by provinces in the 1960s and 1970s when they created their own medical health insurance programs.

Since the inception of the Canada Health Act in 1984, the position of the federal government has been that non-participation by physicians is acceptable under the Canada Health Act provided the physician is fully opted out and the patient is not entitled to a reimbursement from the plan for the services provided.

In addition, the right to opt out should never impede reasonable access to insured health services for provincial residents.

Therefore, in situations where physicians do not participate in the provincial or territorial health insurance plan, neither they nor their patients can recover the costs of the services rendered or received from the provincial health insurance plan.

These physicians may therefore establish their own fees, which are paid directly by the patient.

As noted, the provision of insured services by non-participating physicians is acceptable under the Canada Health Act as long as reasonable access to insured services is paid for by the province and is maintained.

While most provinces and territories allow for physician practice outside the plan, some provinces have chosen not to allow physicians to opt out of the public system.

With this in mind, let me assure the House that this government will continue to work collaboratively with the provinces and territories to uphold the principles of the Canada Health Act and the integrity of our publicly funded health care system.

*Adjournment Proceedings*

•(1900)

**Ms. Penny Priddy:** Mr. Speaker, I very much appreciate the sentiments that the parliamentary secretary has put forward, but I am back in the same position I was in five minutes ago. Let us focus on the what the real issue is here. The real issue is that there is a private clinic charging for medically necessary services. The Canada Health Act says that one may not charge for a medically necessary service.

My other point, on which I am not much further ahead either, is that the minister promised to look into the private MRIs being sold by St. Paul's Hospital and to report back. I am still looking for a timetable to hear that report.

This is not about general opting out. This is a private clinic charging for medically necessary services, which is in contradiction to the Canada Health Act. I expect the federal government to uphold the Canada Health Act.

**Mr. Steven Fletcher:** Mr. Speaker, this government is upholding the principles of the Canada Health Act.

An important aspect of the Canada Health Act is that services provided by physicians who are not enrolled in their provincial or territorial health insurance plans, or “non-participating physicians”, are not considered ensured health services under the Canada Health Act, so the government is in fact upholding the principles of the Canada Health Act.

The Canada Health Act is an important piece of legislation. It ensures that Canadians have access to medically necessary services. It provides flexibility in how those services are delivered, be it not for profit or publicly or privately delivered, provided that they are publicly funded.

I think I have addressed the member's concerns. This government will uphold the Canada—

•(1905)

**The Deputy Speaker:** The hon. member for Rimouski-Neigette—Témiscouata—Les Basques.

[*Translation*]

PASSPORTS

**Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, Ind.):** Mr. Speaker, I think it is important to participate in today's debate. It allows me to follow up on a question I asked the Minister of Foreign Affairs on the whole issue of the deplorable situation faced by a number of my constituents as well as those in many other ridings. There is no doubt about it.

As I indicated on April 23, the government is incapable of providing “adequate” services. The word is deliberately chosen. We are not asking for the level of service to be outstanding, only fair and adequate. Simple passport applications and renewal applications are taking more time to process with each passing day. Canadian and Quebeckers who wish to travel are losing both time and money. Rural citizens—like those from my riding and many others—are at a particular disadvantage.

I asked the minister if he knew about this and if he was ready to commit to establishing a passport office for the Gaspé Peninsula and Lower St. Lawrence region. He answered by admitting that the

situation was difficult. He spoke of 58 new Service Canada offices—and I will have something to say later on this topic—and of 500 new employees. I have something to say on this topic also, since they should be at work already but they are not. All this was done, as he said, “to address the bottleneck”.

Lastly, I did not appreciate at all, as some of my constituents, his call for patience. Patience is not what we need in my region, nor in other regions, in Neigette, Témiscouata and Les Basques. What we want is equity in services and adequate services from his department. We have already proven that we can be patient. We are ultra-patient, but there are limits.

The minister had the gall to mention Service Canada. In case he does not know, let me tell him: in Rimouski and in the Lower St. Lawrence, Service Canada offers no passport services whatsoever. In my office, my associates and I work diligently to help the citizens of my riding, and even those from other ridings that come to Rimouski for business. They come to the office of a member of Parliament. It is my pleasure to help them. That is what we are there for. However, the turnaround time is completely unacceptable. Let me give a few very simple examples.

The service called the MP Desk, where the turnaround time is two and a half months, does not include rejected passport photos, which can drive the turnaround time up by several weeks. In those cases, we have to inform Passport Canada to expedite the process. We must not forget that, when people do not include the amounts required and send everything by regular mail, the bags of regular mail are not even opened. Furthermore, there is no way of making sure that the letter was even received. Things are even worse when there is a receipt. We have learned—and this takes the cake—that Canada Post employees do not even have time to sign for the registered mail or priority post. That is extremely serious. The Canada Post CEO is investigating the matter.

The service given to MPs by phone and email is totally inadequate. Answers are vague and often inaccurate. I will give you four quick examples. We sent an email for an urgent request for example and only received an answer two weeks later. What a way to treat an urgent request! It also frequently happens that our calls are not returned, even if we have left a message saying that it was urgent. No call whatsoever. Officials at Passport Canada give us information on the status of a file, and a few days later we learn that the state of this file is completely—

**The Deputy Speaker:** The hon. Parliamentary Secretary to the Minister of Foreign Affairs.

•(1910)

[*English*]

**Mr. Deepak Obhrai (Parliamentary Secretary to the Minister of Foreign Affairs, CPC):** Mr. Speaker, I am very pleased to discuss passport services with the member for Rimouski-Neigette—Témiscouata—Les Basques this evening.

Due to U.S. requirements for air travel to the United States, Passport Canada continues to experience a sharp volume increase in passport applications in all of its offices and its mailing service. To deal with this, 500 new Passport Canada employees have been hired, and most of them are already at work. Only about 14 require further training.

*Adjournment Proceedings*

These measures mean that we are now processing 20,000 passports a day. This is an increase in capacity of 40% from last fall. If the current demand continues, we expect to clear the backlog by the end of the summer.

Historically, passport offices have been located in large urban centres to maximize the accessibility rate in Canada. Today, over 65% of the Canadian population resides within 10 kilometres of a passport point of service. Over 98% of the Canadian population resides within 100 kilometres of a passport point of service.

This being put forth, the government recognizes that Canadians need access to passport services wherever they reside, especially given the current context of an east-west migration pattern.

To achieve this, Passport Canada is continuously looking at ways to improve security and client services while prudently managing its funds in order to ensure an accessible, reliable, flexible and efficient service at a reasonable cost.

For that reason, a key element of Passport Canada's service strategy is to offer efficient and economic alternatives such as receiving agents where it is not financially sustainable to open new offices. The receiving agent program, developed in partnership with Canada Post and Service Canada, helps broaden access for Canadians to passport services in urban, rural and northern areas. A Canada Post receiving agent is available in Rimouski at 136 St-Germain Street West.

Passport Canada is also looking at expanding its partnership agreements and investing in new technologies so Service Canada and Canada Post may broaden their passport services across the country. It is noteworthy that Passport Canada is doing all this during a period of unprecedented growth.

I assure the member that the objective is to improve security while maintaining the level of client service through multiple business channels. Passport Canada continues to be committed to ensuring consistency in service to Canadians and consistency in the application of policies regardless of where they live.

My government welcomes a dialogue with MPs on this matter.

[*Translation*]

**Ms. Louise Thibault:** Mr. Speaker, the hon. member just gave us some figures. Obviously, I am not at all surprised that these figures apply to major urban centres. I would like to reiterate that people in the regions are not rejects. They are hard-working, they care about national politics and they pay their taxes. They should not be made to wait unduly or have to travel 700 km or 800 km in order to get a level of service that someone in Montreal could get by crossing the street, or walking 3 km or 4 km to the Guy Favreau Complex.

My hon. colleague speaks of Canada Post. I would remind him that the taxpayer has to pay \$15 for Canada Post's service. If the taxpayer comes to the MP's office, it does not cost a penny, thank God. So, the hon. member can say all he wants about the thousands of applications that are being processed and the progress that is being made, but my point remains, that the people in the regions, people in so-called "remote" regions, do not have the level of service they deserve.

[*English*]

**Mr. Deepak Obhrai:** Mr. Speaker, again, I assure the member that we are doing everything possible to ensure that service is given to all Canadians, not just those living in urban centres.

Based on the demand volume in her riding of Rimouski, 2,271 passport applications in 2006, and the required infrastructure to support the operations of a fully functional office there, Passport Canada would be operating this a significant financial loss. That is why we have a receiving agent in her riding. It takes approximately 20 days to receive a passport from a receiving agent.

As I stated in my speech, we are working very hard to ensure the backlog is completed by the end of the summer.

**The Deputy Speaker:** A motion to adjourn the House is now deemed to have been adopted. Accordingly the House stands adjourned until tomorrow at 10 a.m., pursuant to Standing Order 24 (1).

(The House adjourned at 7:14 p.m.)







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