



CANADA

# House of Commons Debates

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OFFICIAL REPORT  
(HANSARD)

**Thursday, September 26, 1996**

**Speaker: The Honourable Gilbert Parent**

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# HOUSE OF COMMONS

Thursday, September 26, 1996

The House met at 10 a.m.

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*Prayers*

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## ROUTINE PROCEEDINGS

[*English*]

### GOVERNMENT RESPONSE TO PETITIONS

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

\* \* \*

### QUEBEC

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, I rise in the House today to announce that I intend to refer to the Supreme Court of Canada certain specific questions of great importance to all Canadians.

Let me begin by reaffirming our deep conviction that our great country will remain strong and united both into and beyond the next century.

On two occasions in the recent past the majority of Quebecers have voted for a united Canada. Notwithstanding those democratic expressions of the popular will, the current government of the province of Quebec seems determined to bring the issue to a third vote at some future time. Moreover, it claims to be entitled to make a unilateral declaration of independence to create a separate state of Quebec.

In our view that position is contrary to Canadian law, is unsupported by international law and is deeply threatening to the orderly governance of our nation.

[*Translation*]

If another referendum is to be held, we are convinced that the population of Quebec will note in favour of a united Canada a third

time, and that they will do so because a united Canada is the better option, for themselves and for their children.

And just as Quebecers have chosen to stay within Canada in the past when they were asked to make a choice, Canadians everywhere know that Quebec's inclusion is essential to preserving the country that we cherish.

As a Canadian who makes his home in Toronto, I can speak very personally in saying that, without Quebec, the magnificent dream and the shining ideal that is Canada would simply not exist.

[*English*]

However, we cannot avoid the serious difficulties created by the Quebec government's assertion that there is a right to secede from Canada through a unilateral declaration of independence.

The Government of Quebec has expressly stated that the Constitution and the courts have no role to play in determining the correctness of its position. As we have argued in court and as I have asserted here in this House, we believe its position to be profoundly wrong.

To leave this issue unresolved would pose a serious threat to orderly government in Quebec and in the rest of Canada.

• (1005)

The Government of Canada does not argue against the legitimacy of a consultative referendum. A referendum is an opportunity for a government to consult with the people. But however important that consultation may be, the result of a referendum does not in and of itself effect legal change.

It is terribly important to remember that in the Canadian context there is no political justification to argue for a unilateral declaration of independence by the Quebec National Assembly.

In most countries the very idea of secession would be rejected. But that has not been so in Canada. There have been two referenda in Quebec. The leading political figures of all the provinces and indeed the Canadian public have long agreed that this country will not be held together against the will of Quebecers clearly expressed. And this government agrees with that statement.

This position arises partly out of our traditions of tolerance and mutual respect but also because we know instinctively that the quality and the functioning of our democracy requires the broad consent of all Canadians.

*Routine Proceedings*

Regrettably, the view of the current Quebec government on the nature and the role of a referendum is quite different. We have therefore concluded that the responsible and the effective thing to do is submit this issue for determination by the Supreme Court of Canada.

Let me be very clear. This issue is of enormous significance.

[*Translation*]

A unilateral declaration of independence would undermine political stability, interrupt the prevailing order and cast into doubt the interests and rights of Quebecers and all Canadians.

A unilateral declaration of independence would create the most serious difficulties for ordinary Quebecers. There would be widespread uncertainty within Quebec about which legal regime was effectively in control.

For the average citizen, business or institution in Quebec, there would be the greatest confusion. Individual Quebecers would be uncertain what laws applied, what courts and law officers to respect, to whom to pay their taxes.

In such an environment, it is certain that Quebec society would be deeply divided over the course the provincial government would have adopted.

[*English*]

Moreover, such a unilateral declaration of independence would have been made in the absence of an agreement with the rest of Canada on such fundamental issues as recognition for Quebec internationally, trade and economic arrangements, the rights of citizens to move within the country, the sharing of public debt and assets, the use of currency and scores of other issues.

Quebec would likely find itself, after a UDI, with no recognition by all or most of the international community, unable to manage its relations with sovereign states. Quebec would be unable to issue recognized passports for its citizens or to represent their interests abroad. Its unilateral act would make it virtually impossible to issue public debt on international markets. In other words, the idea of a unilateral declaration of independence makes no sense no matter how it is considered.

The issue is not just a mere legal nicety. It is also of enormous practical significance. Any government that suggests it would throw Quebec and all of Canada into the confusion of a unilateral declaration of independence is being profoundly irresponsible. It is a formula for chaos.

I firmly believe we shall never reach the point of having to deal with the reality of Quebec's separation. This nation shall endure.

• (1010)

Should such a day ever come, there is no doubt that it could only be achieved through negotiation and through agreement. The

Government of Canada believes that both our Constitution and international law protects us against the irresponsibility of a unilateral declaration of independence, and that is the very issue we shall be taking for determination to the Supreme Court of Canada.

[*Translation*]

As I have stressed, our nation is built on shared values of tolerance, accommodation and mutual respect. Canadians are admired throughout the world because of our understanding of the need to accommodate one another to achieve our larger common purposes.

In this respect, we share a commitment to using negotiation and orderly processes to work out differences—something that Canadian individuals and businesses do every day. This commitment is what the international community has come to expect of Canada and to admire.

Canadians' shared values have guided us in the past and will continue to do so in the future. All Canadians, including Quebecers, can take pride in the civility and tolerance we have shown one another in dealing with this fundamental issue. There is every reason to believe that civility will continue.

Our insistence on resolving questions raised by the prospect of Quebec secession through an orderly process and within the framework of law is simply consistent with those values.

[*English*]

However remote the possibility that a future referendum would reject Canada, it is essential that the legal framework that has enabled us to resolve our differences as Canadians peacefully and co-operatively be clearly established now, in advance of a referendum.

That is the reason we became involved in the Bertrand litigation before the Quebec superior court last May. It was only after the attorney general of Quebec brought a motion last spring to dismiss that litigation that we decided to involve ourselves, and then only because of the grounds relied upon by the attorney general of Quebec in bringing his motion.

The attorney general of Quebec based his motion on the argument that neither the courts nor the Constitution of this country have any relevance to the process that the Quebec government intends to follow in advocating separation, but that international law alone applies.

It was my obligation as the Attorney General of Canada, as the custodian of the Constitution of our country, to respond in the courtroom. There we argued that the Constitution is not only relevant but governing, that the courts have jurisdiction to deal with these issues.

*Routine Proceedings*

In addition, we argued that the Quebec government would have no right either under international law or otherwise to make a unilateral declaration of independence.

We submitted that while there are some limited circumstances in which international law provides a people with the right to secede unilaterally from an existing country, none of those circumstances exist in the case of Quebec within Canada. I may point out that our conclusions in that regard were largely consistent with the opinions expressed by five experts in international law, retained in 1991 by the commission dealing with the issues relating to Quebec sovereignty, established by the Government of Quebec itself.

When I welcomed the decision of Mr. Justice Pidgeon of the Quebec superior court on August 30 last, I noted in particular that by deciding that the court had jurisdiction to deal with the questions before it, Mr. Justice Pidgeon had confirmed the primacy of the rule of law.

What is this rule of law? What is its practical meaning, its social value? Is it simply a technicality used to overrule democratic decisions that the federal government does not agree with?

• (1015)

First and foremost, the rule of law, as it has developed in Canada and in other democratic nations around the world, is not simply a legal abstraction or a technical precept. It is a living principle that is fundamental to our democratic way of life. In substance, it means that everyone in our society, including ministers of government, premiers, the rich and powerful and the ordinary citizen alike is governed by the same law of the land. We are all bound by the Constitution, by the Criminal Code, by acts of Parliament and the legislatures. In cases of dispute regarding the application or interpretation of law, the courts are the ultimate arbiter.

[*Translation*]

The great value of the Rule of Law is that it is democratic. Its substance is derived from our democratic institutions. It applies to everyone without qualification. It also permits democracy to flourish because it establishes a stable framework within which the democratic process can work.

The separatist leaders argue that the Rule of Law is simply a ruse by which the Canadian Government intends to defeat an expression of democratic will by Quebecers—a trick to deny the results of a lost referendum. They argue that to require an orderly process within the legal framework would place Quebec in a straightjacket, defeating the democratic result of a future referendum.

[*English*]

Such arguments are made for political effect. They are based on the misunderstanding that the rule of law and democratic action are

somehow mutually exclusive. That is quite wrong. In fact, they coexist in harmony. The safety of both depends upon the integrity of each. The failure to observe either endangers the two at once.

Simply to insist upon an orderly process is not to foreclose the acceptance of change. Let us be vigilant to ensure that the true issue of the day is kept before us. The issue is not whether a democracy such as Canada can keep a population against its will. Of course, it cannot. The issue arises from the false claim by the Government of Quebec that it alone, in a unilateral fashion that changes according to its short term political interests, can decide the process that may lead to secession.

Quebecers as well as their fellow citizens across Canada would be dramatically affected by the break-up of our country. Everyone has the right to be certain that the process is lawful, mutually acceptable and fair to all.

That brings me to our decision to take steps intended to clarify the legal issues that have arisen between the Government of Canada and the Government of Quebec. It is my intention to refer to the Supreme Court of Canada three specific questions for a decision by that court on the fundamental issues that have arisen.

Here are the questions we will be asking the court:

[*Translation*]

Under the Constitution of Canada, can the National Assembly, legislature of Government of Quebec effect the secession of Quebec from Canada unilaterally?

[*English*]

Second, does international law give the National Assembly, the legislature or the Government of Quebec the right to effect the secession of Quebec from Canada unilaterally? In this regard, is there a right to self-determination under international law that would give the National Assembly, the legislature or the Government of Quebec the right to effect the secession of Quebec from Canada unilaterally?

• (1020)

[*Translation*]

Third, in the event of a conflict between domestic and international law on the right of the National Assembly, legislature or Government of Quebec to effect the secession of Quebec from Canada unilaterally, which would take precedence in Canada?

[*English*]

It will be evident that these questions build upon the fundamental issues identified by the hon. Mr. Justice Pidgeon in his judgment rendered last August 30 in the Bertrand litigation.

*Routine Proceedings*

While it would have been possible for the Government of Canada to continue in the Bertrand litigation and to argue these points at trial, we have, on such fundamental issues a duty as a national government to ensure that they are brought to the courts directly with a view to an early and definitive judgment. We have therefore decided to go to the highest court in the land and to ask it to address these questions as soon as conveniently possible.

I also wish to emphasize that the very questions we are putting before the court and those that arose from the judgment of Mr. Justice Pidgeon in Bertrand resulted directly from the position taken by the attorney general of Quebec in the Bertrand litigation. I have therefore referred to the Supreme Court of Canada in concise form the fundamental matters put at issue by the Government of Quebec itself in moving to dismiss Mr. Bertrand's lawsuit.

[Translation]

I have written to the Attorney General of Quebec urging him to participate in the proceedings before the Supreme Court of Canada. It is obvious that there are profound differences in our respective views about these crucial legal matters.

In keeping with our long tradition in this country, consistent with our values of civility and respect for democratic institutions, I call upon the Attorney General of Quebec to join me in a full, frank and open discussion of the very issues he has raised in the place where they are best resolved: in the highest court of the land.

[English]

Let me emphasize something that this government has tried to make clear from the outset. The rule of law is not an obstacle to change. It permits change to take place in an orderly way. It allows Canadians to alter and to adjust to their institutions in a fashion that reflects our values of consensus, of dialogue and of accommodation. I have every confidence that the courts will endorse and accept the position that I have put forward. Nonetheless, it is for the courts to make that determination and we will of course respect and abide by the results.

There is every reason for Canadians across this great land to be optimistic about the future of our country. We must continue to work to avoid ever having to deal with an attempt at secession. The world would never understand the failure of a country like Canada which embodies in so many ways that which is best in the human spirit. Indeed, Canadians would never forgive themselves.

Our common objective must be to continue to work together to improve our government, to make the case for Canada in Quebec and to celebrate the great distinctiveness of Quebec as a fundamental characteristic of our country.

The Canadian government is committed to doing all of that in partnership with all of the provincial and territorial governments of this country. Whatever happens, we must continue to deal with one another with respect, with tolerance, through accommodation and within the law. That is democracy.

• (1025)

[Translation]

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

**The Acting Speaker (Mr. Kilger):** The hon. member for Saint-Hubert.

**Mrs. Pierrette Venne (Saint-Hubert, BQ):** Mr. Speaker, we are told that the federal government intends to seek the Supreme Court's opinion on the legality of Quebec's eventual accession to sovereignty.

Unlike what the Minister of Justice said at the beginning of his speech, I am convinced, and so are my colleagues in the Bloc Québécois, that the people of Quebec will vote in favour of a sovereign Quebec in the next referendum.

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

**An hon. member:** Sixty per cent.

**Mrs. Venne:** They will do so because it is the best option for them and for future generations.

The close results of the last referendum are probably behind the federal government's decision to seek the opinion of the Supreme Court on the legality of Quebec's sovereignty.

This reference to the Supreme Court of Canada is in line with the federal strategy that subordinates the legitimate right of the people of Quebec to accede democratically to sovereignty to the rule of law.

Both the Bloc Québécois and the Quebec government have always said that accession to sovereignty is above all a political matter and not one that should be decided by the courts.

Oddly enough, in August 1995, shortly before the last referendum held in Quebec, the Minister of Justice said in a public statement that it was important to respect the democratic vote of Quebecers on the matter of sovereignty. To him it was a political, not a legal question.

I think it is also surprising that last spring, the Minister of Justice said that the federal government's participation in the Bertrand case was basically motivated by the involvement of the provincial government.

Since the Quebec government has withdrawn from this case, why has he now decided not only to withdraw from the Bertrand case but to pursue the matter alone before the Supreme Court?

[English]

It is because of the close results of the last referendum that the federal government is now asking the Supreme Court for its opinion on the legality of Quebec sovereignty. Resorting to the Supreme Court is part of the federal government's plan B strategy

which involves making the legitimacy of Quebecers' democratic accession to sovereignty subordinate to the rule of law.

Now that it is afraid of losing, the federal government is trying to throw doubt on the entire Quebec referendum process and to impose its own referendum laws. The feds have lost the political battle and are turning to the courts in order to save face.

[Translation]

The federal government's justification for its reference to the Supreme Court is based essentially on the concept of the rule of law.

• (1030)

However, when referendums were called in 1980 and 1995, this did not meet with legal objections from the federal government, which was, in fact, a major participant.

We saw this as a political acknowledgment of the process initiated by Quebec for its accession to sovereignty. In fact, it also acknowledged the legitimacy of the exercise initiated by the Government of Quebec.

The federal government must realize that the rule of law should always be justified by a respect for the democratic values and principles that prevail in our society. The rule of law should never take precedence over the will and the legitimate right of the people of Quebec to accede democratically to sovereignty.

We have said many times, and I say it again today, that the exercise initiated by the province of Quebec needs no definition by the courts.

[English]

**Mr. Stephen Harper (Calgary West, Ref.):** Mr. Speaker, I begin today by indicating that the Reform Party is in support of the reference of these questions to the Supreme Court of Canada. Clearly the vagueness and unpreparedness of the country on this profound question of the rule of law cannot be allowed to continue.

We offer this support in spite of the fact that we have profound differences with the Liberal government about the nature of Canada and the way this issue should be handled in other regards. Reformers do not believe in its vision of a centralized and unreformed Canadian Confederation. We also do not agree with its approach on matters such as language policy, the approach it has taken on national unity and we are still concerned about the vagueness it has on many of the issues that relate not only to keeping the country together but to contingencies in the event the country should have to face the problem of Quebec secession.

### *Routine Proceedings*

I would also like to express to the minister, before I continue, not just my agreement of his actions but that I appreciate his co-operation in discussing these matters with us and in fully informing us of the actions the government is prepared to take.

I also think it would be appropriate on behalf of all Canadians to acknowledge the role of Mr. Bertrand in bringing this matter to the attention of the courts in the first place.

Let me make a couple of comments about the specifics of the government's reference. Generally the government has referred the correct questions to the Supreme Court. I am concerned, however, about some of the wording relating to international law, as the court may be reluctant to express an opinion on that matter.

Also, the reference does not address the critical question of by what means Quebec secession or the secession of any province could occur under the Constitution and whether the Constitution can be used to address that question. I do not see those in the questions that the minister has asked the court and there is somewhat of a deficiency in that regard.

We view this as only a first step. To the extent that the government is increasingly prepared to look at plan B options, it must be prepared to table a legislative framework for such a contingency and also to take greater efforts to inform the Quebec population of not just the possible cost but the consequences and possible conditions of their secession.

• (1035)

I would point out that our position is not new and is not the result of the referendum campaign. Indeed, we made our position on these issues clear a very long time ago.

As early as October 1994, after the election of the current separatist government, I raised questions in the House about the legality and constitutionality of the Quebec secession question. I point out that ministers and parliamentary secretaries refused to answer. They said that the Constitution did not address these issues and that the position was strictly hypothetical.

I would also point out that they went farther and I think to the detriment of federalism in the last referendum campaign. They denied the importance of these realities. The Prime Minister indicated that a majority vote in favour of secession would not necessarily lead to the separation of Quebec. This, in our view, was a very dangerous factor in convincing the population of Quebec that the yes option was not a risky one.

On referendum night we became aware that not only was the Government of Quebec serious about its unilateral plans for separation but in fact had made extensive arrangements and preparations for a unilateral declaration of independence. Clearly

*Routine Proceedings*

this was not a hypothetical question from their point of view and given the result of the referendum it cannot be treated hypothetically now.

The minister is unclear or sending mixed messages when he says that he views a possible yes vote in a future referendum as remote or unlikely. We have to face the fact that we are dealing with this question precisely because of the results of the last referendum. We have to take the expression of the people of Quebec seriously and tell them that when they vote yes it has consequences and those consequences may some day be separation. We cannot just dismiss the results of the last referendum. We must admit they are responsible for the heightened awareness of the danger of this problem throughout Canada.

I would also point out that not only have we supported this position for some time, and we did discuss freely the implications of unilateral separation in the last referendum, but we also, immediately after the referendum, published our formal position on these issues. We have published a document called "the 20-20" which includes not only our 20 proposals for the reform and decentralization of Canadian federation, but also our 20 proposals for contingencies for the rest of the country in the event that Quebec should vote to secede. These are based on three very fundamental principles which the government is finally expressing. These are respect for democratic consent of the people, respect for the rule of law and the primacy of the protection of the interests of all loyal Canadians.

I realize that in making this decision, the Government of Canada will face fairly serious criticism, indeed fairly serious political challenges from its so-called federalist friends in Quebec. In particular, I want to point to the leader of the federal Progressive Conservative Party and the leader of the Quebec Liberal Party.

Members will recall that in the dying days of the last referendum campaign, it is my view that these two individuals ambushed the rest of Canada with their demands for special status. I believe ultimately, although I do not imagine my colleagues will admit it, they ambushed the Prime Minister also. They have maintained that there is a necessity for a plan A that is extremely generous to virtually any demand that comes from the Government of Quebec, but they are not prepared to contemplate any aspect of a plan B.

This is, in our view, a tremendous contradiction: that the threat of Quebec's separation is great enough that the country should be prepared to make not just concessions but virtually any concession to deal with it. However, it is not to be viewed as serious enough that we should in any way plan any contingency to defend the interests of the rest of the country.

These people are tremendous at flag waving and great PR events when they want to get up and say to the rest of the country that they oppose Quebec sovereignty. Today they are finally being asked to show that they are prepared to support Canadian sovereignty. What this issue is about and the reference of this case to the Supreme

Court, in our view, is precisely the opposite of what the premier of Quebec has said. Canada is a real country. Quebec is a province of that country, and that is nothing to be ashamed of.

• (1040)

[*Translation*]

I would also like to speak of the position of the Bloc Québécois. I must point out that, over the years, the position of the Bloc and of the sovereignist movement has changed. As one example, Mr. Lévesque himself proposed a referendum solely as a public consultation, admitting that he ought to negotiate Quebec's final change of status with the rest of Canada.

It is also difficult for us in the rest of Canada to understand Mr. Bouchard's position, when he says that he supports not only sovereignty but also sovereignty-partnership with the rest of Canada. To have a partnership, there must be partners. In this world, partnerships need to be negotiated. This is impossible, and evidence of the lack of maturity of the sovereignist movement, in thinking that it can have a partnership that is unilateral. Not only is this a misconception of human nature, it is also untrue to the nature of relations between sovereign states.

I would also like to point out that the Bloc Québécois is opposed to this idea because, in its eyes, it supports the voice of democracy. I must point out too that, on two occasions, the voice of democracy has rejected Quebec sovereignty. I think I am in agreement with the members of the government as well, in saying that it is time for the government of Quebec to start respecting these expressions of the voice of democracy.

[*English*]

I will conclude by addressing the questions and the fears we all have as Canadians in the shadow of the last referendum. There are those who continue to insist for whatever reason that the possibility of Quebec's separation should not be taken seriously. There may be votes, there may be upheavals, there may be dislocation, but Quebec will never separate.

I have never taken this position. My understanding of Quebec is that as profoundly as I disagree with the position of the separatists, it is a position that is honestly held by many. While I think it is unfortunate and historically was avoidable, there are good explanations for the existence of this movement.

Will Quebec leave? I do not believe it will but it is possible. However, it would be profoundly unfortunate should that occur.

We believe that the struggle occurring in the province of Quebec today is a struggle that is going on in many parts of the world as we emerge from the cold war. That struggle is one of whether we will evolve toward greater forms of co-operation among all nations and all peoples of the world, whether we will move toward structures



and toward arrangements that address and support the idea of the brotherhood and the sisterhood of humanity or whether we will once again descend into the narrowness and the narrow view of ethnic nationalism.

In my view, the choice of Quebec's separation is a choice for ethnic nationalism and would be a choice to embrace the darkness rather than to accept the light. This is a problem for Canada but it does not mean the end of Canada. I profoundly disagree with those who say that as tragic as Quebec's separation would be, it would mean the end of this country. In my view that devalues this country. This country has a strong history and remains strong to those who support it not just in Quebec but elsewhere in Canada.

• (1045)

A country does not live or die by its Constitution or its legal arrangements. These are important for the management of its day to day affairs and ultimately, as the minister has said, important for the management of any profound change in those relationships. However, countries live or countries die in the hearts of the people who belong to them, particularly democratic countries.

Canada remains strong in the hearts of Canadians and, according to two referendums, in the hearts of the majority of Quebecers. The fact that it has died in the hearts of some or may die in the hearts of others is no reason for us to ever give up on this country.

\* \* \*

#### COMMITTEES OF THE HOUSE

##### PROCEDURE AND HOUSE AFFAIRS

**Mr. Paul Zed (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, I have the honour to present the 29th report of the standing Committee on Procedure and House Affairs regarding the membership of some committees.

If the House gives its consent, I intend to move concurrence in this 29th report later this day.

\* \* \*

#### ACCESS TO INFORMATION ACT

**Mr. Stephen Harper (Calgary West, Ref.)** moved for leave to introduce Bill C-327, an act to amend the Access to Information Act (disclosure of results of public opinion polls).

He said: Mr. Speaker, this private member's bill was previously Bill C-346 in the last Parliament and was originally tabled by the then hon. member for Etobicoke—Lakeshore, Mr. Patrick Boyer, and I want to give him credit for it.

I am pleased to introduce this bill, targeting the disclosure of results of public opinion polls commissioned by the government.

#### Routine Proceedings

This bill would amend the Access to Information Act and force the government to disclose within a set time period the results of all public opinion polls which the government itself commissions. This bill would compel the designated minister to disclose the issues dealt with in the poll, the questions and responses, the time period during which the poll was conducted, the name of the person or firm who conducted the poll and the costs of the poll to Canadian taxpayers.

This bill will promote transparency of the government's actions and specifically its relation to pollsters. I would point out that had this bill been law the present Minister of Agriculture and Agri-Food would have had to disclose the results of his polls on the Canadian Wheat Board rather than having them painfully leaked out to the public.

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

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#### COMMITTEES OF THE HOUSE

##### PROCEDURE AND HOUSE AFFAIRS

**Mr. Paul Zed (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, if the House gives its consent, I move that the 29th report of the Standing Committee on Procedure and House Affairs, presented earlier this day, be concurred in.

(Motion agreed to.)

\* \* \*

#### PETITIONS

##### TAXATION

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I have two petitions.

The first petition comes from Barrie, Ontario. The petitioners draw to the attention of the House that managing the family home and caring for preschool children is an honourable profession which has not been recognized for its value to society.

• (1050)

The petitioners therefore pray and call on Parliament to pursue initiatives to eliminate tax discrimination against families that choose to provide care in the home for preschool children, the chronically ill, the aged or the disabled.

##### ALCOHOL CONSUMPTION

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, the second petition comes from Bloomfield, Ontario.

*Supply*

The petitioners draw to the attention of the House that the consumption of alcoholic beverages may cause health problems or impair one's ability, and specifically that fetal alcohol syndrome or other alcohol related birth defects are 100 per cent preventable by avoiding alcohol consumption during pregnancy.

The petitioners therefore pray and call on Parliament to enact legislation to require health warning labels to be placed on the containers of all alcoholic beverages to caution expectant mothers and others of the risks associated with alcohol consumption.

## HELMS-BURTON LEGISLATION

**Mr. Maurizio Bevilacqua (York North, Lib.):** Mr. Speaker, pursuant to Standing Order 36, I am pleased to present to this House three petitions signed by the residents of York North which speak to the rights of Canadians.

The first petition is about the Helms-Burton law. The petitioners draw to the attention of the House that the Cuban liberty and democratic solidarity act attempts to impose American domestic policy on other sovereign states and therefore violates international law.

The petitioners further draw to the attention of the House that Canadian interests, rights and businesses must be defended with strength and vigour.

The petitioners therefore call on Parliament to pursue all avenues available to ensure the rights of Canadians are protected.

## SMALL BUSINESS

**Mr. Maurizio Bevilacqua (York North, Lib.):** Mr. Speaker, the second petition deals with small businesses, the important role they play in our economy, the challenges they face and what we as the federal government can do to help them succeed.

The petitioners call on Parliament to continue to create a healthy environment for small businesses, to ensure that they have access to the financing they need and to help them explore and capitalize on new opportunities.

## HEALTH CARE

**Mr. Maurizio Bevilacqua (York North, Lib.):** Mr. Speaker, my final petition draws to the attention of the House that Canadians of all ages view our health care system as a defining element of Canadian society and that user fees do not work. Rather they merely shift the burden to the most vulnerable in our society.

The petitioners therefore call on Parliament to continue to uphold the fundamental principles of the Canada Health Act so that public health care remains accessible, comprehensive, portable, universal and publicly administered.

## JUDICIARY

**Mr. Stephen Harper (Calgary West, Ref.):** Mr. Speaker, it is my duty to present a petition signed by 28 residents mainly of Calgary.

These petitioners call on Parliament to conduct a full public inquiry into the relationship between lending institutions and the judiciary, and to enact legislation restricting the appointment of judges with ties to credit granting institutions.

\* \* \*

## QUESTIONS PASSED AS ORDERS FOR RETURNS

**Mr. Paul Zed (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, if Question No. 12 could be made an Order for Return, the return would be tabled immediately.

[Text]

Question No. 12—**Mr. Gilmour:**

Concerning federal government owned or leased building/space for which Public Works and Government Services Canada is responsible in Canada, would the government provide: (a) a list of all buildings owned or space leased for Public Works and Government Services Canada use in which 5 percent or more of useable space remains vacant specifying in each case type of building/space (office, warehouse, etc.), number of square metres vacant and address; (b) a list of all buildings owned or space leased in which space is presently available for renting/subleasing to a client/tenant specifying in each case type of building/space (office, warehouse, etc.), number of square metres available for renting/subleasing and address?

Return tabled.

[English]

**Mr. Zed:** I ask, Mr. Speaker, that the remaining questions be allowed to stand.

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

**Some hon. members:** Agreed.

[Translation]

**The Acting Speaker (Mr. Kilger):** I wish to inform the House that, because of the ministerial statement, Government Orders will be extended by 43 minutes.

## GOVERNMENT ORDERS

[Translation]

## SUPPLY

## ALLOTTED DAY—CAPITAL TRANSFERS

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ)** moved:

That this House condemn the federal government's refusal to reveal the full facts on the tax-free transfer of two billion dollars out of the country and its decision instead to

attack the credibility of the Auditor General while opening the doors to other capital transfers that will deprive the federal government of hundreds of millions, and possibly billions, of dollars every year.

He said: Mr. Speaker, I am still shocked by the arguments used by the Minister of Justice and the Reform representative, which, in my opinion, smacked of demagoguery and cynicism, belittled the people of Quebec and denied their democratic rights.

**The Acting Speaker (Mr. Kilger):** I hesitate to interrupt the hon. member simply to ask him to co-operate. I am aware that the issue raised by the Hon. Minister of Justice, to which both opposition parties have responded, is of great if not paramount importance for all members of this Parliament.

• (1055)

However, I must ask the hon. member to co-operate and stick to his motion so the debate remains relevant. With all due respect, despite its importance, the other issue should not be dealt with on this opposition day but wait for another opportunity here in this democratic House.

So I simply ask you to please co-operate and keep to today's motion put forward by the hon. member for Saint-Hyacinthe—Bagogot.

**Mr. Loubier:** Mr. Speaker, I apologize. I sometimes have trouble controlling my emotions, especially when deeply hurt by the comments made by some of our colleagues.

I am happy to rise today to speak to a matter I care deeply about, namely the scandal condemned by the auditor general on May 7, whereby a rich Canadian family managed, in December 1991, to transfer a \$2 billion family trust fund to the U.S. without paying a penny in tax on the capital gains from these assets.

This rich family was able to transfer its assets tax free because of a so-called advance ruling by Revenue Canada. It is important to understand what an advance ruling is. Wealthy taxpayers—and it is essentially they who are involved in financial operations of this nature and this magnitude—can ask Revenue Canada for an advance ruling on an interpretation of the Income Tax Act in order to protect secure a financial transaction or their own interpretation of the Income Tax Act.

This advance ruling, which was made on December 23, 1991, when everyone was busy partying, was based on a distorted analysis out of touch with the realities of tax laws by senior officials from the revenue and finance departments.

Several unusual facts relating to this issue lead us to believe that the government has some things to hide, that it does not want to shed light on this episode. Indeed, even though the decision was made under the previous Conservative government, it may be that friends of the Liberal Party of Canada, major contributors to the Liberals' election fund, very rich and influential people who

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gravitate around the centres of power, such as the offices of the Prime Minister and the Minister of Finance, have had some influence, with the result that, today, the government wants to hide things.

The first unusual fact is that senior officials from the revenue and finance departments had several meetings before issuing this ruling. During those meetings, they leaned on one side or the other. First, they said that the family could not transfer to the United States these assets of \$2 billion tax free. However, in the end, on December 23, after numerous representations had been made by the tax experts representing the rich family involved, Revenue Canada issued an advance ruling allowing this scandal to take place.

Oddly enough, there are no minutes of these meetings, no report, no written account of the arguments put forth by the two sides before such a distorted interpretation of the tax provisions was made.

The second unusual fact is that, to this day, the ruling, which may have cost hundreds of millions of dollars to Quebec and Canadian taxpayers, is not supported by any technical analysis. There is no technical document.

• (1100)

When it wants \$50 from middle and low income taxpayers, Revenue Canada does not beat around the bush. It issues a notice and sends a long letter explaining that an amount of \$50 is due and payable. However, when hundreds of millions of dollars are at stake, no technical document is to be found.

The third unusual fact is that, for almost a week, meetings took place from morning until evening. On December 23, during the holiday season, while everyone was at home relaxing and celebrating Christmas and the New Year, some public servants were at work. The result was that, on that day, Canadian taxpayers' goose was cooked. Quebec and Canadian taxpayers are the ones who, through their taxes, must pay the hundreds of millions that were not paid by the family that transferred \$2 billion to the United States.

Two days before Christmas, a family in Canada had additional reasons to celebrate, following Revenue Canada's ruling. However, all the other Canadian families would, had they known about this—because the government kept it a secret—have been saddened by the shameless attitude of senior public servants, who probably acted with the complicity of those in office at the time.

Another strange thing: while all advance rulings by Revenue Canada are normally made public, available to everyone, it took until last March 21, five whole years, for this advance ruling delivered in December 1991 to be made public and for the auditor general, on the basis of this very information, to bring to the public's attention this two billion dollar scandal. Five years.

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Do you know what this means? It means that Revenue Canada had things to hide, because it is truly incredible that all these advance rulings were made public over the last five years with one exception. Oddly enough, it was the most important one. Oddly enough, it was the one that is costing Canadian taxpayers hundreds of millions of dollars. It is definitely rather strange.

This implies as well that for five years a small group of people knew, but that the bulk of the public did not. What is the word for this? In the United States, they would be described as insiders, people who were able to profit from their knowledge of the existence of the December 1991 advance ruling, of the existence of an erroneous interpretation, but one given by Revenue Canada regarding certain tax provisions from which others in their limited little group could have profited.

It means that the tax experts representing the very rich Canadian family that transferred its two billion dollars to the United States had a secret, a golden piece of information that they could sell all over the place to other rich Canadian families, because let us not forget that this 1991 ruling served as a precedent.

It means that, for five years, other rich families in Canada were able to profit from this advance ruling, in order to do exactly the same thing as in the case that concerns us, which is to not pay a cent of tax, and have the rest of Canadian taxpayers compensate for the fact that they were able to transfer billions out of the country.

Another strange thing in all this is the attitude of government representatives. When the auditor general made this case public last May, he did so in connection with the work of the House of Commons public accounts committee.

The public accounts committee is the committee that looks at all the recommendations, as it will today with the auditor general's new recommendations, and the public accounts committee examines all the chapters in the auditor general's report, analyzes each of the recommendations, and calls witnesses, as well as looking into the various scandals uncovered by the auditor general, involving spending or the numerous examples of waste in the departments, for instance, or situations such as those that concern us today—a misinterpretation of the tax act. This is the mandate of the auditor general.

• (1105)

As for the information made public by the auditor general, you have seen the performance before the public accounts committee by the Liberal representatives, including the hon. member for Brome—Missisquoi. You have seen them tearing out their hair in front of the cameras, sending out press releases about how they were going to get to the bottom of the circumstances surrounding this advance ruling, the circumstances which made it possible to avoid taxes because of a loophole in the Income Tax Act.

Two days later, the hon. member was nowhere to be found. The story was that he had been called back to his riding on a very urgent matter, and could not get back until the next week. Finally, he was absent for two weeks. He could not be reached. And why? Because he had received an order from higher up. He had been given orders from higher up to button his lip, because some people linked to the Liberal Party, perhaps even to the PMO or the office of the finance minister, had, or might have, profited directly or indirectly from this ruling. So he was told to keep quiet.

After that, everything went haywire. The Minister of Finance announced he was transferring the case of the two billion dollar trust to the finance committee, so that such an ambiguous situation—as he referred to it—would not be repeated in future. He called it an ambiguity in the tax law, whereas it is not; it is clear that government employees were not entitled to make the interpretation they did.

By transferring the matter to the finance committee, the Minister of Finance was merely clouding the issue. And why? Because the finance committee is not mandated to cast light on a specific case, whereas the mandate of the public accounts committee is to carry out a thorough investigation, to virtually convert itself into a royal commission of inquiry. As for the finance committee, it is not concerned with the day to day administration of tax policy, as the public accounts committee is. Nor does it investigate cases raised by the auditor general. Its focus is on the changes in taxation policy.

By transferring the case to the finance committee, the finance minister certainly was aware—having been an MP and the Minister of Finance long enough—that it would not examine the specific case from 1991, but would make recommendations on future changes to policy.

When it did get to the finance committee, the Liberals' attitude was really scandalous. First, the chairman of the finance committee. When the auditor general appeared before the committee, for more than an hour and a half he scolded the auditor general, was derisive and tried to undermine his credibility by taking the floor. This is unheard of in a committee of the House of Commons: a chairman who decides to take the floor for an hour and a half and tell off the auditor general.

The auditor general, and it is important for taxpayers to realize this, is one of the most venerable institutions of this Parliament. The auditor general is the watchdog of the public purse. He is accountable to Parliament, not to the Liberal Party of Canada.

He judges the performance of managers, their good and, especially, their bad decisions, and reports to Parliament. In other words, he is accountable to the people. He monitors public finances and the interpretation of tax laws in the best interests of the

taxpayers of this country. And the only thing the government side did was undermine the credibility of the auditor general.

Recently, this happened again. The report of the Liberal majority on the finance committee, the very report ordered by the Minister of Finance, said, more or less: "The auditor general had no mandate to do what he did". However, he did have a mandate to do what he did and he had done so many times. He has examined the interpretation of tax laws at least seven times in ten years.

When the Liberals were in the opposition, they used the cases of erroneous interpretation of the Income Tax Act by senior officials that were raised by the auditor general. Today, they condemn him. They say the auditor general has no mandate.

Second, they said he had no credibility. That is a serious charge. The auditor general watches over the interests of all taxpayers. He is accountable to Parliament and makes departments, ministers and senior officials give an account of themselves, but they say his analysis is not credible. What is their basis for saying so? They rely on the opinion of six experts who appeared this summer before the finance committee. I was there, and six out of eight experts spoke out against the auditor general.

• (1110)

Do you know why? Because the six of them, all of them, were tax experts representing wealthy Canadian families and helping those families to take millions if not billions of dollars out of Canada in order to avoid paying a cent of income tax on these amounts. Now, has anyone ever seen people who are judge and jury shoot themselves in the foot? Of course not, it would make no sense. But the Liberals, pursuing their saga and their objective, which is to hide the inside information in this matter, relied on these experts.

There is more. Instead of closing the gates and saying that this sort of wrong interpretation would no longer be tolerated, they said that this distorted, wrong and cynical interpretation made by Revenue Canada would become the rule. The borders will be opened. Once the government accepts the report of the Liberal majority, wealthy Canadian families will be able to do as they please. They will be able to transfer millions and billions of dollars without being bothered in any way by Revenue Canada. Mr. Speaker, just try to take \$ 2,000 out of Canada and open an account in a foreign country to see if Revenue Canada will allow you to do it. Just try.

The attitude of the Liberals in this matter is bewildering but suggests that the government probably has many things to hide.

As I said earlier this week in this House, if we scratch the blue of the decision taken by the Conservatives in 1991, we will soon find some red underneath. In other words, some influential people in the Liberal Party benefited from this decision. Furthermore, the fact that the standing committee on public accounts cannot go into this

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matter as thoroughly as it would like to and call witnesses, namely senior officials and even politicians who were involved in this decision in 1991, and even tax experts who were around at the time, suggests that the government is trying to cloud the issue and hide things.

The government has something to hide. There might be people in the Prime Minister's office or in the finance minister's office who do not want this thing to become public knowledge, but it is the Canadian taxpayer who is paying for it, and probably for other cases since, as I mentioned before, and this is very significant, the 1991 case has set a precedent for others. As soon as this kind of advance ruling is handed down, and insiders get wind of it, and we are dealing with insiders here and, by the way, insider trading is an indictable offence in the United States, they may use it to other people's advantage. They might have used it to benefit their clients if they worked for tax consultants, for example.

As a result of this ruling, astronomical sums of money are being transferred abroad without any interference from Revenue Canada. In this case as in others that might have occurred, the government must come to its senses and protect the interests of all taxpayers, not only those who are millionaires or billionaires.

[*English*]

I would like to take this opportunity to announce to the House that the official opposition is currently working to create a vast coalition coast to coast. This coalition will be constituted of unions, elderly people organizations, student organizations, groups devoted to the well-being of underprivileged people, and Canadian citizens who are fed up with the attitude of the federal government on this issue. We hope this vast coalition will bring some sense to the government.

[*Translation*]

In the meantime, let us hope that it will see the light, it is in the best interest of all Quebecers and Canadians. It is outrageous for the government to attempt to cover up this scandal, hiding behind false arguments, instead of getting to the bottom of it.

• (1115)

It is kicking a big fuss, trying all kinds of tricks in the public accounts committee or the finance committee to make sure that the truth will never be known.

I would like to take this opportunity to reiterate, on behalf of Quebecers and Canadians, our trust in the institution of the auditor general and the work Mr. Desautels did on this issue and many others.

If there is an auditor who deserves the highest respect for his work and his integrity, and who has in fact been supported by a former auditor general, Mr. Kenneth Dye, it is Mr. Desautels,

*Supply*

whom, I believe deserves to be applauded for his work instead of having his reputation systematically tarnished by an unscrupulous government.

[*English*]

**Mrs. Sue Barnes (Parliamentary Secretary to Minister of National Revenue, Lib.):** Mr. Speaker, I am very pleased to make a brief comment at this time. We have just heard the opening speech on this daylong debate.

I want to make it known to Canadians that during this debate they will hear more than the speculations and the fearmongering that we have just heard. I hope they understand that this is an extremely complex area of tax law.

An open public hearing was made at which time unfortunately no evidence was put forward by the members opposite to prove any of their speculations. So what we have today is a debate on the one side where people are looking to find a problem that they could not find when the hearings transpired. We have a tabled report and what we are doing is open to debate today.

I ask Canadians to listen to members from all sides of this House who will give their opinions. I believe the government, acting responsibly and in a balanced manner, will be able to shed some reality in this discussion.

[*Translation*]

**Mr. Loubier:** Mr. Speaker, when they talk about reason, when they say that the government behaved reasonably, I must say it is certainly not the case in this instance. Since the very beginning, it is remarkable how many steps, how many measures the government has taken to cover up, to conceal the situation.

Even in the public accounts committee, of which my colleague is a member, they used every trick in the book; motions were submitted, even a motion saying that light would be shed on this issue in the fall was defeated by the Liberals. It takes some nerve to do that. Every time my colleague, the member for Beauport—Montmorency—Orléans and Chairman of the Standing Committee on Public Accounts, tried to raise the issue, he was turned down. They used the finance committee's analysis as an excuse to say: "Finance is working on it. Once they have done their job, we will see".

The Standing Committee on Public Accounts has the authority to act almost as a royal commission of inquiry. Until now, I have not sensed a willingness, on the part of the Liberals, to get to the bottom of this issue. On the contrary; the finance committee report, a Liberal majority report, and even the statements made over the last two weeks by the Prime Minister and the finance minister, show clearly that they want to cover up, and not shed light on the issue.

Not only will they not shed any light, but they announced, in the Liberal majority report which has now been recognized as the government's position on the issue, that what was done in 1991, that misinterpretation of the tax legislation, will now become the general rule. From now on, this is how Revenue Canada will officially interpret the tax provisions.

I want to ask Canadians to consider the so-called reasonable attitude of the government. It is not a reasonable but a outrageous attitude. These people practice patronage. I hope that Canadians will see it some day. I hope that those Canadians that are now Liberal supporters will raise the question in their ridings and ask their members of Parliament for an explanation.

Sometimes I look at Liberal members and I wonder if they read the reports of the committees and of their government. Sometimes I hear things and wonder if I have not landed on another planet. I feel they know nothing about the government's positions and their implications. They just go along with everything.

They go along, they applaud, they smile and say: "My my, we are good". They are in fact shooting themselves in the foot.

• (1120)

They are here to represent their constituents but instead, they applaud the government's positions when in fact that government is only protecting a handful of rich friends of the party. That is not normal. I hope they will wake up eventually because this is no way to behave in politics. It is certainly not our way. And it is most unfortunate.

[*English*]

**Mr. Derek Lee (Scarborough—Rouge River, Lib.):** Mr. Speaker, the hon. member leads off debate on this important issue today and he suggests that we have a scandal. The auditor general has reviewed the issue. The Standing Committee on Finance has reviewed the issue. The hon. member has spent 20 minutes or so introducing us to the issue in the House. He suggests that it is a scandal but all that he has done has asked questions.

It is a little too late in his remarks to do it but perhaps a subsequent member will address this. However, I wish that someone would please outline what element of the issue constitutes a scandal. I put this to him and I ask for his reaction.

The advance ruling procedure that was used does not create any new law or any new rights. It is simply a decision by the department on what the tax law was at the time.

If this particular trust had simply changed its domicile without seeking an advance ruling, I put it to him: Would not the department have come to the same conclusion in doing an assessment or making the decision not to do an assessment after the change in

domicile had taken place? It would have come to the same conclusion that the tax law permitted the change in domicile without the deemed dispositions that would otherwise have taken place.

Where is the scandal? If there is a problem it may be in the existing tax law. Unless the member can point to a problem, I suggest to him that an advance ruling would have had the same effect as an assessment would have had after the change in domicile of this trust had taken place.

[*Translation*]

**Mr. Loubier:** Mr. Speaker, that is exactly what I was saying. The hon. member, my Liberal colleague, did not read the proceedings of the finance committee, did not read the testimony of the people who appeared before the committee, most of all did not read the auditor general's report and did not read the report of the Liberal majority in the finance committee.

There is a scandal because the economy of the legislation concerning taxable Canadian property—it sounds technical, but that is the objective—the economy of the legislation said this concept, which allowed the transfer of some public corporation assets elsewhere in the world, free of tax, was to be applied only to foreign residents, not to Canadian residents.

The concept of TCA, of taxable Canadian assets, was applied to a Canadian family that transferred \$2 billion outside the country and did not pay a cent in taxes. When you talk about the proceedings and the experts who were consulted, as I was mentioning earlier, the six experts your friends claim to be are people who represent rich Canadian families and who allow them to export capital.

I will confront you with 15 experts who have no links with rich Canadian families, academic tax experts, people who know their business, and they will tell you quite the opposite. The auditor general did his job, his interpretation of tax legislation is correct, and it is Revenue Canada's interpretation that is wrong.

The proof of the matter is that Revenue Canada issued a notice in 1985 that said that, in a case such as this one, the TCA, transfers of capital outside the country free of tax, could not apply to Canadian residents. And what is rather strange, in 1991, within a week, during the Christmas holidays, while everyone was celebrating, Revenue Canada's decision was changed following discussions with representatives of rich Canadian families. That is a scandal.

The other scandal is the attitude of the government, of Liberal representatives who, instead of shedding light on this and closing the borders to this flight of rich families' capital, open them wide to favour their friends.

[*English*]

**Mr. Maurizio Bevilacqua (York North, Lib.):** Mr. Speaker, I listened very carefully to the hon. member from the opposition and I am still trying to figure out exactly what he is talking about.

### *Supply*

Today he has certainly presented perhaps the weakest case that he has ever presented in the House of Commons.

The auditor general raised important policy questions in an area that Parliament had not really reviewed in over 25 years which related to this issue. The committee as I understand it in turn produced a report and submitted thoughtful recommendations which the government is reviewing carefully.

• (1125)

I want this to be very clear for those Canadians who are watching the House of Commons proceedings. There is no evidence of large scale capital flight that is depriving this government of tax revenue owed to it. Canada already has tough tax rules for people who leave the country and these tax rules are much stricter than the ones in almost every other country including the United States, the United Kingdom, France and Germany. They certainly are tougher than the ones in Japan.

Does the hon. member think that by repeating the words "family trust" and "scandal" that somehow he is going to score political points? Canadians are intelligent and clearly they will find that what the hon. member is simply advocating is cheap politics.

[*Translation*]

**Mr. Loubier:** Mr. Speaker, there is a scandal, namely the tax-free transfer of \$2 billion abroad, when this kind of thing should not have been done. There have been other such transfers since then, and do you know why? Because the Deputy Minister of National Revenue said so when he appeared before the finance committee. He said that the decision on the first \$2 billion may have led to other transfers.

The other point is, you are saying we want to score political points, you will see that the points scored will not be not political. The coalition we are setting up includes organizations from across Canada that are very interested in letting the government know they disagree with this. As you will see, this coalition is apolitical and the Liberals in each of their ridings will feel the heat.

**The Acting Speaker (Mr. Kilger):** In conclusion, I wish to thank the hon. member for Saint-Hyacinthe—Bagot for his understanding and co-operation, which I accept. As he pointed out to the House, the circumstances were difficult.

[*English*]

**Hon. Douglas Peters (Secretary of State (International Financial Institutions), Lib.):** Mr. Speaker, I am very pleased that the hon. member has brought forward this motion. I must admit in listening to him for the last half hour I was not sure whether I was listening to "This Hour Has 22 Minutes" or that maybe I was on another planet.

This does give the House an opportunity to see in black and white just what the hon. member and his colleagues have been shouting about for the past several days. As is so often the case, this motion makes it clear that the hon. member is rather confused on more than a few points.

*Supply*

The motion asks the House to condemn the government for failing to shed light on various transactions. I will have more to say in a few moments about what those transactions were and how the motion mischaracterizes them, but first I would like to take a look at the suggestion that the government has somehow been concealing things.

The auditor general issued his report on May 7 of this year. The Minister of Finance immediately asked the House of Commons finance committee to look at the important issues raised by the auditor general.

The Minister of National Revenue announced an immediate moratorium on the kind of advance rulings that had concerned the auditor general. That certainly does not strike me, and I am sure it does not strike Canadians, as the action of a government that wanted to conceal something.

The finance committee was given an extremely broad mandate and held several days of open public hearings. The committee heard from the auditor general and members of the auditor general's staff, a total of eight private sector professional and academic experts, and senior officials from the Departments of National Revenue, Finance and Justice.

The committee invited opposition members, including the hon. member who brought forward this motion, and the auditor general to suggest witnesses. During those hearings all committee members, including the hon. member, were free to ask any and all questions and to discuss any issue they saw fit. These hearings were also open to the public. Is there any possible process that could be more transparent than that?

In addition, the committee has tabled its report complete with partially dissenting opinions from the opposition members. The report is over 60 pages long and deals with every one of the issues identified by the auditor general. Again, I fail to see how this indicates a desire to conceal something.

• (1130)

In response to the committee report, the Minister of Finance said that the government would look seriously at the recommendations contained in both the majority report and the minority reports and would take action once there had been adequate opportunity for consultation. In the meantime Revenue Canada's rulings moratorium would continue.

How does all of this show any reluctance to shed light on an issue? The fact is the government has acted quickly, transparently and appropriately in response to the concerns raised by the auditor general.

If anyone is afraid to shed light on these matters, it is the hon. member and his colleagues. With their unsubstantiated claims of scandals and billions of dollars worth of capital fleeing the country, they are leaving Canadians entirely in the dark about what are the real issues.

This brings me to the next part of the hon. member's motion. The motion talks about a flight of capital; \$2 billion in total that left Canada free of tax. It suggests that even more money, billions even, is sure to leave the country as a result of some unspecified thing the government has done or the government has not done.

The hon. member is a colourful speaker and this is a colourful motion. It has a vision of convoys of Brinks trucks lined up at the U.S. border waiting to go south. Colourful as that image is, Canadians deserve better than this. Canadians know that there is no restriction or tax on moving money out of Canada. Apart from a handful of countries with exchange controls, this is the way the last half of the 20th century world is. Money moves freely and we are all the better for it.

Having confused the issue, the hon. member will now back up and say that what concerns him is not movements of money per se, but movements of untaxed capital gains. Somehow he says \$2 billion in assets left the country with no tax being imposed. Here again the truth is considerably less exciting and a whole lot more complicated.

The fact is Canada does tax people leaving Canada on any capital gains their property has accumulated. We are one of only a few countries that do this. Our rules in Canada are tougher than the rules in the United States. Our rules are tougher than the rules in the United Kingdom. Our rules are tougher than the rules in France. Our rules are tougher than the rules in Germany. Our rules are tougher than the rules in Japan. Our rules are tougher than the rules in Switzerland and they are tougher than those in almost any other country anywhere else.

We do not tax people who leave with gains on Canadian property. That is because we will tax the gains on Canadian property when they are actually realized or if a tax treaty applies, the person's new country will tax those gains. This is not a loophole. It is not something of which only rich people or only trusts can take advantage. It is a basic part of our tax system and it has been there since 1972. It makes good policy sense. Do not tax on realized gains unless you have to tax. It is not the only policy we could have and the committee has suggested that it be reconsidered. But it hardly deserves the kind of scorn the hon. member is heaping on it.

The issue that Revenue Canada had to rule on in 1985 and again in 1991 under the previous Tory government was whether certain shares were the kind of property which is known as taxable



Canadian property. The issue is a complex, technical one. There was no immediate clear answer. At the end of the day Revenue Canada said the property was taxable Canadian property.

Last May the auditor general indicated that he was concerned that this might not have been the correct answer in a technical sense. As soon as the minister became aware of the auditor general's concerns, he asked the all-party finance committee to look at the issue with the help of experts. He did not hide from the issue. He faced the issue squarely. He did not put it in an expert's hand. He did not do any of those things. He put it in the hands of an all-party finance committee and asked its members to consult the experts, suggest witnesses and come back.

• (1135)

The committee invited the opposition to suggest those experts who might participate and the expert opinion was overwhelmingly that Revenue Canada was correct. There was no tax free flight of capital. Let me repeat, there was no tax free flight of capital.

The particular taxpayers concerned did not pay any tax, true. That was because they did not owe any tax. I am sure that not even the hon. member who proposed this motion really wants Revenue Canada to collect tax it is not owed.

The motion goes on talk about other capital leaving the country, as though the government had opened some secret door to let people escape tax. That is absurd.

The committee found that in 1985 and 1991 the rulings did not open any new avoidance opportunities. With the Minister of National Revenue's continuing moratorium even in the unlikely event that there was some yet undiscovered, secret way to exploit the current rules, taxpayers could not be certain their avoidance techniques would work because the Minister of National Revenue has put a moratorium on advance rulings.

It is true that there is a flight of capital under way right now. That flight of capital is into Canada. Business people and investors around the world realize Canada is such a good place to invest their money, to do business, and there is a flight of capital into Canada these days.

Regrettably the separatist government in Quebec makes it hard for that province to attract its share of this new investment. It is understandable that the hon. member tries to distract attention from what are the real issues. Those real issues are that the separatist government in Quebec is not attracting the amount of money into Quebec that could have attracted if there was another government.

The simple fact is that this issue, important as it is, does not involve any flight of capital. The issue of tax is not a flight of capital. People come into and leave Canada all the time. Some of them are rich people, and some of them are poor people. Some of them do not owe any tax but that does not mean that our system is

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grossly deficient, much less that there is some government conspiracy to let people off their legal obligations.

The motion also talks about the government attacking the credibility of the auditor general. The hon. member said that the committee denounced the auditor general. That is simply not the case. That is pure unadulterated rhetoric.

The hon. member is well aware that the report of the finance committee is just that, it is a report of the finance committee. The committee is composed of members of Parliament from all officially recognized parties in the House. The role of a parliamentary committee is a vital one to our democratic process. The work of the committee is the work of its members. Its work does not represent government policy, it represents the work of its members.

The government would not have it any other way. We value the work of the committees of this House. Even the hon. member who put forward this motion would not want to have a system whereby the work of committees was not independent.

By ignoring this distinction I can only conclude the hon. member does not wish to deal with the difficult policy choices that the report implies, not when there is an easy headline, not by repeating irrelevant accusations, not by simply defending the auditor general against non-existent attacks. Those are the tactics of the opposition members and they are certainly irrelevant.

In summary, this motion is an excellent written summary of everything that is wrong with the official opposition's approach to so many complex matters. It ignores the real question. It repeats unprovable accusations. It denounces the government for acting irresponsibly. It simplifies to a point of incoherence some very difficult public policy issues. All of these are untrue. All of these are ridiculous. The motion will be rejected by anyone who believes in parliamentary democracy and believes in the rule of law.

• (1140)

**Mr. Monte Solberg (Medicine Hat, Ref.):** Mr. Speaker, it is a pleasure to speak to the opposition motion today. As I see it, there are two major issues that flow from the motion and from this whole issue.

First is the government's attempt to redirect criticism for the handling of the affair by blaming the auditor general. That is the first big issue. The second is how confusing Canada's taxation system is, and the failure of the government to provide crystal clear tax policy that prevents disputes of the type we are talking about today. Those are the two big issues.

I want to say a couple of words about this specific incident. What we have here is a curious set of events that led up to the tax ruling in 1991 and a curious set of events that get us to this point in the debate in 1996.

*Supply*

A tax ruling was made that was not made public which had a curious lack of documentation surrounding it. We know that this ruling allowed \$2 billion to leave the country in a circumstance where, ordinarily, it may have been taxed. The final point I make with respect to all this is that the auditor general looked at all this and found that there was no wrongdoing.

While there are many unanswered questions, the government has done a very poor job of making tax policy clear. It is very wrong and irresponsible when its members turn around and criticize the auditor general.

The Bloc Quebecois has gone way beyond the pale in suggesting that there is some kind of great scandal here, that Canadians are going to rise up. That is just a little hyperbole on its part.

However, the opposition motion gives us the chance to talk a little more about these two issues, the government using the auditor general to escape accepting responsibility for the lack of clear tax policy and really how confusing our taxation system is.

What I regard perhaps as the most serious of the two issues is the efforts of the government to blame the auditor general and to try to redirect criticism to him so that it does not have to take the heat for not being clear about tax policy.

This has become a theme, really, for the government. I point to the recent responses to questioning by the Prime Minister with respect to the Somalia inquiry. He is blaming the inquiry, in this case, for some of the problems he is having. He is blaming it for taking too long and for being too tough on witnesses.

I see a theme developing where the government is trying to blame other people. In the case we are talking about, its members are blaming the auditor general, an officer of the House and not accepting responsibility themselves. This will catch up with the government so that its members cannot continue to blame other people, particularly independent agencies, when things go wrong.

There is no shortage of incidents where things have gone wrong for the government and I want to talk about a few of those for a moment if I might.

I hate to continue to raise this, but I feel duty bound to do so because it is one of the things people have been talking about the most over the last little while. It is something that Canadians are very concerned about.

I go back to the whole issue of the broken promise on the GST. We had a situation where the government was blaming the media when it came to its broken GST promise: "Oh no, we didn't promise to scrap the GST. Look at our red book". Of course, they were on national television doing exactly that. Again, they were trying to shift the blame. They did it on the GST on reading.

• (1145)

The Prime Minister wrote the don't tax reading coalition and said he would remove the GST on reading materials. We have had policy conventions since then, in 1992 and in 1994, where the government said that it would remove the GST on reading. Now the government is trying to say: "You must have misunderstood. That is not really what we meant at all". This is despite the fact that it is in *Hansard* and in all kinds of public documents. Again, the government seems to have a problem accepting any responsibility, just like in this debate over the auditor general and his criticism of taxation policy.

We have a situation where the government promised to provide 150,000 day care spaces but it will not accept responsibility for making that promise. I do not support the government when it comes to providing these day care spaces. We believe that it should take a different tact. However, that is not the issue. The government made a promise in the red book and it is now trying to weasel out of it.

During the recent debate over cuts to the CBC, there is a pledge in the red book which states that the government will provide stable funding for the CBC. The heritage minister has been one of the most vociferous defenders of funding the CBC over the years. On numerous occasions the minister has said that we must protect the CBC. I do not agree with protecting funding for CBC Television, not at all, but that is not the issue. The government is trying to weasel out of its promise. It is trying to get out of accepting responsibility for the promises that it made in the past. Again, that is what it was trying to do with the auditor general.

The auditor general should not be investigating those policy areas, the government is saying, he should not even be looking at all those kinds of things because it makes it look bad. That is too bad. It is the government and it has to start accepting some responsibility.

Another issue where the government is trying to get out of a previous promise and shift responsibility away is on the Canadian Wheat Board. I remember very well during the election campaign when we had the Prime Minister and the current minister of agriculture saying they wanted a plebiscite on the wheat board issue. However, there has been no plebiscite.

We also know that since then they have brought down a panel that was going to review the whole issue of the wheat board, what it should be involved in and should there be options for farmers other than the wheat board. The minister hand picked these people and said he was going to listen to their recommendations. Again he is trying to get out of that responsibility. He and the Prime Minister is now preparing Canadians for the fact that they will not meet their promise. We again have the government trying to slide out of a responsibility, a promise it has made.

*Supply*

It does not end there. I want to talk about the big kahuna of promises, the big promise that the government made during the last election campaign. It was jobs, jobs, jobs. I just want to talk about that in detail for a moment.

The Liberals won the election in part because of a promise to create jobs, jobs, jobs. The issue we are talking about they have again tried to redirect criticism from the public, from opposition parties and from other interested people over the issue of family trusts. They have tried to pin it on the auditor general. However, I fail to see how the auditor general or the Somalia inquiry or any of those other groups are responsible for the complete and utter failure of the government to fulfil its promise to provide jobs for Canadians.

We still have, as we did in 1993, 1.5 million unemployed Canadians in this country. That is a scandal. That is what the Bloc Quebecois should be calling a scandal because that truly is. It is not just the unemployed Canadians, it is the underemployed Canadians: 25 per cent of Canadians underemployed. Half of all Canadians are worried about keeping the jobs they currently have. There is scarcely a person in this country who does not know somebody who is unemployed or very afraid of not being able to get a job when they get of school. There is 15 per cent youth unemployment in this country. There are people with Ph.Ds working at minimum wage in jobs that certainly are well below their qualifications. We need the government to start accepting some responsibility for all these broken promises.

• (1150)

Members across the way will say that on average unemployment is going down. That is like saying, as the member for Calgary Southwest says from time to time, that the guy with his feet in a bucket of ice water and his hair on fire on average feels pretty good.

When we talk about unemployment we cannot look at averages. Unemployment in Newfoundland is up around 20 per cent, 25 per cent, 50 per cent, 70 per cent in some communities. That is an absolute human tragedy of monumental proportions. Improvements in the job picture in Alberta do not help the people in Newfoundland one bit. And so we must insist that the government start to accept some responsibility for all the promises it has made.

People in Atlantic Canada, people in Quebec are desperate to find jobs. The government cannot continue, as it has done in the finance committee report, to push the blame on to somebody else. The government of the land is in charge of the levers of power. It makes the decisions. It rode to power on the promise that it would provide jobs, jobs, jobs.

Canadians have a right to know what the government is doing to fulfil that promise, and if it does not fulfil that promise they expect

the government to take responsibility, not to shift the blame to somebody else. It is time the government started accepting responsibility.

When a six-year old child does not accept responsibility it is bad. But when adult men and women, capable people, people who are supposedly the cream of the crop, people who make up the caucus and the cabinet of the country, refuse to accept responsibility for promises that are on paper, which they campaigned on, it is scandalous. It is ridiculous.

This government will pay a price. I personally am going to ensure it does. When people make promises like the government has made and refuse to accept responsibility when they do not fulfil them, then they only contribute to the tremendous cynicism we see across the country today when it comes to people's respect for politicians. Is it any wonder people are so disrespectful of politicians today? Hardly.

The government made another promise which it has tried to slide out of, to weasel out of. The red book it states:

A Liberal government will appoint an independent ethics counsellor to advise both public officials and lobbyists in the day to day application of the code of conduct for public officials. The ethics counsellor will be appointed after consultation with the leaders of all parties in the House of Commons and will report directly to Parliament.

Three years have gone by since this government took power. Do we have an ethics counsellor who reports directly to Parliament? Hardly. We have someone the Prime Minister knows who reports directly to him. The Prime Minister allegedly speaks to the ethics counsellor when a scandal arises. Then the Prime Minister comes back and tells us what was allegedly said. But this person is not an independent officer of the House of Commons, not at all.

We have had situations like when the former heritage minister met clients of his department for a fundraising dinner. We asked that these situations be referred to an independent ethics commissioner. What happened? Nothing, despite the fact that the Prime Minister and the government promised in writing to do that. Another promise in writing, another promise broken. And again the government shifted responsibility and said: "Perhaps we were misunderstood. We really do not mean the words that are on this paper".

I do not buy that and Canadians do not buy it either. It is an absolutely ridiculous package of—

**Mr. Strahl:** Use the right words now.

**Mr. Solberg:** I have to find the right words—misleading words, which Canadians are simply not going to buy. Canadians are tired of being misled on a whole variety of issues and they are not going to accept it any more.

*Supply*

• (1155)

I have talked for a few minutes about one of the two issues that I have identified as being ones that are important and which flow from this whole debate over family trusts and the finance committee's criticizing the auditor general. I have talked about the attempt by the government to shift responsibility over to, in this case, an independent officer of the House, the auditor general. In other cases the government has tried to shift responsibility to whomever it thinks it can.

The second issue I wanted to raise is the whole issue of the confusing taxation system. The government has been in power for three years. Why has it not clarified this particular fine point of taxation law which is so much in discussion and part of the controversy we are talking about today? The fact of the matter is until this issue was raised nobody did anything about it, despite the fact that the government has been in power for three years.

It is fairly clear that Canadians are concerned about how confusing the taxation system is. As the hon. member for Saint-Hyacinthe—Bagot pointed out a few minutes ago, when it is \$50 that the average guys owes the government goes after them hammer and claw. It is no secret that the government has actually cranked up its revenue department to go after anybody at all who looks like they have missed including a penny on their taxation forms. There is no question—and I am sure hon. members will attribute to this—that there are more and more people who are complaining to MPs about how vigorous the taxation department has become in scraping every cent out of its pocketbooks so that it can continue to bring more revenue into the government. That is another issue which I will touch on in a moment.

The taxation system is extremely confusing. The Income Tax Act is 2,000 pages thick. There are currently 10,000 cases before the courts on the issue of taxation law. There are all kinds of people who have very serious concerns about the complexity of the tax system.

One of the promises which our party has made is that we would look at the complexity of the taxation system. People have a basic right to understand how the taxation system works. When the government is taking half of a person's money in taxes, it is a basic right for people to be able to understand why the government is taking the money and what it proposes to do with it.

Since this government came to power we have seen 33 tax increases. I have a feeling that people would be a lot more sympathetic to the taxation system in general if overall taxes were not so high. Right now somewhere in the range of 50 cents on every dollar earned goes to pay taxes. That is scandalous. The Bloc Québécois was talking about a scandal. That is scandalous.

Perhaps people do not realize that since 1983, since the Tories came to power and then the Liberals after them, we have seen

federal personal taxes increase \$4,000 a year per individual taxpayer. That is absolutely ridiculous. Then there are excise taxes, which have increased another \$1,100 a year.

The finance minister has talked about how he has not raised personal taxes. That simply is not the case. He has raised personal taxes. He has done all kinds of things to do that. There have been 33 tax increases of various kinds since the government came to power. People have felt it in their pocketbooks.

Somebody suggested to me the other day that what should happen for people to really appreciate how much governments are taxing them is for them to write out a cheque every month to send into Revenue Canada for their taxes, as opposed to having those taxes come directly off their paycheques. Then people would come to appreciate just how heavily they are being taxed. Many people understand that.

The average family of four in Canada makes an income of somewhere around \$54,000. Roughly half of that, \$27,000, goes to pay taxes of all kinds. If someone had to write a cheque to Revenue Canada every month for taxes, it would be well over \$2,000 a month. A mortgage payment of \$1,000 is a pretty big payment every month. But stop and consider for a moment that people would have to cut a cheque for over \$2,000 a month to pay the taxes in this country. It is absolutely outrageous.

• (1200)

We talk about people who are fearful for their jobs. We talk about people who are afraid to start a business, afraid to risk any money they have saved. And how can they save very much when taxes are this high? We wonder why we have an unemployment problem in this country. To me it is not a very complicated problem. When we are paying that much in taxes, how is it possible to save the kind of money that is needed to start businesses? It is virtually impossible.

I will give another example of how the government is working against the ability of people to save money and start businesses and create jobs. This is a perfect example of how the government has proceeded with its tax increases.

On April 22 there was a change in the tax rules affecting the notional input tax credit. When I try to explain it, it becomes very complicated and people just throw up their hands and their eyes glaze over. The net effect of it is that it removes about a billion dollars from the bottom line of small businesses. According to some estimates it amounts to a billion dollars a year. That means those small businesses have to find that billion dollars somewhere else.

Where do they find it? They either find it by charging higher prices to consumers and therefore that tax increase is passed on, or they let people go or perhaps close down their business. Again

people become unemployed. The government has done this over and over and over again.

When we are talking about the taxation system and the point I was trying to make a few minutes ago, I think people would be a lot more willing to suffer with a complicated taxation system if they knew that the government was not using the fact that the system was so complicated and so mystifying to people to raise taxes in a surreptitious way as it has done time and time again.

Another good example is the move to limit how much a person can contribute to RRSPs. That is not a direct tax on personal incomes but the effect is exactly the same as if the government put a tax on personal incomes. What happens is that people end up having to pay more income taxes because they cannot save the money they have traditionally saved through RRSPs for their retirement. On the other hand the Canada pension plan is really in trouble and the government's response to that is to limit the amount that can be put into RRSPs so that people can provide for themselves in their retirement.

Why not give people the dignity of being able to save for their retirement? But the government continuously works in surreptitious ways against the interests of people who are trying to provide for themselves, trying to create jobs by starting small businesses, people who simply want to have a few dollars put away so that perhaps they can take a vacation when they get older, put their kids through university and have the things that back in the 1960s and early 1970s people just took for granted.

I do not think Canadians are demanding a lot. They do not want some utopia in the future. They want the same kind of country we used to have. They want a country where there are balanced budgets, where governments live within their means, where there are small governments which are not in their faces at every turn and every step they take.

Canadians want some reasonable division of responsibilities between different levels of government. Do we really need to have different levels of government involved in every aspect of our lives? Do we have to have three levels of government looking after the environment? Do we have to have two levels of government involved in mining, tourism and agriculture? People want smaller government. They want a balanced budget. They want a taxation system they can understand. I do not think it is being unreasonable.

• (1205)

Canadians want taxes that are high enough I suppose, in that they are willing to pay taxes to look after some basic social programs. They want health care and some kind of a pension plan. But they do not want taxes going into all these wacky social engineering programs that we have seen in the past. They do not want tax dollars going into job training programs that bear no fruit as we have seen over and over again. They say let people who know how to do it do it.

### *Supply*

Canadians do not want to see tax dollars going into regional development programs where we fund all kinds businesses which in turn use those dollars to compete against the people who are the ones who contributed the tax dollars in the first place. That is crazy. We end up putting prosperous businesses out of work or putting them under by subsidizing businesses that have been unprofitable to that point. That is crazy yet the government somehow cannot get the message.

I am grateful the Bloc has raised this issue today. I do think there are two big issues that have come from it and I will just touch on them briefly as I sum up.

The issue of the auditor general reporting on the apparent irregularity in tax law points to a couple of different major issues. One of them is the fact that the government has tried to shift the responsibility away from itself on to the auditor general, someone who has saved us billions of dollars in the past. We only wish that everybody in the government would be so vigilant in finding waste.

The other big issue is our confusing tax system. Our member for Calgary Centre has spent hours and hours speaking to people across Canada about the need to reform our taxation system. We hope that this issue will help bring home the need for government to do that.

I want to conclude by saying a word about the auditor general. It is very important when we have these independent officers of the House that the government think long and hard before criticizing these people. It is no secret that the auditor general and successive auditors general have saved the House billions of dollars over the years.

The one final request I would make is for the government to learn a lesson from the auditor general and to apply the same powers to an ethics commissioner. Then as part of the opposition we would not be talking about all the scandals we have to talk about.

**Mrs. Sue Barnes (Parliamentary Secretary to Minister of National Revenue, Lib.):** Mr. Speaker, I would like to make a brief comment and then to ask the hon. member a question.

My comment stems from the fact that I have listened to a rambling dissertation. At times I had a problem finding the relevance to today's motion. Nevertheless the hon. member said something that interested me and which I think is very reflective of his party's position on many different topics.

He talked about Canadians wanting the government and country they used to have. I find this a major problem. They are always looking backward. Unfortunately the real responsibility of a government is to look forward. This Liberal government is dealing in business, in tax and in every issue. It is not looking backward but looking forward to the future, forward for a better situation for

*Supply*

Canadians. That includes very deliberate, well thought out, practical management of a tax system, a system that is very complex.

We in Canada are getting more and more of our jobs from international trade. When the Liberals took office one in five jobs in this country depended upon international trade. It is now much closer to one in three jobs in Canada depending on international trade. One of the things that has enabled us to do this, among many others because Canadians are very productive people, is the fact that we have a very sophisticated, advanced and by definition therefore complex tax treatment. I know that simple is the way the Reform Party likes things but some things are complex. Part of the complexity of our tax treatment is the fact that we have to deal internationally.

• (1210)

Many corporations today are international corporations. They do not just do business in one country, they are multinational. This applies also to the people in Canada. Our Canadians are gathered from around the world. We get income and enhancement to our economy from investment from outside of this country. People are also leaving at different stages of their lives. Many people come to this country, work for many years and then retire and leave it. They do not want to dispose of all their property and pay tax at that point in time. Some of them may want to keep property here and have the income flowing from that property. There are very serious complications to the broad range of the Canadian public on these issues.

International tax agreements modify Canadian tax law. That is at the basic concept of what happened here in the report of the finance committee. It was a 60-page document. It dealt with process, it dealt with policy, but at the heart of the document what we have is an understanding that Canada has over 60 bilateral trade agreements. That helps Canadians to do international transactions. In fact, the Canadian tax act is modified by law by the international tax agreements. For instance, with the United States we have 10 years after the migration to collect the tax.

My question for the hon. member is: Does the member of the Reform Party believe in honouring our international tax agreements for the benefit of Canadian citizens?

**Mr. Solberg:** Mr. Speaker, of course we believe in honouring our tax treaties but I simply must respond to some of the things the hon. member said.

She spoke with some conviction about how wonderful it was to be involved in international trade, how it was providing jobs and that kind of thing. I agree. It is a very important aspect of what we do in Canada.

I am just curious to know why the hon. member and her colleagues fought so hard against international agreements like

NAFTA and actually broke their promise to renegotiate it. Again I find it fairly strange. I was talking about broken promises. I thank the hon. member for reminding me of a major one that the Liberals broke which was that they were going to renegotiate the NAFTA agreement. Of course they completely and utterly failed to do that. I do not know who they are going to blame that one on. They cannot blame the auditor general for that one. I guess they will have to accept some responsibility for that one themselves.

With respect to the complexity of the taxation system, we are not suggesting that we can reduce thousands and thousands of pages of tax rulings down to a single page. Hardly. We are suggesting that after three years in government the government should have done something to clarify that particular piece of tax legislation. The government employs batteries of lawyers and accountants. By this point in the government's mandate it is important that it look at all its taxation policies and ensure that there are not big loopholes or at least there are not issues that are up for dispute which would allow people potentially to ship \$2 billion out of the country without it being taxed.

**The Deputy Speaker:** The hon. member for Mississauga South has one minute and then the member has one minute to reply.

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, on the tax issue, the Reform Party has long advocated a flat tax system which allows for a basic exemption, no deductions, very simple. Reformers have also advocated replacing established pension plans with RRSPs. I see the member is nodding his head and he acknowledges that these are two things Reform has talked about.

The fact is that a flat tax approach basically shifts the tax burden from high income earners to middle income earners. How does the member square that system which does not allow deductions, including deductions for RRSPs, with Reform's other position that we should have more RRSPs to deal with pension entitlements?

**Mr. Solberg:** Mr. Speaker, there is more than one version of a flat tax.

The hon. member for Calgary Centre has presented a version which would include RRSPs and would be a modified version of the present system. It would be far simpler, far less complicated, and people would be able to understand it a lot more. He is just being reasonable. He is saying: "Let's not throw out everything that we have done up until now. Let's remember that the current tax system is what undergirds different parts of the economy".

• (1215)

If we yank it out in one big sweeping movement, there will be all kinds of implications throughout the economy. He has presented a very reasonable way of simplifying the system, still allowing people to save for their own retirement, especially at a time when

the government has failed to do anything to preserve the Canada pension plan, thus imperilling the future of many Canadians.

[Translation]

**Mr. Richard Bélisle (La Prairie, BQ):** Mr. Speaker, as we all know, for nearly two weeks now, the Prime Minister and the Minister of National Revenue have either evaded the official opposition's questions about this scandal concerning family trusts or attempted to trivialize the fact that \$2 billion were transferred to the U.S. totally tax-free.

There is indeed a political scandal when, for three years, a government prevented the auditor general from getting to the bottom of this issue and, after the auditor general finally succeeded in alerting the Canadian public to this financial scandal, the Liberal majority on the finance committee found nothing better to do than to attack this senior official who is accountable only to Parliament.

Instead of shedding light on this issue that reeks of political opportunism and patronage, the Minister of National Revenue has the gall to say that the Bloc Québécois is misleading the public on this issue. To inform the public is to mislead the public, is that it? The government's approach is really quite amazing.

I would rather take the word of the auditor general, the real ombudsman of those who pay taxes in this country, over that of the Liberal revenue minister. According to the Canadian press, the minister believes that the problem is not family trusts, but rather the rules governing the transfer of funds abroad. What we know for a fact is that \$2 billion were transferred outside of Canada without a penny being paid in taxes and that these funds came from family trusts.

The Liberals are out to destroy the credibility of one of the most important institutions of our parliamentary system: the Office of the Auditor General of Canada. In their report, they arrive at a distorted interpretation of the Income Tax Act in order to justify the inconsistency of the revenue and finance departments, relying blindly on the testimony of six experts from the private sector, who are clearly in a conflict of interest position.

In its report, the Liberal majority on the finance committee launched into an unprecedented attack against the Office of the Auditor General of Canada, one of the most respected institutions of our democratic system. Already, during the hearings of the finance committee, we witnessed disgraceful scenes where, for nearly two hours, the chairman himself outrageously and arrogantly attacked the credibility of the auditor general.

Analyzing the auditor general's role and mandate, one immediately sees the limits that the Liberal majority wishes to impose. The Office of the Auditor General plays a key role in making an

### Supply

independent evaluation of the information provided to Parliament by the government. A Revenue Canada ruling, which seems to contravene the spirit of the Income Tax Act, was made in great haste, without any notes or minutes, on December 23, and could cost Canadian taxpayers hundreds of millions, according to the auditor general.

Should this issue be debated in the House of Commons? To ask the question is to answer it.

• (1220)

The act setting out the auditor general's mandate is clear. Nevertheless, the Liberal majority attacks it, attempting to discredit his role for purely partisan reasons.

In his 1984, 1985, 1987, 1990, 1992, and even 1993 reports, the auditor general analyzed the application of the Income Tax Act, without anyone at the time questioning his mandate, his expertise, or even the appropriateness of his intervention. Quite the contrary, the Liberals, who were then in the opposition, did not hesitate to use the reports to attack the Conservative government. How is it today that the Liberal majority is systematically attacking a pillar of our system of parliamentary accountability?

The analysis of all the events which followed the tabling of the report underscores the overt partisanship of the Liberal government, which is attempting to hush the whole thing up.

Following the revelations of *The Globe and Mail*, the government gagged the Standing Committee on Public Accounts by referring the issue of family trusts to the Standing Committee on Finance whose chairman is, of course, not a member of the opposition.

For the Bloc québécois, it is obvious that this change of attitude shows the bad faith of the Liberals, who are trying, through stalling tactics, to hush up the scandal and, through unwarranted attacks, to undermine the credibility of the auditor general himself.

During the two years I was the chair of the Standing Committee on Public Accounts, I remember how much respect all the members, even Liberal members, had for the auditor general. Why this sudden change of attitude? Why have the Liberal members who were sitting or are still sitting today on the public accounts committee suddenly been silenced? This about-face by the Liberals brings us back to the issue of influence exerted by partisan interests and probably by friends of the Liberal Party and contributors to the Liberals' campaign fund.

The conclusion to be drawn from this less than edifying saga for the members opposite is that the government is trying to protect people close to the top who benefited from the generosity of Revenue Canada, or even to hide a possible conflict of interest.

*Supply*

With the tabling of its report, the Liberal majority has shown how little respect it has for parliamentary institutions and has succeeded roundly in fuelling people's cynical view of politicians who are more committed to party interests than to good government.

Let us look at how this truly amazing story has unfolded. The auditor general reviewed two advance rulings on the transfer to the United States of assets worth at least \$2 billion formerly held in Canadian family trusts, despite what the revenue minister had to say.

The Standing Committee on Finance was then asked by the Minister of Finance himself to examine the ambiguous provisions of the Income Tax Act pointed out in the auditor general's report. Meanwhile, in order to analyze and interpret the law correctly, the finance committee called several tax experts as witnesses. Now, in its report, contrary to all expectations, the finance committee has endorsed without reservation Revenue Canada's interpretation, and based its findings only on the evidence given by six out of eight experts called earlier this summer to give evidence before the committee without even ruling on the appropriateness of the evidence heard.

The Liberal majority accepted only those comments made by the tax experts who were in a position to devise such a tax planning scheme for their customers. However, the Liberals never saw fit to include in the report the comments made by a disinterested authority, like the distinguished Professor Brooks of the faculty of law in Toronto.

• (1225)

The matter the Standing Committee on Finance had to settle was whether what Parliament intended was clear. Can Canadian residents have taxable Canadian property or not? That was the issue at stake.

As the Liberal majority put it in the report, the crucial issue on which the decisions were ultimately to be based was whether such property could be taxable Canadian property belonging to a Canadian resident.

If the answer is yes, then it is possible for a Canadian resident to transfer property abroad and to avoid paying taxes in Canada immediately. In such a case, the taxes will be collected by the American government instead of the Canadian government, if the property transferred is sold more than 10 years after the transfer. However, if the answer is no, as we believe it to be, it means that the concept of taxable Canadian property cannot apply to a Canadian resident and that the capital gain is deemed to be taxable as soon as the property leaves the country.

Up until the advance ruling—because it was an advance ruling Revenue Canada made in 1991—taxable Canadian property applied only to non-residents. In all likelihood, Parliament intended

to control the taxation of capital gains earned by non-residents. However, section 85(1)(i) of the Act stipulates that capital stock of public corporations is taxable Canadian property when it is received as consideration for capital stock of private corporations.

That is what the trust argued in its request for an advance ruling. However, according to the spirit of the law, this provision only applies when capital stock of public corporations is bought by non-residents. In the Act, when the application of the concept of taxable Canadian property becomes relevant for a resident, it is usually made very clear, as the following examples will show.

Section 48(1)(a) indicates, and I quote: "any property that would be taxable Canadian property if at no time in the year he had been resident in Canada".

Section 107(5) also stipulates, and I quote: "property that is or would, if at no time in the taxation year of the trust in which it was so distributed the trust had been resident in Canada".

In its ruling, Revenue Canada mentioned that residents can have taxable Canadian property, which in itself sets a very dangerous precedent based only on section 97(2) of the Act. The Liberal majority report never questioned the use of a single paragraph of section 97 concerning precisely the taxation of partnerships to determine Parliament's intentions on such an important issue.

Rather, the Liberal majority was satisfied with the analysis by six of the eight experts called who, as you will all remember, work for firms involved in such transactions for the benefit of private customers.

The proposal by the Bloc Quebecois could not be clearer: even though the issue is essentially one of the holding by residents of a taxable Canadian property, that matter was never examined by the majority report. Section 97(2) to the effect that Canadian residents can hold taxable Canadian property was never questioned.

Yet, in our opinion, invoking this section to determine the taxation of family trust property transferred outside of Canada is contrary to Parliament's intentions in the case of taxable Canadian property. Only non-residents should be able to use this taxable Canadian property concept, and that is well covered in the Act.

• (1230)

Therefore, section 97(2)(c) of the Act should be revoked, thus eliminating this type of tax planning, which the Auditor General of Canada so rightly condemned.

Our position is also shared by Professor Neil Brooks, a consultant whose impartiality is absolutely beyond doubt. He said, and I quote:

*[English]*

"My position is that the ruling the taxpayer received in this case is wrong in law and policy and common sense".



*Supply*

[Translation]

This could not be any clearer, as was emphasized by Professor Brooks:

[English]

“Wrong in law and policy and common sense”.

[Translation]

Not one of the other expert witnesses challenged this argument by Professor Brooks. Parliament’s intentions are crystal clear. Moreover, the auditor general argued that the Act—specifically sections 197(5), 115(1), 128(1) and 85(1)—shows rather clearly that Parliament did not want Canadian residents to possess “taxable Canadian property”.

Consequently, in view of the auditor general’s findings and the experts’ testimony before the Standing Committee on Finance, we are compelled now to put forward three recommendations—and, in this regard, I fully support the three recommendations of the Bloc Québécois minority report as well as the motion on family trusts tabled today by the hon. member for Saint-Hyacinthe—Bagot.

Section 97(2)c) must be revoked to eliminate the lack of clarity pointed out by the auditor general in his report.

The definition of “taxable Canadian property” must also be changed as soon as practicable so that residents cannot own “taxable Canadian property”. This is the simplest and surest way to eliminate any tax avoidance by transferring property outside Canada.

Finally, the 1991 ruling must be cancelled so that no one can ever again refer to it to avoid paying taxes due to all Canadian taxpayers.

[English]

**Mrs. Sue Barnes (Parliamentary Secretary to Minister of National Revenue, Lib.):** Mr. Speaker, I think it is necessary to comment again on some of the matters that have been raised in the hon. member’s speech.

First, the finance committee’s report as tabled in the House, a public document, found that there was no loophole or tax evasion involved here. Revenue Canada applied the law correctly.

Second, I must restate that Canada has one of the tightest systems for taxing people who move abroad. The fact that Canada does not tax some gains until they are actually realized is not a loophole. Nor is it a loophole that our tax treaties give us the right to tax some gains and our treaty partners have the right to tax other gains. That is the important main element, the migration of people outside the country. This is what we are talking about here, the tax

treatment of these people when they leave the country. There are very definite rules in the Income Tax act.

As a lawyer I have never been told that one subsection has a priority over another subsection unless it states that explicitly. So to say that there is just a little subsection here, so do not bother with it, is ridiculous. The experts backed that up in a very public, open round table meeting that went on for over six hours last spring, and members of the opposition were there.

Again we have a minority report from the opposition members who have brought this motion today which is just politics. It does not state reality. Reality of the Canadian tax law today in Canada is a very complex situation. What any government should do is constantly improve.

The report came up with very definite recommendations for the finance minister to consider. The report has been tabled. Those recommendations are on the table and they will be considered in due course. Canadians deserve the best tax law that we can come up with, but it has to be fair. The process has to be open. We have certainly had an open process.

● (1235)

I find it unbelievable that he thinks a policy decision concerning tax should not be debated in the finance committee. He may not even be aware that after tabling his report, the auditor general himself sent a letter off to the chair of the finance committee which stated that these sections of his report were under the purview of the finance committee and that it might want to look at them. That is the reality.

What we have here is politics. I understand that the opposition’s job is to play politics. Unfortunately for it, the job of government is to govern and when we govern we govern with the real facts.

[Translation]

**Mr. Bélisle:** Mr. Speaker, the parliamentary secretary is telling us that it is a public document and that the opposition’s objections are of a political nature. I would like to respond to the parliamentary secretary by submitting to him the three following elements.

First, I would like to inform him that the only ones who support the government are six experts out of the eight who appeared before the finance committee. And, as everyone knows, these six experts have very close and direct connections with rich Canadian families. Professor Brooks, whom I mentioned earlier in my speech, did not agree at all with their position.

I would also like to point out to the parliamentary secretary that the group *Cholces*, a newly formed group which agrees with the auditor general’s recommendation, intends to challenge Revenue Canada’s ruling in the courts.

*Supply*

I would like to add that even if the legality of Revenue Canada's ruling is questionable, I believe that we must also consider the fairness of the ruling for all Canadian taxpayers.

I would now like to point out the third element. As my colleague, the member for Saint-Hyacinthe—Bagot, said this morning, this decision was taken on the sly 24 hours before Christmas. We know that the notice had been rejected by junior officials for a few months in 1991.

Suddenly, 24 hours before Christmas, as the member for Saint-Hyacinthe—Bagot said, when the turkey was on the table everywhere in Canada, senior officials from Revenue Canada and Finance Canada examined the case and, at a few hours notice, allowed the \$2 billion out of the country. This is really outrageous.

[*English*]

**The Deputy Speaker:** The hon. member for Cariboo—Chilcotin has about a minute to make a question or comment. Then we will move on to debate.

**Mr. Philip Mayfield (Cariboo—Chilcotin, Ref.):** Mr. Speaker, I would like to begin by thanking the hon. member and the Bloc for bringing this motion to the House today.

I want to know if the members of the Bloc will be pointing to the ongoing thrust of the government for more and more—

**The Deputy Speaker:** Is the member finished his question? If not, could he please put his question now.

• (1240)

**Mr. Mayfield:** I want to ask how members of the Bloc would have the legislation changed to prevent the government from doing this.

[*Translation*]

**Mr. Bélisle:** Mr. Speaker, I agree with what the Reform member is implying. We should immediately change the Canadian legislation, the Income Tax Act, to prevent, from now on, amounts of money as huge as those transferred in 1991 being moved out of the country a few hours before the end of the fiscal year.

I think that instead of trying to put the auditor general on the spot and to prevent him from carrying out his mandate, from acting like a real ombudsman for Canadian taxpayers, the finance committee should immediately review this aspect of the act and prevent, in future, anyone from transferring out of Canada and tax free such amounts of money.

[*English*]

**Mr. Jim Peterson (Willowdale, Lib.):** Mr. Speaker, the auditor general reported a short while ago to Parliament on some prior tax

rulings given by Revenue Canada, one in 1985 and another in 1991. This report comes six years after the last ruling was given. The essence of his report was: "The rulings may have circumvented the intent of the law".

The auditor general was good enough to send me in a letter a copy of his report to Parliament. As chairman of the finance committee I took this very seriously, just as the government took this issue very seriously. Here we had one of the most respected and important institutions and individuals in the parliamentary process saying there might have been a misinterpretation or misapplication of the law as it existed. This is a very serious charge.

Very quickly members of the finance committee called before us the auditor general and his officials and asked him to explain further what had happened. That was not the end of our discussions. We called as well public servants from the office of the Departments of Revenue Canada, Justice and Finance to assist us in dealing with this issue.

In listening to the auditor general here is basically what he said: "We have absolutely no evidence of impropriety on behalf of Canada's officials. We have absolutely no evidence of political interference, but we still think they misapplied the law". This is an extremely complex area of the law and as the auditor general said, it is an area of the law which is very ambiguous.

There are provisions in the Income Tax Act which pointed in one direction and there were other provisions which pointed in an opposite direction. I wish it were not so, but our Income Tax Act is very thick and there is not one practitioner in Canada today who can in all honesty say they understand all aspects of that code. The profession has had to break itself down into people who are experts on particular areas of the Income Tax Act. To further complicate the issue, it is not just the Income Tax Act, but on top of that was the overlay of the Canada-U.S. tax treaty which involved a further set of complications.

• (1245)

What did we do as a committee? We decided that since the auditor general and his officials had charged that there may have been a misapplication of the law, and since we are not the experts, or could ever hope to be the final arbiters of a dispute of this nature we asked a group of tax experts, not just tax experts in general but international tax experts to come before the committee. The auditor general suggested certain experts. Professor Neil Brooks from Osgoode Hall appeared before us at the request of the auditor general. All opposition parties had an opportunity to suggest who those experts should be.

We asked those experts if the prior ruling given by Revenue Canada officials was a misapplication of the law? Out of the eight experts there, one said it may have been. Professor Brooks said it definitely was. The six others said in no way was this a misapplication of the law. That is what we reported to Parliament.

Overlaying this question of whether this difficult judgment taken by Revenue Canada officials was correct or not was that when the facts were released saying that the prior tax ruling involved some \$2 billion having been transferred out of Canada by family trusts to the United States, almost immediately on release of that report, speculation occurred regarding the precise identity of the taxpayer. This raised tremendous concerns throughout Canada's tax community. The essence of our voluntary system of tax compliance and reporting is that the confidentiality of the taxpayer must always be respected. It is a criminal offence to breach taxpayer confidentiality.

Obviously, the auditor general was concerned about this. He presented to us an opinion saying that what he had released had not been a breach of the law. That was never a concern on the committee. The concern expressed to us by Canada's tax community was that, if you cannot go for a prior ruling without fear of having your name disclosed in the press, then why go for a tax ruling? If someone can contest publicly a tax ruling with the possibility that the taxpayer's name can be revealed, what will this do to the ruling process?

The auditor general, in his report to Parliament a couple of years ago, said: "It is so critical where there are complex and ambiguous laws, the taxpayers need the certainty of prior rulings". We certainly agree with him.

• (1250)

Something we commented on in our report was that it is critical that any of us as members of Parliament, members of the finance committee, members of the government, members of the public departments, be it revenue, justice or finance or be it the auditor general, that we respect the confidentiality of taxpayers. It behoves us in our actions in the House of Commons and elsewhere to make sure that we respect that confidentiality in order to preserve the integrity of a system of income taxation based on voluntary compliance.

Members of the Bloc Quebecois have tried to make a great deal out of this particular issue. They said that this breach of confidentiality was not because of the release of all of this detailed information to the public by the auditor general but that it was "because of a source inside the federal government itself that the names were divulged". Never once did the Bloc Quebecois call that person before us or say who it was. They are alleging that an official in the government breached this confidentiality.

This is casting an aspersion on the entire revenue and finance departments. If they are going to make this charge, then they have the obligation to bring the name of that individual forward other than to dwell on issues of allegation.

Bloc members have said as well that the government muzzled the public accounts committee by transferring the family trust issue to the finance committee. The critic for the Bloc Quebecois

### *Supply*

approached me and said: "We want to make sure that the finance committee deals with this issue". Why would he change his mind? After all it was dealing with provisions of the Income Tax Act. Are they not the purview of the finance committee? Had not the auditor general asked us to look at it? Had not the government asked us to look at it? These are the things that we are supposed to do.

Let us not pretend that we in the finance committee have been trying to block discussion of this issue. We made the offer to all opposition parties to hold any other sessions, to call any other witnesses they wanted. They said that they had heard enough.

What did we do in the finance committee as a result of these hearings? We reported what the vast majority of Canada's tax experts, some of the leading names in the country, such as Davies, Ward & Beck, Goodman & Carr, Ernst & Young, Coopers & Lybrand, the people who deal with these issues on a specialized basis, Davies, Warden & Beck, Stikeman Elliott, people who deal with these issues on a daily basis, told us. They told us that the ruling given by revenue was not wrong.

What did we also find out in our hearings? We found out that before revenue ruled in this particular case it did a couple of things. It called on justice for an interpretation of this complex and ambiguous area in the Income Tax Act. Justice serves as the lawyer to the Revenue Canada officials. Justice said: "We believe that the way the Income Tax Act reads, taxable Canadian property can be owned by a resident of Canada". That was the technical issue involved. However, Revenue Canada did not stop with the opinion of the lawyer of the justice department. It went to the finance officials. It asked: "What do you think is the intent of the law? Can residents of Canada own taxable Canadian property?" The finance officials said, yes.

• (1255)

I ask members in the House to consider this situation. You are working in the Department of National Revenue and are asked to give a ruling. You realize that it is complex. There are ambiguities. You consult the department's lawyers. Not only that, you go further and find out from finance what it thinks the law was intended to do. Should there be a higher duty imposed on you as a public servant than to consult your lawyers and finance? Should it be the obligation of anybody in any department of this government who has doubts about anything to go and consult the auditor general in advance?

What standard of care are we attempting to impose on our public officials who are not here in Ottawa to get rich? We know they cannot. Public servants have had a freeze on their salaries for five years. If someone wants to get rich he or she goes into the private sector. What standard of care are we as politicians attempting to impose on them? I submit that no higher standard of care could have been exercised by revenue officials when they consulted their lawyers and finance, knowing that the law was not certain.

*Supply*

What did we recommend as a finance committee? We said: "Auditor general, in spite of the fact that we have some misgivings about the way your disclosures resulted in speculation in the name of the taxpayer and despite the fact that the experts we called before us do not agree with your interpretation of the law, i.e. that it should not have been ruled on such except for Professor Neil Brooks who is a frequent witness before our committee, always at the behest of the Bloc but this time at the behest of the auditor general, while we do not agree that this ruling may have misinterpreted the intent of the law, nevertheless, we think the point you have made before us is critical. We think you have discovered a loophole in the law. We think you have discovered an area where we must act to change the law".

That is why in our report we have suggested many changes in the law, changes which go far beyond those proposed in the minority report of the Bloc. Our suggestions for plugging the loopholes and for tightening up the Canadian tax net go far beyond what the opposition parties have suggested they would do. Therefore, before they criticize us let them look to their own decisions and maybe reconsider them.

Let us be very clear. Apart from having a very complex and ambiguous tax law in this area, the testimony before us indicated that Canada already has probably the tightest tax net when it comes to taxpayers leaving our country, perhaps along with Australia and Denmark. In spite of that, we recommended that the government act quickly to make that tax net even tighter.

We said that we should look at deemed realizations for all property when a taxpayer leaves this country. We might not collect it immediately because that would be stupid. Sometimes people leave this country and take up residence elsewhere but have shares in a small business which is ongoing or they may own an apartment building or a house. Is it right to charge them the tax the moment they leave the country as opposed to when they actually sell that property?

• (1300)

We are not prepared to be stupid. We have to recognize that in our tax systems different individuals and different circumstances have different needs.

We came down fully and squarely against the type of thing that happened, in terms of trusts being able to take large sums out of this country. We have recommended that in the future that type of provision not be allowed.

We have recommended that there be increased reporting requirements for Canadians leaving the country so that in circumstances where the tax system might not otherwise pick up what those assets may be that are subject to future disposition and which we may not

be able to track in a coherent way, Revenue Canada has a way of doing that. These recommendations were not pulled out of the blue, they were based on expert testimony we heard.

In conclusion, the majority report thanks the auditor general for having brought these matters to our attention. The greatest compliment, apart from thanking him, we could have paid to him was that we said: "We do not like the result. We are, therefore, henceforth going to recommend to Parliament that the law be changed". We, as well as the auditor general I am sure, hope that in the future there will be continuing access to the ruling process and the speculation as to the identity of the taxpayer, the breach in confidentiality, will not have a chilling impact on the need to have these rulings.

I am pleased to report that the auditor general vindicated the integrity of the process and the bona fides of our officials. I believe we have all benefited from having this matter brought to light.

[Translation]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, basically, I have four points to make. I think that with time and with the wearing effect of politics, the hon. member for Willowdale, who is chairman of the finance committee, became a misinformation expert.

He said that they took the issue seriously and that the auditor general is one of the most respected institutions, but he does not believe his own words. I say that because when the auditor general appeared before the committee, the member for Willowdale, with the complicity of senior civil servants who took part in the 1991 advanced ruling allowing the transfer of \$2 billion outside of Canada tax free, tried for an hour and a half to give him hell, catch him off guard and undermine his credibility.

That continued when the liberal majority report produced under the direction of the chairman of the finance committee was made public. What do we find in that report? Two things. A major part of it continued the attack on the reputation of the auditor general. He was accused of violating confidentiality rules when the leak, mentioned in the *Globe and Mail* a few days after the auditor general made the scandal public, was traced back to Revenue Canada. Maybe there are civil servants who have had enough of the establishment and the complicity between the decision-makers responsible for those advanced rulings and the wealthy Canadian families. I think that is the truth of the matter. The report denigrated the auditor general.

One other example of misinformation is the statement by the chairman of the finance committee, the hon. member for Willowdale, that the Liberal proposals go farther than those of the Bloc. Sure they go farther in the sense that they open wide the doors to massive capital transfers for Canadian millionaires and billionaires. They certainly do go farther.

*Supply*

We are saying that this loophole must be closed. We must put an end to twisted interpretations, such as the ones we got from the senior officials who made this shameful decision in 1991 without doing a technical analysis of the Income Tax Act and without taking the time to write the minutes of the numerous meetings they had for one week until December 23, 1991.

As for the experts, here is another thing that goes against the credibility of the chairman of the finance committee. He is the one who invited these experts. Six of the experts that were at that table were invited by him.

• (1305)

These experts have no credibility whatsoever, as far as I am concerned. Do you know why? Because they come from the very tax consulting firms which help rich Canadian families transfer their money out of the country. On the word of these six experts chosen by the chairman, chosen by the establishment of the Liberal Party of Canada, the Liberal majority report says there is no problem, there are no capital transfers.

Finally, when the member for Willowdale and chairman of the finance committee says that the financial community is worried, I can understand why because, for the first time in a very long time, the auditor general and the official opposition have uncovered a scandal, a conspiracy that has been going on for decades between the deputy ministers, the assistant deputy ministers and the senior officials responsible for advance rulings and the rich Canadian families who want to take money out of the country. That was the concern of the financial community.

I will never forget a certain Mr. Goodman, a tax expert invited by the Liberal Party of Canada, by the chairman of the finance committee, who said: "The auditor general should have never informed Canadians of these kinds of things. They are far too complex".

What that expert was saying really is that, when dealing with complex issues, it is better that the public be kept in the dark. When these kinds of scandals occur, they have to be hidden. Even the auditor general, who is accountable to Parliament, to the people, and who is the watchdog of our public finances, should have kept his mouth shut because it was outside his mandate. That is the reality of the situation.

It bothers me when I hear remarks like the ones made by the chairman of the finance committee, which I think are misleading and are the reason why this man is losing even more credibility not only with his own committee members, but also with Canadians. The picture painted by the chairman of the finance committee is totally contrary to the facts.

[English]

**Mr. Peterson:** Mr. Speaker, there are a number of points which have been brought up by the hon. member.

First, he said we are saying there was no flight of capital, that through the committee process we were involved in a flight of capital. What took place was under a former government. The majority side on the committee said there was a flight of capital but we must stop it. We are the ones who are saying this is not right and we have recommended the changes to the law.

I find it passing strange that the hon. member, the chief financial critic for the Bloc, would say the experts who were called before our committee have no credibility whatsoever. In the same breath he said the Liberal majority attacked the message bearer, the auditor general.

Let me be very clear. It was not an attack. It was a mild rebuke. We criticized the way the auditor general released the information which led to speculation as to who the taxpayer was and according to the experts before us could put a chill on the entire ruling process.

We accepted the rulings. All the experts said that the ruling given by Revenue Canada had been proper in the circumstances. A fundamental aspect of our report was that we accepted his criticism of a system that allowed that money to escape and we recommended the loopholes be plugged.

I find it passing strange that his only attack on our report was that we attacked the auditor general. We said exactly what I have just said.

The member, as did all members, had the opportunity to bring other experts before our committee to deal with the precise complex and ambiguous tax provisions in question. Why does he attack them? If he did not like them he could have brought others. He had that opportunity. So for him to say we were attacking the messenger is fundamentally how he is attacking our report. He said he did not like the message and that these experts who came before us were not able to give us proper advice.

• (1310)

To say that, he is attacking the basis on which some of the biggest and finest auditing companies and legal firms in this country act. Their opinions have to be right. Their opinions are relied upon by shareholders, taxpayers, by others, by the people who buy shares in public companies. Their integrity and their wisdom are critical to this process.

For him to attack the messengers the way he said we were, which is a total mistake, a misinterpretation of the situation, is to me totally inconsistent. I wish he would stick to the issues and I wish he would join us in urging the government to plug these loopholes as quickly as possible.

[Translation]

**Mr. Yves Rocheleau (Trois-Rivières, BQ):** Mr. Speaker, our Liberal colleague, the chairman of the Standing Committee on Finance, continues to insist that the present government is not

*Supply*

touched by the December 1991 ruling, because the ruling was made under the former government.

If that is true, why is the present government refusing to shed light on everything that preceded this meeting? Why does it approve of the fact that there were no minutes? Are we to understand that this shows better than anything that they could say that Canadian Conservatives and Liberals are as alike as peas in a pod, that they owe their existence to the same slush fund, that they are both in cahoots with financial circles, as was clear one evening when I took part—as I will tell you shortly—in the farce at which leading Canadian lights that advise wealthy families came to tell elected representatives and the public that they should mind their own business, that we were attacking the integrity of the Canadian tax regime?

I would like our honourable colleague, whose arrogance occasionally creeps through, to comment on this.

[English]

**Mr. Peterson:** Mr. Speaker, the hon. member is alleging that we were trying to cover things up. The official opposition, the Bloc Québécois, was asked whether it had any witnesses to bring forward. We said we will deal with any of these issues. We wanted it fully dealt with in the finance committee, just as the Bloc had asked us to deal with it fully in the finance committee. We contacted it a number of times and it said “no, we have no more witnesses”.

How could we be the ones who are trying to cover up things when we opened it up to discussion of any sort? We called the witnesses asked for by the Bloc, the Reform and the auditor general. We asked them: “Do you want to have any more hearings or can we get to the report stage on this issue?” That is not a cover-up. Would they please quit making innuendoes and allegations which have no foundation whatsoever.

[Translation]

**Mr. Maurice Bernier (Mégantic—Compton—Stanstead, BQ):** Mr. Speaker, before addressing the motion before us today, I would like to begin by informing you that, henceforth, the Bloc Mps will be dividing their time into two periods of ten minutes, and that my colleague from Trois-Rivières will be speaking immediately after me.

• (1315)

When the matter of the family trusts resurfaced to become a source of concern to all Canadians and all Quebecers, thanks to the efforts of the members of the Bloc Québécois—I shall come back to this point—and when the official opposition suggested that this opposition day be devoted to the matter of family trusts, I made it

known to my colleague from Ste-Hyacinthe—Bagot that I wanted to intervene in this debate. I am far from claiming to be a tax expert, which is why I will let others explain the matter in detail—as my colleague for Saint-Hyacinthe—Bagot has already done on several occasions, moreover—but I would like to draw the attention of this House to the context surrounding this whole affair.

This matter of family trusts is one that has been of concern to the Bloc Québécois almost since its inception. In the last campaign, the Bloc raised the issue on numerous occasions. After the Bloc obtained 54 seats and gained recognition as the official opposition in this House, the Leader of the Opposition at that time, Mr. Bouchard, raised the question of family trusts on a number of occasions during his interventions in this House.

The auditor general’s report fully justifies our concerns, proving that we were right to raise the issue in recent years, while the Liberals on the other side of this House have clearly sought to stifle this shameful scandal by every means possible.

I just heard the hon. member for Willowdale. I suggest that he audition for the festival “Juste pour rire” next year in Montreal, or “Just for laughs” if he prefers, since there is an English version, because his comments outside this House, in committee and here in the House today should be good for laughs. We cannot afford to take them seriously.

The auditor general put his finger on a major problem in the tax system. The government may argue that the loophole pointed out by the auditor general goes back to the previous government. As the hon. member for Trois-Rivières just said, if the Conservative government was responsible, why is this government reluctant to shed every possible light on the problem?

It is pretty obvious, and this has been said time and time again, that there is only one reason why the government does not want to shed light on the matter. It wants to protect its own interests and the interests of those who support it. It is a big joke to hear the hon. member for Willowdale describe these experts as people whose credibility is undisputed, although it is public knowledge that they belong to companies that finance the Liberal Party and the Conservative Party. That is public knowledge. It is not gossip or libel. It is a fact that representatives of these companies finance the Liberal Party.

• (1320)

For the government to invite experts like these, competent though they may be, is like inviting some foxes and asking them for tips on protecting the chicken coop. That is what happened. They invited experts who consistently provide funding for the Liberal Party and told them: “Could you tell us whether it is right to take money out of Canada and invest it elsewhere, to avoid paying

*Supply*

income tax?" It would have been astonishing indeed if the experts had not answered the way they did.

Take the Minister of Finance. A week ago on Radio-Canada, a journalist asked him whether he had a family trust. He answer is on the record—and I took the trouble of listening to the news bulletin again to be sure I did not misquote him—and it was as follows, and I will quote him verbatim: "There are many family trusts. When you have young children, you do that. In case I die, I would want someone to take care of my children". But that has no connection with income tax.

When he said this, the Minister of Finance admitted that he himself had a family trust, and that the reason was to protect his children. But who in this House will protect the children of the unemployed, victims of cuts that have been made for the past two or three years? The same finance minister says, admits in each budget he brings down that, with the unemployment insurance fund, he makes \$5 billion in profits every year at the expense of the unemployed and of single mothers who do not have even enough to support their children. Who is the Minister of Finance trying to protect? The answer is obvious. Now who will protect these families living on unemployment insurance which, contrary to what the Minister of National Revenue said, cannot escape the Income Tax Act because they cannot afford to have family trusts?

It takes some nerve to state, as the Minister of National Revenue did in this House, that anyone can have a family trust. It may be true of seniors who decide to move to Florida. What seniors in Canada and Quebec can afford a family trust when their pensions are being cut back? Who, among the unemployed, I repeat, can afford a family trust?

They are mocking people. Mocking people and undermining the credibility of our institutions. And because of that, the people have lost faith not only in our tax system, but also in governments and their elected officers.

I will conclude by reminding the House that the Bloc Québécois has given itself a mandate to promote sovereignty, and we will keep promoting sovereignty. We have also given ourselves a mandate to represent the interests of Quebec in this House. Our work on the family trust issue is a perfect example of the kind of work we have done here over the past three years. And the auditor general agrees with the Bloc Québécois. His message is that someone in this House has to be free to stand up and condemn these unacceptable actions on the part of this government.

**Mr. Dan McTeague (Ontario, Lib.):** Mr. Speaker, of course, I listened carefully. It was difficult not to hear the passionate comments made by the hon. member who spoke before me about an issue that undoubtedly affects him and which he feels passionately about.

• (1325)

But I think it is rather interesting that this same member, pointed first at the government benches instead of using the opportunity to talk with his seven colleagues who were in the Tory government in the last Parliament.

[*English*]

It seems to me to be rather inconsistent for this member to be pointing a finger at this side of the House when he has not taken the first step, a logical step, a rational step, to ask members of his own caucus who were part and parcel of that problem in the early 1990s when several of those members, including the former leader of his party, were at the front bench of the government that made that decision.

When will the hon. member start to talk to some of his Conservative cronies in his own party and maybe ask them where this process began, why they are not here asking the same questions he is now asking rather hypocritically?

[*Translation*]

**Mr. Bernier (Mégantic—Compton—Stanstead):** Mr. Speaker, again, we will have another representative at the Just for Laughs Festival. I cannot believe the comments made by the hon. member from Ontario, who, usually, takes positions that show he is capable of thinking and also of being critical.

I understand that, when we are dealing with money, finances or election funds, money talks. So, like all his colleagues, the hon. member from Ontario must rise in this House to defend the foxes lurking around the henhouse.

In response to the hon. member, who asked me why I do not look at my colleagues and ask them what they are doing about family trusts, I can tell him that I am quite happy to turn to my colleagues, especially the former leader of the Bloc Québécois who is now the premier of Quebec. He himself raised this matter in this House several times during the 1993 election campaign—we could show you the many speeches he gave on this and the questions that were asked about family trusts. No, I am not ashamed to turn to my colleagues who used to be in the Conservative Party, because they have done an extraordinary job as Bloc representatives in this House. Those who are still among us continue to do so.

I wish I could say the same about our Liberal colleagues. Again, I hope they will change their minds and shift directions. The credibility of our institutions is at stake. Your credibility and that of the finance and revenue departments is at stake.

When we ask people to pay taxes and to do their share to correct the current situation, everyone must pull his or her weight, including the rich.

*Supply*

**Mr. Yves Rocheleau (Trois-Rivières, BQ):** Mr. Speaker, I am pleased to take part in this very important debate.

As the hon. member for Mégantic—Compton—Stanstead just pointed out, the Bloc Québécois has long been concerned with this issue. Our founding president, Lucien Bouchard, now the premier of Quebec, had made it one of his primary concerns, as has our finance critic—this is part of Canadian Parliamentary tradition. Given the rule of secrecy and the lack of transparency, the Bloc Québécois lacked a source. Therefore, we must congratulate and thank the auditor general for having had the courage to tell parliamentarians and Canadians about this scandal, back in May.

We are not among those who seek to discredit, to condemn and to attack institutions because we are not pleased with them, as did former Liberal Prime Minister Trudeau—the Liberal party has a long tradition in this regard—when he lambasted the auditor general of the time for questioning the transaction whereby Petrofina was to become Petro-Canada.

• (1330)

The auditor general had to go to the Supreme Court to find out what his real powers were, given Mr. Trudeau's arrogant and contemptuous attitude. The chairman of the finance committee, who used strong arm tactics with the auditor general as an institution and as an individual, also displayed a similar attitude.

We will not get into this; we leave it to others in this House. We feel that, by raising the issue of transfer, otherwise known as tax evasion and the flight of capital, the auditor general should be highly commended for bringing the public debate back on the issue of family trusts. This is the point I want to focus on.

Family trusts promote a concentration of wealth in the hands of some very rich Canadian families. Given the solid arguments made against family trusts by ordinary people, it is time we led the debate and the fight against secret investments. After all, our tax system is supposedly based on a fundamental rule of fairness, whereby everyone must pay his due to the taxman. Since the month of May, this has given us an opportunity to learn a bit, not much mind you, but a bit about family trusts and their very existence.

We learned from the public accounts committee and the finance committee that, according to the revenue minister, and contrary to what a deputy minister seems to have said in committee, family trusts exist for those who want to be sure they can pay for a retirement in some southern clime.

The finance minister sees them as a way of protecting his children. Very original. As for the deputy minister, he said a number of months ago that he did not understand the Bloc Québécois' obsession with family trusts, because they exist to protect families with handicapped children.

We therefore learned, since the revelations of the auditor general who asked the deputy minister of revenue how many family trusts there were in Canada, that there were 100,000. A few weeks later, at a meeting of the finance committee, this 100,000 became 140,000. When we know that two of them represent one billion each and that their transfer to the United States has apparently deprived the tax man of \$400 to \$600 million, we are not talking peanuts. These are large amounts of money.

On the topic of family trusts of one billion dollars each, we asked a deputy minister how many there were of \$500 million and up. He replied that he could not say, that he did not have that kind of information. It is a scandal. It is a scandal because, according to the spirit of the Income Tax Act, there is a fundamental rule, which is perhaps tacit, that everyone must contribute according to their means.

When they come up with strategies like these, with the backing of the financial advisers whom we know, who advise wealthy families in order to help them move their money out of Canada and Quebec and to protect them even when they keep it inside the country, that is what is going on right now, it is in order to help people who have the means not to contribute their share. And everyone else must therefore contribute that much more.

In the times we live in, as my colleague was saying earlier, with public finances in the state they are in, the most rudimentary sense of morality would require that everyone contribute according to their means and that, in so far as possible, this type of strategy be prohibited.

• (1335)

We know about the cuts now being made throughout Canada in the fields of health, education, social assistance, unemployment insurance, culture, and public housing. We know about the cuts being made to community groups that provide assistance to the most disadvantaged. We know about the alarming increase in the number of food banks across Canada. We know about the increase in unemployment. We are aware of the whole ideological trend to dismantling the state, to limiting the role of government, one of whose main roles is precisely to better distribute the wealth, but this is contradicted by the discourse, attitude and language of the chairman of the Standing Committee on Finance, who criticizes one of the taxation ombudsmen who exists in our system, which works reasonably well when the rules are followed, furthermore, which makes Canada a developed country, a great democracy. When you make the claims that are made here, in this country, you must be consistent all the way.

In these times when money is lacking—for what Canada has is not a problem of spending but a problem of revenue—that problem is highlighted in a most extraordinary way by the question raised by the family trusts and the way they are reducing tax revenues. It is therefore necessary to have a precise idea of family trusts, to



know exactly how many have been set up following their creation under the Trudeau government in 1972. The figures will have to be broken down into categories, because not all family trusts may be billion dollar ones. We would have to know how many involved \$100,000 or more, how many between \$100,000 and \$250,000, how many between \$250,000 and \$500,000, and so on. How many between \$1 million and \$5 million, how many between \$5 million and \$100 million, how many \$500 million and up, as well as details on all the billion dollar ones. We would have to have precise information on their impact on the Canadian tax system and on each of the provinces of origin. It seems likely, for instance, that there would be some such family trusts in the Maritimes, New Brunswick, in particular. Without naming names, one might well think that the government of New Brunswick may have been deprived of some very considerable tax revenue by this sort of subterfuge.

Ontario and Quebec, which have prominent families, also come to mind. We are entitled at least to exact figures on the effort required of other taxpayers, who have no choice about, for they cannot afford to hire the top tax guns, those same people invited by the chairman of the finance committee, who, despite all of their unarguable qualifications, are clearly in conflict of interest.

We must know exactly what the situation is. We must know, for each province, what the impact is of a measure that was introduced by Pierre Elliott Trudeau, the man of the just society. We see the dishonesty of these people who are prepared to sign documents, as they did, to protect and reinforce the government's position.

I am nearing the end of my speech. Instead of trying to confuse the issue, the government must examine not only the Revenue Canada ruling of December 23, 1991, but the whole issue of the existence of family trusts and their impact on the tax system, and this in order to really protect the credibility and integrity of our tax system, which, as I said earlier, was a big issue with one of the experts. As a member of Parliament I attended this incredible evening, this masquerade, when one of the Bay Street experts told the chairman that he was shocked by the attitude and behaviour of the auditor general, who should never have revealed to the public and the Canadian people that such practices existed because it would undermine the integrity of our Canadian tax system.

This means that they go along with it. There are mechanisms to ensure that those who can pay their taxes, who should pay their taxes, who have the means to pay taxes—We know that in Canada today, there are people who do not have sufficient income to pay their taxes. Those who do, those who are lucky and those who have worked for their money, but must realize that others are not that lucky and that we live in a civilized society. Wealth must be spread around, and this has to happen through the government, because we live in a society, and the government apparatus is a symbol of the well-organized, civilized and developed society we have. It means we have elections, elected representatives and mechanisms to redistribute wealth. We must protect those institutions, but the government's present attitude is very disturbing. We should not be

### *Supply*

surprised when citizens become increasingly cynical and critical of institutions like ours, when these institutions no longer appear to be doing their job.

• (1340)

[*English*]

**Mr. Roy Cullen (Etobicoke North, Lib.):** Mr. Speaker, I listened with interest as the member of the Bloc argued this point about the tax ruling and the situation surrounding it. I am quite puzzled.

This is a highly complex area of tax law, despite the best intentions of the members of the Bloc and members like me. As the member for Willowdale pointed out, members of the Bloc had the opportunity to bring in their own experts but instead chose not to.

When the members of the Bloc stand up in this House it is usually to criticize members on our side for not answering their questions, but they have not really dealt with the question of why they did not bring in their own experts.

If they are saying the experts who were there were in the hands of the members of this party, that is a serious affront to the integrity of those professionals who did appear and it does not deal with the question of why they did not bring in their own experts.

When the members of the Bloc get up in the House it is really not to debate public policy. That has been my experience notwithstanding my short period in this House. When they get up it is to argue a parochial interest of the province of Quebec.

I wonder if their interest in this issue is not driven by fiduciary policy or interests of the Government of Canada and the people of Canada. Rather, they may be concerned about the flight of capital from Quebec not necessarily to the United States but perhaps to Ontario. It is known that this is happening which I think is tragic.

Perhaps the Bloc is positioning itself on this issue in terms of flight of capital. I cannot understand why it would have any other interest in this topic.

[*Translation*]

**Mr. Rocheleau:** Mr. Speaker, first of all, on the subject of experts, I would like to reassure my hon. colleague from Etobicoke North by telling him that, if ever the government stops covering things up, as it just managed to do in the finance committee and is trying to do in the public accounts committee, if the government will take its responsibility and accept to shed light on the matter, you will see that experts can be found, perhaps mainly in Quebec but also in Canada, whose hands are not tied. They are not legion,

*Supply*

but they are distinguished. The Bloc had identified a few; we found some and I am told that they will testify.

But we must realize, and I have on good authority, that the auditor general is having huge problems with high finance officials, high finance advisors, because these people are not at all pleased with the auditor general passing this kind of judgment on their work, which goes against public opinion.

Perhaps my hon. colleague from Etobicoke North should bear in mind that the auditor general is having a very hard time because free-thinking advisors are hard to find. They are all related parties because this is their livelihood.

As for the Quebec fact, I hope that my hon. colleague simply misheard. When we talk about the Canadian tax system, about the flight of \$2 billion from Canada, about \$400 or \$500 million in uncollected taxes, I do not think that we are talking only for Quebec. I think that we are doing our job as the Canadian official opposition, representing the interests of small taxpayers and middle-class taxpayers, who are being bled dry and are paying for those who should be paying more.

[English]

**Mrs. Sue Barnes (Parliamentary Secretary to Minister of National Revenue, Lib.):** Mr. Speaker, I rise to speak on the motion brought forward today by the official opposition. This motion asks the House to denounce the government for refusing to shed light on certain transactions. However, I would like to suggest that it is actually the opposition members themselves who are refusing to see the light in this matter.

The motion also contends that the government has attacked the credibility of the auditor general while allowing millions of dollars to leave the country.

It would appear once again that the opposition is more content with promoting unfounded allegations and wild accusations than it is with a substantive review of the real issue and the true facts.

• (1345)

The issues to which the motion vaguely refers were first raised by the auditor general in his May 7 report that focused on legislative policies and advance ruling procedures governing taxable Canadian property, not family trusts.

Members will recall that immediately following the release of the auditor general's report, the government acted quickly by referring the issues raised in the report to the House of Commons Standing Committee on Finance for review. That is where tax

policy is made and then followed up by the decisions of government through its cabinet.

That review has now been completed and the finance committee on September 18 issued a report and it is now tabled in the House. It is a public document. The finance committee's report represents a well documented and very thorough review of the important issues identified by the auditor general. We thank him for pointing out those policy areas. Its findings and recommendations directly contradict the exaggerations and confused contents of the motion before us today. However, it is a Bloc official opposition motion today and we are obliged to debate the motion put before us.

The finance committee began its review on May 28. In the course of the examination it heard from the auditor general and members of his staff. It heard from senior officials of Revenue Canada, the Department of Justice and the Department of Finance. The committee also consulted eight of Canada's leading private sector and academic tax experts whose views, the committee noted in its report, greatly facilitated the committee's understanding of some of the technicalities of the tax law in the area.

The finance committee is to be commended for acting quickly, consulting broadly and producing a thorough and, I must say, long report, including recommendations on so complex a topic in such a short time. We realize this is an important issue to be dealt with. Not surprisingly perhaps the committee determined that the law regarding taxable Canadian property is complex. It noted that the government has not reviewed the policy on taxpayer migration in any substantial way for at least 25 years. Now we have done this.

However, rather than make cheap political points by trying to confuse the issue even further, like today from the opposition member, the committee has sought to clarify the issues by recommending changes to the law. The report's five recommendations for changes in the law aim at clarifying policy regarding Canada's taxation of individuals who become or cease to be residents of Canada. The report provides substantive advice to the government on strengthening tax law.

While the policy and legislative recommendations are welcomed and will be closely examined by the Ministers of Finance and National Revenue, I want to focus my remarks today to the report's procedural findings and recommendations.

I am very pleased to say that based on its expert assisted, independent review of the facts, the finance committee has found that Revenue Canada applied the law correctly and was justified in issuing its 1985 and 1991 advance tax rulings. The committee's report firmly supports the department's decisions in those cases.

*Supply*

I believe the findings of the committee clearly confirm the fairness and the integrity of the Canadian tax system and the department's decisions in the cases and the administration by Revenue Canada. I am especially pleased to note that the independent experts consulted by the committee were almost unanimous in stating that the rulings then correctly applied existing law without evidence of any revenue loss resulting from the rulings.

Of the eight prominent tax experts, six testified that Revenue Canada's interpretation was a correct reading of the law. The report quotes Mr. Wolfe Goodman, an expert in the field of international tax law, as an example of the majority opinion. Mr. Goodman states: "The auditor general considers that this ruling circumvented the intent of the law and, with respect, Mr. Chairman and members, I think the ruling properly applied the policy of the legislation".

Based on this and similar testimony, the finance committee saw no reason to prefer the auditor general's view on this question to the views of both its government tax experts and a strong majority of tax professionals from the private sector. Also, contrary to the auditor general's suggestion in his May 7 report, the committee concluded that under its existing policies, Revenue Canada had no basis for refusing to issue the 1985 and 1991 rulings and was justified in doing so.

● (1350)

It is evident that in these cases the process worked as it should have. Any other decision or action would have circumvented the law and infringed on the legitimate rights of the taxpayer involved to fair and equitable treatment under our laws.

Further, the committee found no indication of political or other interference with respect to the rulings. I must underline this. While it should be noted that the auditor general never questioned the integrity and professionalism of Revenue Canada officials, the report confirmed there was no impropriety on the part of any official. On this point the Minister of National Revenue has already stated that she has met with the auditor general and asked him directly if he thought there had been any political interference in this file and he assured her there was none.

The finance committee heard a range of witnesses from all departments concerned on this issue and they found no evidence of impropriety. Therefore, we must be satisfied that there was no impropriety involved here.

Also, importantly, the report concluded that the rulings did not or are not likely to cost Canada any significant tax revenue. The committee noted that the auditor general and his officials were unable to identify any significant new tax avoidance opportunity

created for other taxpayers by these rulings. That is what the auditor general tells us.

The issues raised by the auditor general have to be kept in perspective. The auditor general said that Revenue Canada's 1991 ruling may have cost significant tax revenue, not that it did, but that it might have. This was obviously a concern. The finance committee looked at it carefully and concluded that there was no evidence that the ruling cost Canada anything. Nor was there evidence—and we are talking evidence, not speculation—that the ruling opened up any new avoidance opportunities. There has been no flight of capital, as opposition members seem to think. This should not be surprising. Canada's tax rules for people who leave the country are stricter than the rules of almost every other country in the world.

In addition to this, the Minister of National Revenue placed a moratorium on any further rulings on taxable Canadian property while the finance committee was doing its very important review of this area of the Income Tax Act. The minister has extended this moratorium until the Minister of Finance has the opportunity to consider the policy recommendations of the committee and to make decisions concerning appropriate changes if they are necessary. We heard earlier today that many people think we can make improvements and I would agree with that. Is this not assurance enough for the opposition that the door is not wide open to the transfer of capital without paying appropriate taxes?

With respect to the question of the decision making process, the finance committee observed in its findings that immediately on publication of the auditor general's report the minister directed Revenue Canada to take immediate steps to improve documentation of its tax policy interpretations. In this context, the department has revised its procedures to ensure that a proper record is prepared of the considerations that play an important part of the decision making process to issue an advanced income tax ruling or an opinion.

When Revenue Canada issues a written request to the departments of finance or justice it will continue to provide a level of background information, explanation and analysis appropriate to conveying a full appreciation of the issue and its potential impact. Revenue Canada will also retain in the permanent advanced rulings file the complete documentation and analysis required in support of any interpretations.

It is evidence that through these steps the Minister of National Revenue has acted quickly to improve the openness and the transparency of the process. The finance committee also expressed its full support for the decision of the minister to publicize all advanced tax rulings as of January 1996 with appropriate editing to ensure taxpayer confidentiality. I wish to point out once again that decision was made even before this documentation, this report of the auditor general, came out.

*S. O. 31*

• (1355)

Revenue Canada electronically publishes and distributes all advance tax rulings to various tax publishing houses in Canada and provides them to the public at Revenue Canada's tax services offices within 90 days of their issuance.

As for the report's second administrative recommendation, Revenue Canada has already taken steps to ensure consistency between its rulings and opinions dealing with similar areas of the law. Since the 1985 ruling, the department has implemented an electronic research database. This provides easy access to all previous opinions and rulings for research and comparison purposes. I think that is an important improvement.

I would like to emphasize that Revenue Canada is a world class organization that enjoys an enviable international reputation and record of success. It has worked very hard to establish this record through its successful administration of over 185 acts and regulations, incentives, credits and international agreements and treaties.

The department employees over 40,000 professional and dedicated public servants. In order to support their dealings with their millions of clients, each employee requires the confidence and deserves the respect of Canadians to do their job well. Fairness, equity and integrity are the basic principles on which they must earn the confidence and respect of Canadians.

The credibility of the department depends on its adherence to these principles in everything it does and in every decision it makes. That is why concerns raised in the auditor general's May 7 report have been fully addressed by the finance committee in order to prevent any undermining of public confidence that is so crucial to the successful operation of any tax system.

Since this system relies heavily on self-assessment and voluntary compliance for its efficient operation, anything that erodes confidence in the revenue administration weakens the system as a whole. Therefore it is important to everyone in Canada and to the day to day working of the department that there is both actual and perceived fairness and integrity in the administration of the Canadian tax system.

In conclusion, I would like to state that in my view Canadians have been well served by the finance committee report on taxable Canadian property. We have five practical recommendations for change and improvement. We will be waiting to see the new policy that those recommendations come up with.

[Translation]

**The Speaker:** Our colleague still has a few minutes left. She may continue her speech after Oral Question Period.

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**THE AUDITOR GENERAL'S REPORT**

**The Speaker:** Since it is almost time for members' statements, I have the honour to table the Auditor General of Canada's report to the House of Commons, Volume II, dated September 1996.

[English]

Pursuant to Standing Order 108(3)(d), this document is deemed to have been permanently referred to the Standing Committee on Public Accounts.

As it is almost 2 p.m., we will proceed to Statements by Members.

**STATEMENTS BY MEMBERS**

[Translation]

**PARLIAMENTARY PAGES AND INTERNS**

**Mr. Ronald J. Duhamel (St. Boniface, Lib.):** Mr. Speaker, on behalf of all my parliamentary colleagues, I wish to welcome the pages and interns working on Parliament Hill this year.

[English]

We do not always realize the importance of our pages. They play an integral part in this operation and many of us would be lost without them. I congratulate them on their new positions and hope that they enjoy their time here at the House of Commons.

[Translation]

I would also like to congratulate the parliamentary interns and wish them an excellent year here with us.

[English]

I am sure that they will have much to contribute with their energy, their creativity, their commitment to the parliamentarians who they choose to serve.

[Translation]

On behalf of everyone, welcome to this House. We wish you a wonderful year.

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

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• (1400)

**THE GRANBY INTERNATIONAL SONG FESTIVAL**

**Mr. Jean H. Leroux (Shefford, BQ):** Mr. Speaker, like its predecessors, the 28th annual Granby International Song Festival was a success. During the finals on September 20 and 21, a number of singers and singer-songwriters dazzled the audience with their talent.

For fledgling francophone performers, the Granby International Song Festival has become a popular springboard to a professional career.

While millions of dollars are being wasted on flags, the Minister of Canadian Heritage did not hesitate to cut her department's subsidy to this international event by 20 per cent.

The minister should reconsider her decision and continue to provide financial support for the festival at the same level as before. In closing, I wish to congratulate all the organizers and participants who made this cultural event possible.

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[English]

### JAKE AND THE KID GO TO ALBERTA

**Mr. Dale Johnston (Wetaskiwin, Ref.):** Mr. Speaker, I am sure that you and many members of this House will remember the popular 1950s radio broadcasts of W.O. Mitchell's award winning short stories "Jake and the Kid". The stories chronicled the adventures of the Kid, 11-year old Ben Osborne, in the fictitious prairie town of Crocus, Saskatchewan.

The story has been brought to life again in a 13-week television series filmed in my constituency of Wetaskiwin. Now in its second season, "Jake and the Kid" is wholesome family entertainment and a tribute to Alberta's growing film industry.

Albertans figure prominently in the cast, crew and writers. In fact, 90 per cent of the cast and all the extras are Albertans, including Ben's best friend and mentor, the hired hand Jake, played by hometown boy Shaun Johnston.

Sets depicting the Osborne family farm and mainstreet Crocus have been constructed on 160 acres of land in the district of Glenpark, Leduc County.

This exceptional Canadian production with its warmth, humour, intriguing plots and off-beat characters is proof that Alberta can soon lay claim to the title of Hollywood North.

\* \* \*

### EMPLOYMENT

**Mr. Simon de Jong (Regina—Qu'Appelle, NDP):** Mr. Speaker, the Liberal government never tires of telling the Canadian public that it has been working to get the economic fundamentals right.

Low inflation and drastic cutbacks to social spending were supposed to have set the stage for future jobs. We have had very low inflation for years and the government is ahead of schedule on deficit reduction.

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But Canadians are facing the highest rate of unemployment during an economic recovery since the last depression. Where are the jobs? When can we expect that bountiful harvest of jobs that the Liberals have promised?

I commend the distinguished economist Pierre Fortin for so convincingly showing Canadians in the past few days that the harvest of jobs will never occur under the Liberal policies because they have their fundamentals wrong.

While the American policy makers have tolerated 3 per cent inflation in order to achieve near full employment, the Liberals have inflicted the strait-jacket of 1 per cent inflation and high real interest rates which have killed, according to Fortin, 850,000 jobs.

The Liberals cannot expect Canadians to believe the talk of jobs when their actions of inflation are calculated to kill jobs.

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### PARALYMPIC GAMES

**Mr. Pat O'Brien (London—Middlesex, Lib.):** Mr. Speaker, this past summer, Canadians were very proud observers of an outstanding performance by our Canadian Paralympic Team at the 1996 games in Atlanta. With a total of 69 medals, these games proved to be most successful for Canada.

As the member of Parliament for London—Middlesex and on behalf of all Londoners, I would like to extend our congratulations and thanks to the following Londoners who represented Canada so well in Atlanta.

Marie-Claire Ross who brought home two gold, one silver and three bronze medals in swimming; Jeff Christy, silver medalist in goalball; Lisa Stevens, gold medalist in basketball; Adam Purdy, swimming; Paul Bowes, the men's basketball coach Dr. Douglas Dittmer, the team physician.

To all of these men and women and to every member of our Paralympic Team from every region of Canada, we say congratulations to all. You have made us as Canadians very proud.

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

\* \* \*

### SMALL BUSINESS

**Mr. Gurbax Singh Malhi (Bramalea—Gore—Malton, Lib.):** Mr. Speaker, small and medium size businesses in my riding and across Canada are the engine behind this country's economic growth and job creation.

A recent Industry Canada report noted that Canada's vibrant small business sector created more than 80 per cent of the nation's new jobs. Clearly the banks must do a better job in serving the small business sector and contributing to its success.

*S. O. 31*

● (1405)

Unfortunately, the banks have failed to adapt to the changing needs of small business and the economy. It is not easy for business people to raise capital in today's economy, even when the need is great and the purpose justified.

Meanwhile the banks continue to record billion dollar profits. When they insist on only the most risk free loans, the banks are downsizing their role in financing small firms, whose owners are clearly feeling badly treated. This has to be changed.

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[Translation]

**THE DEATH OF FRANKLIN PICKARD**

**Mr. Benoît Serré (Timiskaming—French River, Lib.):** Mr. Speaker, I was sorry to hear about the untimely death of Franklin Pickard, President and Chief Executive Officer of Falconbridge Limited.

On behalf of the Minister of Natural Resources, the Hon. Anne McLellan and the Government of Canada, I wish to convey our sincere condolences to Mr. Pickard's family and to the employees of Falconbridge.

Mr. Pickard had been head of Falconbridge since 1991. He was well known and respected within Canada's mining industry and everywhere else. Born in Sudbury, Mr. Pickard started out at Falconbridge in 1957 as a metallurgical engineer. He performed various duties in the company, gradually climbing the corporate ladder. As a result of his excellent work, his leadership and his great qualities, he became the head of this flourishing company.

Mr. Pickard developed a sense of family among Falconbridge employees. He will be sorely missed by all those who had the pleasure to know this great member of Canada's mining industry.

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**QUEBEC ECONOMY**

**Mr. Maurice Godin (Châteauguay, BQ):** Mr. Speaker, last week, Saturne Solutions, which has plants in Canada, the United States and Ireland, announced that it would invest \$20 million in Montreal's west end.

Mr. Campbell, the company's executive vice-president, spoke highly of Montreal and the province of Quebec, saying that a qualified manpower is available, that salaries are reasonable, that rental and power costs are low, and that free trade is good for Quebec.

At the same time, Montreal's major hotels were full, thanks to the large number of tourists, participants at various conferences and businesspeople from the United States, Europe, Canada and Asia.

In spite of the Canadian government's plan B and the statements made by the Minister of Intergovernmental Affairs to the effect that Quebec's economy must be weakened in order to weaken the nationalist movement, reality shows that investors recognize Quebecers' skills and competitiveness, which are the primary tools of economic success.

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[English]

**REFORM PARTY**

**Mr. Ed Harper (Simcoe Centre, Ref.):** Mr. Speaker, last night I had the pleasure of attending the first Reform nomination meeting to choose a candidate for the next federal election.

Over 1,000 attended the meeting in Owen Sound for the Ontario riding of Bruce—Grey. Of the three outstanding candidates, Murray Peer was elected and will carry the Reform message to the voters.

The enthusiasm and support shown for our candidate and our policies was surpassed only by the profound disappointment toward this government's lack of vision or any plans to deal with job creation, tax reduction, criminal justice reform and the separatist threat.

Murray Peer will not have to respond to broken promises on jobs, the GST and MP pension reform. He will be able to assure the voters that they will be listened to and have their voice heard in this place. He will offer the voters a platform with a new vision for Canada and an opportunity for a fresh start to building a new and better country for our children and our grandchildren.

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**TEEN SMOKING**

**Mrs. Brenda Chamberlain (Guelph—Wellington, Lib.):** Mr. Speaker, all Canadians should be concerned about the issue of teen smoking.

I recently met with Dr. Cunningham, director of the addictions division of the Homewood Health Centre in Guelph. Dr. Cunningham reminded me that new smokers are almost always teenagers. It is extremely rare for adults over 20 to begin smoking.

According to the information we discussed, it takes only four cigarettes, smoked in a row, for a young person to become addicted to nicotine. Many people believe that tobacco is addictive. We must all be vigilant where tobacco products are sold and advertised and we must look at treatment programs aimed to help our kids quit.

Our children are our future. They deserve no less than an all out effort to discourage them from smoking and to help those who smoke quit. Let us give them a helping hand in the battle against tobacco.

• (1410)

[Translation]

#### QUEBEC'S PLAN FOR SOVEREIGNTY

**Mr. Nick Discepola (Vaudreuil, Lib.):** Mr. Speaker, Quebec's intergovernmental affairs minister, Jacques Brassard, said yesterday that: "Whether it is the Superior Court, the Appeal Court or the Supreme Court, Quebec's position remains the same. A judge remains a judge. We feel that this is not a matter for judges, regardless of the level of the court".

The PQ government just indicated that its independence project is above the laws and the courts. It tells voters that a separatist government can flout the laws of this country if they do not serve its sovereignist cause.

Quebecers should wonder about the type of society and justice that they can be guaranteed by a government which, in order to justify its independence project, does not hesitate to disregard the fundamental laws of our country.

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#### QUEBEC'S PLAN FOR SOVEREIGNTY

**Mr. Bernard Patry (Pierrefonds—Dollard, Lib.):** Mr. Speaker, like a schoolmaster drilling his students, I am going to try to get a very simple idea across to my colleagues in the Bloc Québécois.

For 30 years now, you have been getting this message from all the economic stakeholders in Quebec, from the analysts in credit rating agencies, from a majority of Quebecers in the last two referendums, and recently from certain union and political leaders in Quebec.

Yesterday, it was the mayor of Montreal, Mr. Bourque, today it is Paule Doré, the president of the Montreal chamber of commerce, who has added her voice to all those who are calling for an end to the political instability created by your plan to separate.

Perhaps if they hear it often enough, they will finally get it.

\* \* \*

#### SALE OF ELECTRICITY FROM CHURCHILL FALLS

**Mr. Bernard Deshaies (Abitibi, BQ):** Mr. Speaker, this week the Minister of Intergovernmental Affairs described the contract to sell electricity from Churchill Falls as unfair. He almost went so far as to advise Newfoundland to go back on its agreement, as that province did once before, with Meech.

There are three facts regarding this contract that must be remembered. Only Hydro-Québec was willing to invest in a dam in Newfoundland in the mid sixties. In 1984 and 1988, the Supreme

*S. O. 31*

Court of Canada upheld the validity of the contract for the sale of electricity. Hydro-Québec's profits from the signing of this contract are comparable to the profits made by the other dams built during this period.

If he is looking for unjust causes, the minister has only to recall how Newfoundland got its hands on Labrador. In 1927, his Liberal predecessors ceded Labrador to Newfoundland, without Quebec's permission.

The minister should therefore stick to the job he has been assigned. He already has his hands full.

\* \* \*

[English]

#### MIDDLE EAST

**Mr. Bob Mills (Red Deer, Ref.):** Mr. Speaker, on behalf of the Reform Party and all Canadians I would like to condemn the growing violence on the West Bank in Gaza and call on the Israeli and Palestinian leadership to spare no efforts in immediately re-establishing peace in this very serious situation.

Years of effort in the Middle East peace talks are hanging in the balance and the peace and security of all citizens in the affected areas are in jeopardy. So the time for decisive leadership is now.

Canadians care deeply about what happens in the Middle East and they deplore the kind of violence we see today. Therefore I call on the Canadian government to immediately speak with Israeli and Palestinian officials to forcefully urge an end to the violence and to offer whatever diplomatic assistance that might be helpful in restoring calm and restarting the peace talks.

Peace is a fragile thing and we must not stand by and watch it be destroyed.

\* \* \*

[Translation]

#### INTERPROVINCIAL JOB EXCHANGE

**Mr. Denis Paradis (Brome—Missisquoi, Lib.):** Mr. Speaker, the young students from British Columbia, Alberta, Prince Edward Island, Ontario, Brome-Missisquoi and elsewhere who took part in the interprovincial job exchange this summer join with me in thanking the people at Human Resources Canada and Heritage Canada for their enthusiastic support, Nancy Beattie, the co-ordinator for her exceptional work, and especially the host families and the employers who took them in.

The students and I would also like to thank Canadian air carriers, as well as VIA Rail, not to mention Ontario Northland, who allowed the students to travel for free. These young people earned a

*Oral Questions*

few dollars, improved their second language, and, above all, learned to know and appreciate a culture different from their own. A big bravo.

\* \* \*

• (1415)

[English]

**CLIFFORD OLSON**

**Mr. John Nunziata (York South—Weston, Lib.):** Mr. Speaker, 15 years ago Clifford Olson raped and murdered 11 innocent children.

This summer he applied for early release under section 745. Last week we learned that 12 tapes were produced at the request of the FBI and the RCMP so that Clifford Olson could explain how he raped and murdered his victims. We also learned that five of those tapes were released to Clifford Olson's lawyer. Clifford Olson has written to me, offering to send me those tapes for \$300.

Enough is enough. Not only did he offer to sell the tapes to me and presumably to others, he forwarded hard core pornography in his correspondence to me. How can a convicted killer and rapist have hard core pornography in his cell?

Correctional Service Canada must be held accountable for the treatment it is giving to Clifford Olson. Exactly what was the deal in order to produce those tapes?

\* \* \*

**MARIANNE LIMPERT**

**Mr. Andy Scott (Fredericton—York—Sunbury, Lib.):** Mr. Speaker, this summer was marked by the Atlanta Olympics. I want to take this opportunity to offer my congratulations to Marianne Limpert from Fredericton who did our country proud by winning a silver medal in swimming in the 200 metre individual medley.

Marianne is the first New Brunswicker ever to win a medal at a summer Olympic Games, and her hometown gave her a hero's welcome when she arrived back, even naming a street after her, Limpert Lane.

She now holds the Canadian record in her event and there will be a Marianne Limpert scholarship fund launched on October 4. It is important that we continue to support amateur athletes so they are able to follow their dreams. I know Marianne has inspired many young Canadians to attain their personal bests.

I look forward to meeting with Marianne when she and Fredericton's Hal Merrill, Paralympic bronze medalist, meet with the Prime Minister next week.

\* \* \*

**PEARSON AIRPORT**

**Mr. Dick Harris (Prince George—Bulkley Valley, Ref.):** Mr. Speaker, it is a sure thing that Canadian taxpayers will be paying

the Pearson airport piper because of this Liberal government's pathetic performance.

All indications point to a federal settlement where Canadians will be expected to fork over in excess of \$60 million for a contract cancellation that this government guaranteed would not cost a penny more than \$35 million.

We can probably expect that Canadian travellers will be stuck with a new tax in the future and will all pay it at the airport.

Three years of lost opportunity, multimillion dollar compensation payments and a new airport tax, that is what the people of Canada got from the Prime Minister's irresponsible decision during the 1993 election.

They won the election but once again Canadians lose. It is the Canadian taxpayer who will pay for the Liberal screw-up on the Pearson airport deal.

\* \* \*

**PRESENCE IN GALLERY**

**The Speaker:** Colleagues, in a departure from our usual procedure, I wish to draw to your attention the presence in the gallery of Mr. István Szent-Iványi, State Secretary of the Hungarian Foreign Ministry.

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

**ORAL QUESTION PERIOD**

[Translation]

**REFERENDUMS**

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, today the Minister of Justice has decided to call upon the Supreme Court on the referendum question, stating as his reason, and I quote: "To leave this issue unresolved would pose a serious threat to orderly government in Quebec and in the rest of Canada".

Could the minister explain to us why order and good government would be threatened today, when this was not the case in 1980, nor in the last referendum in 1995? If the government is going before the Supreme Court today, is the real reason not that it has nothing to offer Quebec and is afraid of losing the next referendum?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, the questions being asked in the referral to the Supreme Court of Canada are entirely based on the position taken by the attorney general of Quebec himself in the Bertrand case.

Everyone believed that the primacy of the rule of law here in Canada was obvious, and the unilateral declaration of independence by Quebec was illegal and irresponsible, yet the attorney general of Quebec stated for the first time a few months ago that



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the courts and the Constitution have nothing to do with the process by which Quebec is proceeding toward sovereignty.

• (1420)

It is, therefore, the responsibility of this government to clarify and determine these basic questions. We have asked the questions in this referral in order to clarify and precisely determine the primacy of the rule of law in Canada and the fact that a unilateral declaration of independence is illegal and irresponsible in Canada.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, the minister also stated today, and again I quote: “Any government that suggests it would throw Quebec and all of Canada into the confusion of a unilateral declaration of independence is being profoundly irresponsible. It is a formula for chaos”.

But who are the ones being irresponsible? The Government of Quebec for proposing, after obtaining a democratic mandate from the people of Quebec to negotiate on an equal basis for the first time in its life, or this government for wishing to impose the same legal framework as was in place for Meech Lake, where a single MP from Manitoba, or a province like Newfoundland, could decide Quebec’s future? Which is the irresponsible one?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, what we want is the same thing the people of Quebec want, that is to say an orderly process to settle the challenge facing us. That orderly process is the primacy of the rule of law, the courts and the Constitution, and in the aftermath of a referendum we shall have the Constitution and an orderly process.

With the process the hon. member proposes, we will indeed have chaos, because a unilateral declaration of independence is irresponsible. On behalf of all Canadians, including the people of Quebec, we have chosen to refer these questions in order to clarify the underlying principle concerning the Canadian system.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, some fine Constitution, one rejected by all Quebecers. There is no political party in Quebec—be it the federalist Liberal Party of Quebec or the Parti Québécois—no government which has recognized the Constitution. It was imposed upon us in the dead of night by the Prime Minister.

The minister tells us that he is calling upon the Supreme Court because Quebec has no right to declare its sovereignty unilaterally. I wonder why Quebec could not make its decision to become sovereign on its own, while Canada could make a unilateral decision to keep Quebec in Canada against the will of Quebecers. How can it be that some are allowed to do what others are not? Is that what you call democracy?

**The Speaker:** Dear colleagues, let me remind you that you must always address the Chair.

[*English*]

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, much as the hon. member wants it to be, the issue here is not whether the population of Quebec can express itself freely. That has never been in doubt. We have had two referenda in the past and if the present Government of Quebec has its way, there will likely be a third I suppose. However, that is not the issue.

The real issue is that the present Government of Quebec states that right after the referendum, if the result is what it wants, the present legal order will come to an end and it will unilaterally walk away from Canada, from this country. That is simply out of the question.

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

\* \* \*

• (1425)

[*Translation*]

## REFERENDUMS

**Mrs. Pierrette Venne (Saint-Hubert, BQ):** Mr. Speaker, my question is directed to the Minister of Justice. During his minister’s statement this morning, the Minister of Justice said, and I quote:

The leading political figures of all the provinces and indeed the Canadian public have long agreed that this country will not be held together against the will of Quebecers clearly expressed.

Could the minister explain exactly what “the will of Quebecers clearly expressed” means?

[*English*]

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, there were several ways in which I referred to the clearly expressed will of Canadians this morning.

For one thing, it is the clearly expressed will of Canadians that the interest of Canadians throughout the country be taken into account on this question which affects them all. For another thing, I emphasized that it is the clearly expressed will of all Canadians, including those in Quebec, that we conduct ourselves in accordance with the law.

I also emphasized that it is the clearly expressed will of Canadians that when their leaders, including the leaders of the Government of Quebec, address issues on the public agenda, they do so in keeping with the values of Canadians: tolerance, accommodation, discussion, dialogue. That is the way Canadians want us to approach our issues, not by unilateral action, not by standing up and walking away from the table unilaterally. That is not the way we do things in Canada. That is the commonly expressed will of Canadians.

*Oral Questions**[Translation]*

**Mrs. Pierrette Venne (Saint-Hubert, BQ):** Mr. Speaker, unfortunately, the Minister of Justice did not understand my question. I referred to “the will of Quebecers clearly expressed”. That was my question. He is talking about the will of Canadians. I think the minister missed the point completely.

I think it would be only fair and reasonable to give him a second chance. I will put my question to the minister again. Could he explain exactly what “the will of Quebecers clearly expressed” means?

*[English]*

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, I can answer that question. In fact I can say that if the hon. member wants to know what the clearly expressed will of Quebecers is, then she ought to look at the results of the last two referendums.

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

**Mr. Stephen Harper (Calgary West, Ref.):** Mr. Speaker, I should begin by commending the government and the minister for finally taking this belated action in referring this matter to the Supreme Court. We also note the strong support the government has received from the Minister of Intergovernmental Affairs.

Even as other governments in the world are becoming concerned about the rule of law in Canada, some in Quebec who call themselves federalists have made it clear that they reject any attempt to defend the rule of law in the courts and to defend Canada’s right to self-determination.

Supporting a unilateral right of the PQ to self-determination is unacceptable to ordinary loyal Canadians across the country. What steps is the government taking to persuade these Quebecers of the importance of supporting this effort to assert Canadian sovereignty?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, I very much hope that our federalist allies in Quebec will see the value of clearly determining these questions that have now been put at issue.

• (1430)

As to what we are doing about it, we are expressing our position as forcefully and in as straightforward a manner as we can. We have framed questions that I think captured clearly what is really at issue here. Indeed, I wrote to one Quebecer this morning, Paul Bégin, the attorney general of Quebec, to invite him to participate with me in the Supreme Court of Canada.

*[Translation]*

I think it is very important for the attorney general of Quebec to participate in this exercise before the court.

*[English]*

The fact of the matter is he and I have divergent views on these important legal questions. What Canadians do when they have divergent views on important questions is they put them before the court for resolution. I have invited him to join me in the court so that we can get his views there and get a judgment from the highest court in the land.

**Mr. Stephen Harper (Calgary West, Ref.):** Mr. Speaker, I want to explore whether this action represents the totality of the government’s plan or whether it has further plans.

Yesterday at a congressional hearing in Washington, Christopher Sands of the Centre for Strategic and International Studies speculated that there has been talk that the federal government plans to put a secession clause in the Constitution after the next election and that it would raise once again the issue of a national referendum on this issue.

Is the federal government prepared to go further and to say that all Canadians must have a say in their constitutional future and the future of their country, and that such a policy would include a national referendum?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, we expressed our commitment clearly in the speech from the throne, indeed in language very close to that used by the hon. member.

We said that if there is to be another referendum, that the process must be democratic, that we would ensure that the question is clear, that all the facts are on the table, that the consequences are well understood and that all Canadians would have a say in the future of their country.

The step we took today is intended to address the most fundamental legal question, namely, do we operate within the rule of law or outside it? I am confident that the court will see that the Constitution and the rule of law must prevail.

As to the hon. member’s question specifically, I can say that we shall take whatever steps are necessary in the months ahead to comply with the commitment we gave in the speech from the throne.

**Mr. Stephen Harper (Calgary West, Ref.):** Mr. Speaker, I would like to follow up on the nature of that commitment.

Gordon Robertson, the former clerk of the Privy Council, has said that the government needs contingency legislation to deal with the possibility of an attempt at secession. The minister will know that Patrick Monahan of Osgoode Hall has said the same thing.

Is the minister prepared to go further and to table a bill in the House providing a legislative framework for any attempt by a province at secession?

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**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, for the present we are going to pursue the fundamental issues that will now be heard by the Supreme Court of Canada. I do reiterate that we are going to fulfil our commitment expressed in the throne speech.

The hon. member has referred to two instances where responsible Canadians have spoken out to raise approaches to these difficult issues. That is going on all across the country. Canadians are looking at these issues, they are producing constructive responses and that is a very valuable process. We encourage and support it.

We are listening carefully. We shall cull from that process the best of the proposals. We shall bring them here for discussion. In the fullness of time we shall embark upon a course to enable us to fulfil the commitments we made in the speech from the throne.

\* \* \*

[Translation]

**REFERENDUMS**

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, the Minister of Justice, in answer to a question from a member of the Reform Party, said that he would consider the possibility of having a national referendum on the future of Quebec, like the referendum on conscription or on Charlottetown.

My question is directed to the Minister of Justice. Does he or does he not intend to call a national referendum to determine the future of Quebecers?

[English]

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, we are focusing now on the fundamental legal issues raised by the attorney general of Quebec.

[Translation]

The questions referred to the Supreme Court of Canada today must be answered because the attorney general of Quebec has taken a position that is unacceptable under Canadian law. We intend to take this opportunity to deal with this very important matter. We will start with these questions and later, during the months to come, we will meet our other commitments.

• (1435)

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** In his reply, the Minister of Justice started by referring to a national referendum and now mentions he has other commitments, so could he put all his cards on the table and tell us whether he intends to have a national referendum with his “rule of law” in which everyone outside Quebec will be able to determine the future of Quebec? We had conscription, and we had Meech. Is this going to be another example of so-called democracy?

[English]

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, the hon. member will know that it was the hon. member from the Reform Party who raised the cross-Canada referendum; it was not something which I mentioned.

The hon. member opposite likes to pretend that anyone who relies on the rule of law is speaking against the democratic expression by the population of Quebec of its will. That is simply not so. The people of Quebec have every right to express themselves democratically in a consultative referendum.

Where my hon. friend goes wrong and where the attorney general of Quebec goes wrong is to say that from that result they can proceed unilaterally to walk away from the contract, just leave the table. That is the crux of the issue.

Let us not confuse the issue. We respect the right of the population of Quebec to express itself democratically, but we must insist that there be no unilateral action, that we keep in mind that this issue affects the interests of all Canadians and it will only be resolved in accordance with principles that provide for its orderly disposition.

\* \* \*

**GOVERNMENT CONTRACTS**

**Mr. Jim Hart (Okanagan—Similkameen—Merritt, Ref.):** Mr. Speaker, the Prime Minister supports the defence minister’s sleazy pork barrelling. Let me remind—

**The Speaker:** We are coming very close to unparliamentary language. I will permit the hon. member to rephrase the question without using the words “sleazy pork barrelling”. Would the hon. member please proceed.

**Mr. Hart:** Mr. Speaker, let me remind the Prime Minister of his conflict of interest code which states in black and white that a public office holder shall not accord preferential treatment in relation to any official matter to friends or to any organization in which they have an interest.

Thornley is a friend of the Liberal Party and he received preferential treatment.

Will the Prime Minister show some leadership, enforce his own code of conduct and put an end to this patronage contract?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, I just want to say as I said yesterday that these are within the guidelines which apply to the spending of public money by a minister.

For example, I know of a certain Stephen Green who has worked for two years for the Reform Party. He is paid with public money. He is a friend of the leader of the party. There is a very nice lady,

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Line Maheux, who ran and got clobbered in the election but she was rewarded by the Reform Party with a job which she still holds today.

**Mr. Jim Hart (Okanagan—Similkameen—Merritt, Ref.):** Mr. Speaker, it is scandalous what is happening in the House today. The Prime Minister is willing to follow Mr. Mulroney's guidelines but refuses to follow his own guidelines. This Liberal government and ethics continue to have a long distance feeling.

The defence minister's pork barrelling clearly breaks the Prime Minister's conflict of interest guidelines and the Prime Minister refuses to do anything about it.

Will the Prime Minister show some leadership today and live up to his own ethical guidelines and cancel this contract?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** No, Mr. Speaker. We are satisfied that the guidelines were followed, that the person is competent to do the job which the minister asked him to do and that it is within the budget approved by the House for the operation of the office of the minister. I just gave an example of people who have been rewarded. I think they must be competent. I hope they are competent because this party needs a bit of competence around. We are not complaining, because they are doing their jobs. But they were rewarded. They were not known until they ran for the Reform Party.

• (1440)

I think that in this case the minister really has the option to do that. It is all within the guidelines, the rules for ministers and members of Parliament. Everything is above board.

\* \* \*

[Translation]

**REVENUE CANADA**

**Mr. Michel Guimond (Beauport—Montmorency—Orléans, BQ):** Mr. Speaker, my question is for the Minister of National Revenue. The report tabled today by the auditor general confirms once again that Revenue Canada has become a real sieve. After the family trust scandal, we learned today that Revenue Canada lost up to \$630 million to tax evasion in the area of excise taxes for 1994-95 alone.

How can the minister explain to taxpayers the fact that Revenue Canada's carelessness allows the big oil companies and the tobacco industry in particular to avoid paying up to \$630 million in taxes?

[English]

**Hon. Jane Stewart (Minister of National Revenue, Lib.):** Mr. Speaker, I welcomed the report of the auditor general. As an officer of the House he provides me, as a minister, with information,

advice and examples of where I can continuously improve the activities and the working of my department.

I note that in this report he has identified many areas where Revenue Canada has evolved and actually made improvements. He has also identified areas where we can continue to improve. I am glad to say that we have tabled action plans in all of those areas which he has accepted and endorsed.

[Translation]

**Mr. Michel Guimond (Beauport—Montmorency—Orléans, BQ):** Mr. Speaker, this is incredible, this is a scandal. The minister is trying to downplay the preferential treatment given large corporations that make billions of dollars in profits. This is incredible.

Instead of boasting, could the minister tell us what concrete measures she will take to recover the amounts owed and stop these abuses?

[English]

**Hon. Jane Stewart (Minister of National Revenue, Lib.):** Mr. Speaker, absolutely. Let us put the auditor general's report into context. I prefer to suggest that the glass is two-thirds full instead of one-third empty in the area of commodity taxes.

In his report, he says that in 1993-94 there was tax evasion in the area of commodity taxes, cigarette smuggling, to the tune of \$1.5 billion. One year later that has been reduced to \$500 million, a reduction of two-thirds.

When we are talking about commodity taxes we are talking about the criminal element, about people who do not have books that we can go in and audit. The department is working very effectively with the Solicitor General of Canada, the Minister of Justice, the Minister of Health, the Minister of Finance to work out a comprehensive strategy.

The auditor general has indicated that within one year it has worked very effectively. I would like to say that we will continue the great effort and commitment to reduce that \$500 million to zero.

\* \* \*

**SOMALIA INQUIRY**

**Mr. Ian McClelland (Edmonton Southwest, Ref.):** Mr. Speaker, Kyle Brown, a private in the airborne regiment in Somalia was jailed for five years and released from the military for his role in the Somalia affair. He was tried, convicted and sentenced appropriately.

By turning over the film of the atrocity Kyle Brown incriminated himself but he prevented a cover-up.

How is it that the lowest ranking member of the military, who prevented a cover-up, did not have military defence counsel while

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the chief of the defence staff has the best counsel that money can buy to try to absolve him of his role in the cover-up?

**Mr. John Richardson (Parliamentary Secretary to Minister of National Defence and Minister of Veterans Affairs, Lib.):** Mr. Speaker, I recognize the question from the hon. member. Because of the detail of that question, I will take it under advisement.

• (1445)

**Mr. Ian McClelland (Edmonton Southwest, Ref.):** Mr. Speaker, if I may, I would advise the parliamentary secretary that Private Kyle Brown is still paying off the bank loan that he had to take out to pay for his defence while he was in Somalia.

Sergeant Mark Boland was arrested, taken from his home by the military police, tried, convicted and sentenced to one year in jail and discharged from the military for his role in the Somalia affair.

Although he was off duty and asleep when the events took place, Sergeant Boland was held accountable because the atrocity took place during his watch. He should have known and he was held accountable.

My question is for the Prime Minister. What kind of leadership example is set for Canadians when the chief of the defence staff is able to pass off responsibility for events that occurred under his watch, yet he continues to enjoy the support of the Prime Minister, the minister of defence and of the government?

**Mr. John Richardson (Parliamentary Secretary to Minister of National Defence and Minister of Veterans Affairs, Lib.):** Mr. Speaker, because of the nature and the detail required, had I been given advance notice of that question, I would have answered it. I will take it under advisement.

\* \* \*

[Translation]

#### REVENUE CANADA

**Mr. Pierre de Savoye (Portneuf, BQ):** Mr. Speaker, a few moments ago, the Minister of National Revenue hid behind criminal enterprises to say that their books cannot be audited. The oil companies are legitimate businesses whose books must be audited. The minister has no excuse.

Furthermore, while wealthy taxpayers were able to receive services from Revenue Canada on December 23, 1991, the auditor general revealed today that, nine times out of ten, ordinary taxpayers cannot get telephone access to Revenue Canada's services.

How can the minister justify the preferential treatment given to the rich by her department when ordinary taxpayers cannot even reach Revenue Canada by phone?

[English]

**Hon. Jane Stewart (Minister of National Revenue, Lib.):** Mr. Speaker, the hon. member refers to telephone access to my department. It is of concern for us. All members have either anecdotal evidence or personal experience about the difficulties of getting through on the phones.

I would like to point out that one week in July last, we received two million phone calls. It would have taken 4,000 agents to respond so hiring more people does not make sense in this case.

What we are doing, however, is looking at automation. We have had pilot projects in place using automated inquiry systems. They will now be spread nationally and our anticipated implementation date is over the course of 1996. With that program in place, it is my expectation that this issue of access to the department will be relieved.

[Translation]

**Mr. Pierre de Savoye (Portneuf, BQ):** Mr. Speaker, I see that, according to the Chief Electoral Officer's report, large corporations make generous contributions to the Liberal Party's coffers.

Can the minister tell us if there is a link between that fact and the fact that Revenue Canada has become a provider of favours and dispensations to the rich and to the big companies?

**The Speaker:** If I understood the question correctly, it concerns the Liberal Party. If the minister wants to answer, I will allow it. If not, it will be disallowed.

\* \* \*

[English]

#### NUCLEAR TEST BAN TREATY

**Hon. Warren Allmand (Notre-Dame-de-Grâce, Lib.):** Mr. Speaker, my question is for the Acting Minister of Foreign Affairs.

This week in a historic event, Canada and 79 other nations signed the comprehensive nuclear test ban treaty at the United Nations.

Unfortunately, some of the nuclear threshold states, including India, have stated that they would not sign. Could the minister say what steps Canada is taking to bring India and these other countries on side and to ensure that this important treaty comes into force as soon as possible?

• (1450)

[Translation]

**Hon. Pierre S. Pettigrew (Minister for International Co-operation and Minister responsible for Francophonie, Lib.):** Mr. Speaker, first of all, I want to recognize the excellent work done by

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the hon. member for Notre-Dame-de-Grâce, who has been an advocate of international disarmament for many years.

In fact, just this week, Canada became one of the first countries to sign the comprehensive nuclear test ban treaty. With this treaty, a long-standing objective of our foreign policy has finally been achieved. Canada will continue to play a leading role in implementing the treaty as soon as possible. A binding international standard banning all tests is already in place under the treaty. This standard will provide strong political and moral leverage in the coming years, leverage that will also be brought to bear on non-treaty countries.

\* \* \*

[English]

**TELECOMMUNICATIONS**

**Mr. Jim Abbott (Kootenay East, Ref.):** Mr. Speaker, outside the House the heritage minister clearly and specifically stated that neither she nor her department lobbied Liberal backbenchers to defeat the bill on banning negative option billing by the cable companies. However, I have the minister's memo in hand which specifically endorses negative option billing and encourages Liberal members to vote against the negative option ban.

Further, I have a document on the minister's letterhead which specifically states that the members should vote no, government position, nay.

With this evidence in hand, how can the minister explain the discrepancy between what she was saying outside the House and the written evidence?

**Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.):** Mr. Speaker, I said last week, I said this week and I will say it again next week that the Liberal government opposes negative option billing. We opposed it last year. We oppose it this year and we will oppose it next year.

The chairman of the CRTC, in assigning the new specialty licences, has also gone on record as opposing negative option billing. Therefore, the issue has been dealt with.

**Mr. Jim Abbott (Kootenay East, Ref.):** Mr. Speaker, not since the minister's broken GST promise has there ever been as loud a public outcry as there was against negative option billing on the part of ordinary Canadians. It is clear, on the basis of this documentation, to anyone that the minister and her department are working hand in hand with the cable industry.

How can she deny that her government position was opposed to the negative option bill when I read here: "Government position, no?"

**Hon. Sheila Copps (Deputy Prime Minister and Minister of Canadian Heritage, Lib.):** Mr. Speaker, you are absolutely right, the government was opposed to the negative option billing.

\* \* \*

[Translation]

**LOBSTER FISHERY**

**Mr. René Canuel (Matapédia—Matane, BQ):** Mr. Speaker, my question is for the Minister of Fisheries and Oceans.

More than three weeks ago, Restigouche Micmacs started fishing lobster illegally, out of season. On Monday, after tolerating the situation for more than three weeks, the Minister of Fisheries and Oceans decided to issue the Micmacs a communal fishing licence they never asked for, aggrieving local fishermen.

In light of the fact that the Micmacs have the clearly stated their intention of developing a commercial lobster fishery and do not recognize the authority of Fisheries and Oceans in that area, how does the minister justify issuing this permit?

[English]

**Mr. Ted McWhinney (Parliamentary Secretary to Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, it is a fact that the Listuguj First Nation, in claiming historic rights, as was amply vindicated in the jurisprudence of the Supreme Court of Canada, asked for a permit. It was issued a communal licence by the department. The communal licence established very serious restrictions in the interest of conservation measures, limits as to the number of catch, limits to the type of gear to be employed. Those restrictions are enforceable under the Fisheries Act.

We are aware of complaints of violations and these are being investigated. If necessary the restrictions will be enforced. Obviously it is in the interest of all of us to achieve an amicable settlement. The hon. member will agree with that. The department is examining that with all parties. However, the regulations will be enforced if necessary.

• (1455)

[Translation]

**Mr. René Canuel (Matapédia—Matane, BQ):** Mr. Speaker, Fisheries and Oceans Canada just authorized 2,000 members of the community to catch 300 pounds of lobster each. That is 600,000 pounds of lobster in Chaleur Bay. That is a lot of lobster.

How can the minister ensure the conservation of the resource, in concrete terms, in the subarea located between New Richmond and Pointe-à-la-Garde, where the Micmacs are currently fishing?

[English]

**Mr. Ted McWhinney (Parliamentary Secretary to Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, as has been stated, we are aware of the conservation imperative. It is the prime obligation of the department. The issue is under investigation.

If violations occur they will be prosecuted under the Fisheries Act. I can assure the hon. member that we will still try to achieve, allowing for the political facts here, the amicable settlement which we all desire. But if necessary, the regulations will be enforced by prosecution.

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### CHURCHILL FALLS

**Mrs. Diane Ablonczy (Calgary North, Ref.):** Mr. Speaker, yesterday in the House, the natural resources minister expressed outrage at the very idea that a federal government should interfere in private contracts. Yet that is exactly what the Liberals did with the national energy program.

I ask the minister, are we to understand that her position is that the Liberal national energy program was a huge mistake?

**Hon. Anne McLellan (Minister of Natural Resources, Lib.):** Mr. Speaker, I have no intention this afternoon of dwelling on the past.

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

**Ms. McLellan:** We should think about the future. I have in front of me a document from the Reform Party called "Twenty Proposals for a New Confederation". Let me read one small part which is under the heading "Realigning The Powers". It says: "To make government more effective we propose eliminating federal interference in the following areas—".

The first area enunciated is natural resources.

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

**Ms. McLellan:** Say we allow exclusive provincial control over resources like energy.

We could ask ourselves why the third party, the Reform Party, has changed its mind on this fundamental point. Perhaps it is nothing more than political opportunism.

**Mrs. Diane Ablonczy (Calgary North, Ref.):** Mr. Speaker, we want provinces to control their own resources, not have other provinces control them.

The minister cannot have it both ways. As I said yesterday, Liberals have no problem interfering with fair contracts. It is just unfair contracts they have a problem dealing with.

### Oral Questions

The Liberals defend selling Alberta down the river but they refuse to take action as the people of Newfoundland are forced to go over Churchill Falls in a barrel.

Can the minister explain this incredible contradiction to the people of Canada?

**Hon. Anne McLellan (Minister of Natural Resources, Lib.):** Mr. Speaker, as I have said, it seems to me that the contradiction here is between the expressed position of the Reform Party and what it is now saying.

We respect the jurisdiction of the provinces over their natural resources. The provinces have the ability to enter into contracts in relation to the sale and disposition of those natural resources.

\* \* \*

### HEALTH

**Ms. Jean Augustine (Etobicoke—Lakeshore, Lib.):** Mr. Speaker, in the past clinical drug trials in Canada have not required that women be included.

If the Minister of Health really believes that women's health is a priority, what has he actually done or what is he doing to make sure drugs are not allowed on the Canadian market before their effects on women are fully assessed?

**Hon. David Dingwall (Minister of Health, Lib.):** Mr. Speaker, the hon. member is well known for her interest and advocacy of women's rights. I believe the hon. member as well as other members of the House will be happy to learn that my department has now changed the policy.

• (1500)

In the past it was not mandatory for women to be included for the purposes of drug trials. As of yesterday it is now mandatory that all drug companies will have to include women in their various test trials before they make submissions to have their drugs approved.

\* \* \*

[Translation]

### DEFENCE INDUSTRY CONVERSION

**Mr. Réal Ménard (Hochelaga—Maisonneuve, BQ):** Mr. Speaker, my question is for the Minister of Industry, so that we do not forget he actually exists. In its budget speech delivered on March 6, the federal government announced the creation of Technology Partnerships Canada. According to the minister, this program was to help in the conversion of the aerospace and defence industries. In order to help the minister manage this program and assess projects, an advisory board was to be set up.

Can the minister tell us how many Quebec businesses from the aerospace and defence sectors have so far been helped by Technology Partnerships Canada?

*Oral Questions*

**Hon. John Manley (Minister of Industry, Minister for the Atlantic Canada Opportunities Agency, Minister of Western Economic Diversification and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, the projects supported by Technology Partnerships Canada will soon be announced.

The hon. member is well aware that, through its programs, the federal government provided support to the development, particularly in the Montreal region, of companies such as Bombardier, Pratt & Whitney, and CAE. We are currently witnessing Canada's success in Montreal.

\* \* \*

[English]

**TAXATION**

**Mr. John Williams (St. Albert, Ref.):** Mr. Speaker, the auditor general's report, which was tabled today, demonstrates the government's incompetence in tax collection that is causing Canadian taxpayers to lose faith in the system.

Once again this government is focusing on the little taxpayer and squeezing him until he hurts, but we find that not one tobacco company has been audited in the last five years.

Revenue Canada knows that auditing large tobacco companies is an easy and efficient way to collect millions of dollars, yet it turns a blind eye to them while collecting every penny from ordinary Canadians.

My question for the Minister of National Revenue is why?

**Hon. Jane Stewart (Minister of National Revenue, Lib.):** Mr. Speaker, Revenue Canada performs its audits based on risk management. In the five years which the auditor general questions we redirected our initiative to the area of the underground economy and the anti-smuggling initiative. The auditor general applauded us for those initiatives and identified real returns to the fisk.

I would say that when we are talking about these companies they do represent about 85 per cent of the excise taxes and I have directed the department to include them in our large corporate audit. They will be reviewed every two years for the two years previous and everything will be managed effectively and efficiently.

\* \* \*

**AGRICULTURE**

**Mr. Vic Althouse (Mackenzie, NDP):** Mr. Speaker, my question is for the minister of agriculture, who said yesterday that he is relying on New Zealand, Argentina and Australia to be his Cairns

group allies in defending our wheat board and our dairy commission and some other boards in the 1999 trade talks.

Since Argentina has already abandoned its marketing system and New Zealand and Australia are changing theirs to take the state out of them, is he planning similar changes here or what is it exactly that holds this alliance together?

**Hon. Ralph E. Goodale (Minister of Agriculture and Agri-Food, Lib.):** Mr. Speaker, at the Cairns group meeting in Cartagena earlier this summer, the 14 nations that make up that group had an extensive opportunity to discuss their various trade strategies heading toward the next round of GATT negotiations at the turn of the century.

The topic of state trading enterprises was one of the subjects under discussion. There was very significant support all around the table not just from Canada, not just from New Zealand, not just from Australia; the general consensus of the group was to take a position in defence of the rights of countries to have and to maintain state trading enterprises that suit their respective circumstances.

On this topic I would invite the hon. gentleman from his privileged position in the House to help explain to his neighbours over there in the Reform Party that when it comes to the policy of the Government of Canada that is set in Ottawa and not in Washington.

\* \* \*

**NATIONAL ENERGY BOARD**

**Mr. John Finlay (Oxford, Lib.):** Mr. Speaker, my question is for the Minister of Natural Resources.

My private member's bill passed this House in November 1995 and called on the minister to improve access to government boards and agencies in the public interest so that better decisions will be made.

● (1505 )

What action has the minister taken to ensure that Canadians have fair and equal access to hearings before the National Energy Board?

**Hon. Anne McLellan (Minister of Natural Resources, Lib.):** Mr. Speaker, the hon. member raises a very important issue and that is in relation to funding for intervenor landowners before the National Energy Board at pipeline facility hearings.

As the hon. member knows, I instructed the National Energy Board to look at non-legislative means by which financial assistance could be provided to landowner intervenors. The NEB undertook that report. It reported to me earlier this year. I asked it to make the report public and seek comments. It is in the process of doing that.



*Supply*

The interest has been so great in this issue that the NEB has had to extend the period for public comment twice. However, I hope to receive the report later this year.

In addition, I should tell the hon. member that I have been working with the pipeline association and I have asked it to consider a voluntary pilot project in which it might provide funding for intervenors.

\* \* \*

**PRESENCE IN THE GALLERY**

**The Speaker:** I draw to the attention of hon. members the presence in the gallery of a delegation of members of the Federation Council of the Federal Assembly of the Russian Federation, led by Mr. Yegor Stroyev, Chairman of the Federation Council.

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

\* \* \*

[*Translation*]

**BUSINESS OF THE HOUSE**

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, here is the question of the week. I would like to know what the government has on the agenda for the days to come.

**Hon. Alfonso Gagliano (Minister of Labour and Deputy Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, on Friday the House will consider the legislation on marine transport, that is Bill C-44. If we have time, we will go back to the list of bills for the week and we will carry on our usual discussions with members from the opposition parties.

[*English*]

Monday shall be an allotted day. On Tuesday we shall return to our list: Bill C-45, Bill C-53, Bill C-49, Bill C-26 and Bill C-41. Bill C-60, the food inspection legislation, and Bill C-55, the high risk offender bill, will be added to the list for next week.

We shall discuss the precise order with our friends opposite with a view to moving this legislation along, which is something the House has not been accomplishing since its return from the summer adjournment.

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**GOVERNMENT ORDERS**

[*English*]

**SUPPLY**

## ALLOTTED DAY—CAPITAL TRANSFERS

The House resumed consideration of the motion

**Mr. Ken Epp (Elk Island, Ref.):** Mr. Speaker, it is an honour to enter into debate on the motion of the day by the Bloc Party.

It is interesting that it should use its day for this particular topic. It is illustrative of one of the things which is wrong with the country. The very fact that we have in the House a large number of members whose set goal is to remove themselves and their part of the country from the rest of us shows that there are some problems and that we as legislators ought to be paying attention to them.

There is no doubt in my mind that if this federation were to work properly, we would not be here debating these kinds of questions.

• (1510)

Bloc Members have raised an issue which is on the minds of many people in Canada, fair taxation. They have done it in a very specific case and with respect to an auditor general's observations. The issue they are drawing attention to is a very important one, that there is unfair taxation.

During my short time as member of Parliament, this being my first term, I have listened to a large number of people from across the country, but primarily in my own riding of Elk Island. One thing I hear often is that people are no longer content to allow half of their earnings or more to be spent on their behalf by people who do not listen to how that money should be spent. Over and over we hear individuals and small business people talk about the taxation system and how it is a great detriment to their personal welfare or the well-being of their business. It is onerous. It is too heavy a burden for the people of this country. It is based on a false supposition that there is someone in far away, distant Ottawa, a politician or bureaucrat who knows better how to allocate those funds that they have earned than the people do.

That is the large assumption which has been made by successive Liberal and Conservative governments, and we are shackled by it. We have come to the point where too many of us are struggling to make ends meet. Meanwhile our taxes must be paid. We will end up working into the middle of July for this thing called tax freedom day, the day when finally we can begin to earn for ourselves and our families.

I admit that some of the tax money is used for good purposes. I would not deny that. I am very happy to be in this country. I am very grateful that we have a good infrastructure system in this country. Our highways are very good by international standards. We have excellent communication facilities and our taxes go to pay for all of that.

That is not the question. The problem is the large amount of waste, the large amount of money which is spent on programs which do not carry the support of the majority of citizens but are foisted on us by a bureaucrat or politician in a distant city. Consequently, I hear more and more disgruntlement and discour-

*Supply*

agement with the way the government is managing its affairs. People are overtaxed and they are getting tired of it.

How should we react to this? According to members of the official opposition party today taxation should be fair. I agree with that component. There should be no large amount of earnings which would go untaxed while other earnings are taxed at excessive rates.

Not very long ago someone told me that he is now in some financial and employment difficulty. He said that if had been able to pay less in taxes over the last number of years he would have had a nest egg put away which would have helped him through a difficult time. Instead, because of high taxation over the years his personal nest egg is much less than he would like it to be, and so he is thrown on to government programs. Unfortunately the government, with its continued policy of overspending and borrowing, adds to the load of taxpayers and our taxes keep rising and at the same time we experience the downsizing of the very government programs which were supposed to be provided by the taxes that we are being asked to pay, I should say coerced to pay.

• (1515)

The bottom line is that in areas like the Canada pension plan, UI which is now called employment insurance, premiums over the years have gone up a lot. I know in the last year or so there has been a small turn downward in the UI premiums and that is a very commendable step but it is too tiny a step.

In other areas we are asked to pay a great deal and there is a decreasing assurance that the government programs we have paid into will actually deliver for our needs. I do not believe that this is at all the real nub of the issue for the members of the Bloc in terms of their wanting to separate, but I believe it adds to it.

I believe that if we in Ottawa were to run our fiscal affairs in such a way that government overspending was eliminated so that this government like all other governments in Canada would have a defined goal of living within its means, then there would be much less of a cry by provinces like Quebec that say: "We do not want to swim with you guys anymore, we want to go it on our own". It would be just too expensive for them. Whereas the way it is right now, being part of this confederation is an increasing burden for many of us.

I appreciate the members of the Bloc. I do not know if that will be misunderstood so I need to explain. I am actually very grateful they are here. It is a reflection of the fact that we have a free democracy. I wish they were not here for the reasons they are here, but each one of them as far as we know was properly and democratically elected. They have as much right to be here as any one of the rest of us.

What we really need to do is to get to the root of the problem. Why did the people in Quebec elect them? Why were they sent here? It is inescapable that they were sent here because of the fact that Quebecers increasingly perceive that Ottawa is not doing for them the job they want done.

When we come to this whole question of taxation and government spending, certainly one of the areas is that taxation should be fair. The government has the right to tax us and by common consent to provide programs that Canadians want and the taxation load should be made as equal as possible for all of the members of the taxpaying public. I believe there are some 13.5 million taxpayers in this country. Each one of them has a vested interest. They are shareholders in this country so to speak, in this company called Canada. They deserve and have a right to demand that the money be spent carefully.

In saying something else about the tax system, whether we recognize it or not, taxes and taxation are a very inefficient way of looking after people's needs. Generally when people spend other people's money, the amount of accountability goes down. I have observed that around here since the time of my election. I have certainly seen it by observing the way even senators and members of Parliament spend money. It is easy to spend money which is not your own. It is more difficult to spend your own.

This is one of the reasons I am a firm advocate of a free enterprise system and a system which permits us to meet each other's needs through private enterprise and private initiative. I remember way back when I was just a youngster there was not this proliferation of government programs. In fact the generation in which I grew up was one in which most people would deny the help that was offered to them by government because of a large amount of personal pride and self-sufficiency, at least in the part of the country in which I grew up, out in the west.

In those days when someone had a problem we who had the ability to help would help in the way in which we could. I remember as a youngster one of our neighbours was unfortunately killed in a farm accident. My dad was one who helped organize the neighbours. They immediately went to help this newly widowed lady do her harvest. They did her harvest first and then they did their own. They could afford to do that because at that time there was enough money left over despite the taxes. Sure, times were not easy on the farm but they had the financial ability to help someone in need.

• (1520)

I have experienced this personally. Acquaintances of mine have fallen into hard times and I wished that I could have helped them more than I did. Unfortunately, what with the municipal taxes, the provincial taxes, the federal taxes and GST, by the time all these taxes are removed from my earnings and after I meet the basic

*Supply*

necessities of life for my own family, the amount of money I have left to give charitably to people who are in need is greatly diminished.

Now my way of helping people is to say: "Let us go down to the government office and see what kind of assistance is there for you". That is wrong. I am very distressed about it. We have allowed governments at all levels to take over from us as individuals the expression of compassion which we as Canadians value.

I hear expressions especially from the Liberal side that they do not want to cut these social programs because they are compassionate. If that is really true, if the government were to reduce its involvement in those compulsory programs which we have no choice but to support, then each one of us individually could do so much more. We could help people in a much more genuine way than a government department somewhere trying to help people in a wholesale way with reduced budgets.

The last issue I want to talk about in my little time here is the question of debt. I am always reluctant to give the Liberals great accolades when they have not done the job adequately. Usually what I say is when we were elected in 1993 and when all this present batch of Liberal MPs were elected, we understood that the deficit, the amount of government overspending, was around \$35 billion or \$40 billion a year. It was in that range.

It is interesting how whenever there is a change of government the last year of the previous government is always tremendously bad and then it gets better. I have often wondered how that happens mathematically under accounting rules.

We had a large deficit. Now we have a deficit which has been reduced and everybody is cheering: "We have reduced it to \$27 billion". Unfortunately, I do not believe this is being properly communicated to Canadians. There are a lot of people who think that our debt and deficit problems are solved with this Liberal government. Unfortunately, that is not true.

What has happened is that the government has reduced the rate at which we are going into debt. We are still adding \$100 billion to the debt during the term of office of this government. We have added approximately \$10 billion a year to mandatory interest payments. Those payments are not going down because the debt is still increasing. That means that next year our interest payments are going to be even higher than they were last year. Even though the debt is increasing at a slower rate, it is still increasing. The amount we owe is going up, up, up.

It is becoming urgent that through proper and fair taxation techniques and through the reduction of government involvement in programs which Canadians do not support that we downsize government. It is urgent that we return to the people of Canada the autonomy that comes when they can spend their own money for purposes they themselves choose rather than for purposes that are chosen by someone else.

I encourage the Liberal majority government on the other side, all those individual backbenchers to really exercise the authority they have as elected members of Parliament. I would like to see them throw off the shackles of party discipline and really hold their own government accountable in areas of deficit reduction. It is shameful that after four years we still do not have a definite date on which it is planning to say: "We will not be borrowing next year. No more borrowing". Would that not be a wonderful day?

● (1525)

I should not mention my son, so I will not, but it is as if when he got a speeding ticket for going 80 in a 60 zone he said to the officer that from now on he would only go 75. It would not wash. If the speed limit is 60, he should be going 60. It is not sufficient to reduce it just by a little bit. It is the same thing with the borrowing. It is not acceptable until our borrowing has stopped, until our budget is balanced and our deficit is zero. That is the only acceptable goal.

I do not know why this government has been so unwilling to state a definite target date to aim for on that and to actually reach a goal that it has set instead of these wishy-washy, floating, moving targets that the government may reach if everything goes well and if it does not go well it will happen more slowly. I am distressed with that and the politicking that goes on while Canadians in general are going into debt and are being asked to pay \$500 a month per taxpayer just for interest. That is not acceptable.

In conclusion, I am someone who is committed to doing my part in government. It is incumbent on all of us to spend the taxpayers' money as though it were held in trust, to spend it as though it were our own, to be careful and frugal. It is incumbent on all of us to do everything we can in order to eliminate the deficit, to stop the borrowing, to start reducing the amount we owe, reducing the amount of interest that is payable, reducing taxes and giving that boost to the economy that would provide jobs and dignity to people who are currently unemployed. Our country would be in so much better shape.

**Mr. Alex Shepherd (Durham, Lib.):** Mr. Speaker, I would like to ask some questions and make some comments on the speech by the hon. member for Elk Island.

There is this concept, which is also part of the motion we are debating today, that somehow the Canadian taxation system is not fair. In fact I heard the hon. member start off with that in the first part of his speech.

I would just like to comment on the fact that recent statistics, if we study them, show that the top 30 per cent of Canadian taxpayers are paying 66 per cent of the total of all taxes in this country. We have a system in Canada which is called progressive taxation so that the more one makes the more one pays. The reality is that our system has been regarded as fair and progressive from years back. It is also part of the Bloc motion that we are somehow taxing the

*Supply*

poor and letting the rich off. This just is not borne out by the statistics of reality.

I would like to address some of the issues that have been brought forward by the Bloc motion and which have also been mentioned by the hon. member.

Our system of taxation is based on voluntary compliance. What voluntary compliance means is that 13 million taxpayers agree to file their tax returns every year and have them assessed by Revenue Canada.

• (1530)

This is a process which is accepted in western democracies. It is a very efficient system. In a sense it is based on the honour system. There are some internal controls and some checks and balances but basically it is run on the good wishes and goodwill of taxpayers.

There is one big feature about that. When people file their tax returns they believe they are confidential. I would like to take the opportunity to read the section of the Income Tax Act which addresses this matter. I would be interested in the member's comments on it.

It states concerning the provision of information in section 241: "Except as authorized by this section, no official shall knowingly provide or knowingly allow to be provided, to any person any taxpayer information, knowingly allow any person to have access to any taxpayer information or knowingly use any taxpayer information otherwise than in the course of the administration of the enforcement of this act, the Canada Pension Plan Act and the Unemployment Insurance Act".

The purpose of this is to give people assurance that when they send their information to Revenue Canada that it is confidential.

This matter that has been brought forward by the Bloc today, and I would be interesting in the member's comments—

**The Speaker:** I wonder if the hon. member would perhaps let the hon. member for Elk Island answer some of the questions that have been raised. I would not want it to be all questions and no answers. I will go to the hon. member for Elk Island and if we have time I will come back.

**Mr. Epp:** Mr. Speaker, I guess in principle we have a reasonable tax system in this country. I would agree with that.

It is not working the way it ought to work. As the hon. member mentioned, and I hope I heard him correctly, there are a lot of people, at least our perception is so, who earn an awful lot of money who pay little or no tax. Then of course there are those people who make very little money who pay little or no tax, but the

bulk of the tax burden is on the middle wage earner and we pay dearly.

Every one of us, even without being able to go into the tax records of others, can think of examples of people who are very well off. I remember when my wife and I were first married, which is now over 35 years ago, we had a reasonable mid-sized car, some borrowed furniture when we were first married, and I had to pay my taxes. In fact, it was deducted from my earnings every month. I was making a little over \$400 a month and \$35 a month, as I recall, went to the tax man.

We developed a friendship in the new town in which we lived where there was a couple who were very well off. He drove a large luxury car. They had a beautiful home with all the newest furnishings. He told me that he did not pay any tax ever because he was a successful businessman. He was able to write all of this off. I objected to it at the time. I said I did not think that was fair. He said: "I'm only using the tax rules. I am not doing anything illegal". There is one example.

A much more recent example has to do with the MP pension plan. When Reformers came here, we said and we were directed by our voters, that the members' pension plan is too rich. It costs the taxpayer too much relative to how much we personally put in. On principle we said we wanted out.

The day I went to do my payroll stuff when I was first elected I asked: "Can I opt out of that plan?" I was told that I could not. Two years later the government tinkered with the legislation and included in it a small window of opportunity for those who felt strongly about it to be able to opt out. The unfairness was that for two years we were cut out of RRSP room because we were forced to be in this plan, but when we got the money back we had to pay income tax on the whole amount and were not allowed to roll it into an RRSP equivalent to that same amount. That is an unfairness in the tax system. I think it is a very serious unfairness to me personally. There are many others who would not share that great concern.

There are those inequities. They need to be fixed up. I really believe that the motion before us is an indicator of an unfairness in the system where some individuals can earn large amounts of money and through one method or another can avoid paying their fair share of tax on it. That needs to be corrected.

• (1535)

**The Speaker:** We have about a minute left, perhaps about 30 seconds, for a very brief question.

**Mr. Shepherd:** Mr. Speaker, I do not think he really addressed one of the questions I posed to him. The Bloc Quebecois is talking in its motion about revealing taxpayers. How does the member feel about the Bloc's attitude about revealing the identity of taxpayers as they also proposed in their motion before the finance commit-

tee? In other words, expose taxpayers to possibly a witch hunt much like Nixon did in the United States when he chased after political enemies. Does he agree that is an acceptable process?

**Mr. Epp:** I certainly agree with the hon. member that confidentiality in the tax reporting system is valuable, particularly for businesses.

It guards commercial security and information which I think is right. But I still believe it would be quite fair for us as ordinary Canadians—I still consider myself to be one—to know exactly what we need to do in order to earn large amounts and not to have to pay tax on it.

The only group I know of that can really get away with it right now—I hate to repeat this—are members of the MP pension plan. I have made some calculations. The amount one would have to put away in order to provide that is several thousand dollars a month. In all practicality it is a deferred income scheme. It allows MPs to take part of their earnings now and receive them later at which time they would be taxable. That is not available to other Canadians.

The question the Bloc has raised today is an issue based on the same principle. Here is something that is available to one group of Canadians. Why is it not available to another group of Canadians? That is the part that we would like to see clarified.

**Hon. Jane Stewart (Minister of National Revenue, Lib.):** Mr. Speaker, let me say how much I welcome the opportunity to discuss this motion as it has been presented to the House and to shed light on the real and substantive issues that the case before us demands.

The members of the opposition have really gone out of their way to distort the issues, to confuse the Canadian public. What they forget to say time and again is that this decision was a decision made by the former government, the Tory government in 1991. It was brought to our attention by the auditor general and now we have to deal with it and ensure that the integrity of the tax system is maintained and improved. That is what the opposition forgets to talk about.

The other thing it forgets to talk about is that we did take action. When the auditor general brought this to our attention we responded immediately to the issues and presented them to the finance committee for review. It is a very public body with members from all the elected parties in this House that represent this country from coast to coast to coast.

The opposition members forget to talk about the fact that we have actually acted on the results of that committee report, that we are making changes, that we are committed to having a fair and equitable tax system.

### *Supply*

The thing they continue to talk about, the myths they continue to perpetuate are these. They think that if they keep repeating the words family trust and scandal over and over again they can make something out of nothing. But in fact this topic has nothing to do with family trusts, nothing at all.

I sat on the finance committee with the member who proposed this motion, the member for Saint-Hyacinthe—Bagot. When we focused specifically on the issue of family trusts, we heard witnesses, we talked to experts, we listened to testimony, reviewed the implications and made recommendations to the Minister of Finance how we should change family trusts in this country. The Minister of Finance read that report, as he reads all the reports of the finance committee, and in fact went further than our recommendations to deal with that particular tax strategy.

• (1540)

In fact, the government, in response to the issue of family trusts, has eliminated the election to defer the 21 year deemed disposition rule which was introduced by the Tory government. It is gone. It is not part of the legislation any more. We did that. It is gone.

In addition, the government eliminated the preferred beneficiary election for trusts. This ensures that trust income cannot be arbitrarily allocated to a beneficiary instead of being taxed at the trust level just because the beneficiary is at a low marginal income tax bracket. That has all been changed. Family trusts have been dealt with.

I was part of the committee. The Bloc member who has proposed the motion to the House and who keeps talking about family trusts was there as well. He knows that these changes have been made. I want to assure Canadians that they can have confidence in the system and that that tax loophole does not exist for the advantage of the wealthy any more.

In addition to making the changes to family trusts, the government has gone even further in terms of increasing the fairness of the tax regime. In fact, we have tightened the rules on tax shelters. We have improved our large business audits. We have eliminated the \$100,000 capital gains exemption. We have introduced draft legislation to strengthen the reporting of world income in order to prevent the use of offshore tax havens and the evasion of taxes.

The Minister of Finance mentioned last week that he has implemented to date 30 different improvements to the Income Tax Act to make it more fair and equitable. That is the kind of government we are. We are improving fairness to ensure that all Canadians have appropriate opportunities to make their contributions and to benefit from the taxes which they pay.

This is not about family trusts. I cannot say that more emphatically. What this issue is about is how we tax the property of Canadians who emigrate and how we tax the property of people

*Supply*

who are not Canadians but who hold Canadian property. It is about the thing we call taxable Canadian property, that is, and let us be clear, property that remains taxable in Canada even though the owner may not live here and may not reside in the country. Taxable Canadian property is an extremely complicated notion. It is an extremely complicated aspect of the Income Tax Act.

As the Minister of National Revenue, I received the report from the auditor general on this topic. As I read the chapter I took it very seriously. I met with the auditor general for three hours to go through, line by line, his concerns as written in the report. We began by talking about his concern of how the department ruled on the issue of taxable Canadian property. He talked to me about the fact that he understood the complexity of the legislation. He understood that, in fact, it is very unlikely that any law had been broken. He was asking whether or not the ruling was reflective of the intent of Parliament when it drafted the legislation.

He was not suggesting anything inappropriate. He was not suggesting anything illegal. He was suggesting that in the ruling we may have highlighted something which needed to be drawn to the attention of the House for its consideration.

That is particularly an issue for the Minister of Finance. It is an issue of policy, not of administration. I met with the Minister of Finance and suggested that an appropriate response to the auditor general in this regard would be to send this part of the Income Tax Act to the finance committee for a full and open review. That is what we did.

I would like hon. members to understand that this was the first time in 25 years that this part of the act had been reviewed. It was timely. It was appropriate. The finance committee reviewed it in its fullest context. They had expert witnesses who are credible internationally look at the circumstances, to review the decisions. Six out of the eight said there was nothing inappropriate in the decision, that the ruling was correct as the law is written.

• (1545)

The finance committee looked at it and asked: "Is this really the way we want things to work in Canada or should we make changes? Is it time to make changes? Should we clarify our intentions?" Members of the committee made some very clear suggestions to the Minister of Finance that he is now reviewing and considering and will act on in due course.

There was a second concern which was raised in the auditor general's report relating to this topic. The concern spoke directly to my responsibility as the minister of revenue. He talked about the way in which the ruling proceeded. He gave the dates, the timeline. He indicated that he was confused about where and when and by

whom the decisions were made. As I read the report I was extremely concerned.

In the course of the three hour discussion I had with the auditor general I asked him if he was suggesting that there was political interference in this case and was he asking me to investigate political interference. He responded: "I have no reason to doubt the integrity of your department".

We went on and discussed the issues he was concerned about. He was concerned that there was no documentation which directed my attention to how the decision was made. It was not clear, not full in its nature. We must have that kind of documentation if we are going to have a fair, open and transparent system. I immediately agreed with the auditor general and I immediately directed my officials to ensure and build a new plan of action to be implemented immediately to ensure that documentation of all our decisions was clear, full and made available when requested. That was an area of real concern.

The auditor general expressed his concern about consistency, highlighting the particular example of the matter where an opinion, not a ruling, was given in another part of the country on a similar topic at a different time which was different than the ruling in 1991. He indicated some concern about the consistency of decisions within my department. Again I agreed and said that we must have consistency. Canadians must be able to rely on the rulings. No matter where they are they must get the same answer from the department when a similar question is asked.

As a result and subsequent to 1991 the department has made very credible changes to the way we operate, primarily using technology so that all the rulings and opinions are listed in a data base which can be accessed. Now any department officials who are making rulings can refer to the data base, see what decisions had been made in the past and ensure that there is consistency and integrity in the responses given to Canadians.

Third, he was concerned about the transparency of our decisions. He was concerned that we made decisions and then did not publicize them for the broad benefit of all Canadians. We changed that some time ago. Our concern originally was with the integrity of confidentiality which we must maintain for all Canadian taxpayers. We must ensure that every individual's details and circumstances remain with us and are not exposed to broad public review. When we get these rulings we have to sever them and present them publicly in a way so that there is no connection between the individual tax filer and the decision. We have found ways of doing that and we have implemented that strategy in our day to day process.

When we look at the issue there are really two sides to it, one of policy which was dealt with very effectively by the Finance committee. It has made recommendations to the minister and he is considering them.

*Supply*

• (1550)

The second area was administration. The finance committee decided on its own to look at those issues, to hear from witnesses, to talk to the auditor general, his assistant, the deputy in my department and the deputy of finance to talk to them about that system of decision making. Their conclusions were the same as those of the auditor general. In fact, the auditor general when questioned in the public accounts committee said: "I have never had the occasion or the need to ever question the integrity of senior officials at Revenue Canada", a reiteration of what he told me. In the finance committee the assistant auditor general said: "We have seen no evidence of bad faith and we have seen no evidence of wrong doing".

Committee members heard that testimony and reported to me as the minister that they saw no evidence of scandal. The only people talking about scandal reside in the opposition. All they talk about are these two things, family trust and scandal. They are not part at all of the discussions presented to me by the auditor general.

I would like to take the opportunity as we are discussing the integrity of the tax system to tell members a little more about what we are doing in Revenue Canada to respond to the needs and the wants of Canadians. Most recently, my department is undertaking the largest re-engineering project in Canadian history. There are 40,000 employees in 800 offices across this country engaged in a structural change that will bring together two very separate organizations.

Traditionally in my department the tax side was distinct, the customs side was distinct. They had their own deputy ministers, their own policies and procedures, their own penalties and interest, their own publications, all quite separate. As a result of changes made by my colleague, the former minister of revenue and now the Minister of Transport, we have redesigned our whole department. We have brought the sections together under one administration and that is contributing to a savings of \$300 million to the Government of Canada and the taxpayers. Together we are providing a system that is going to give the Canadian public a real competitive advantage.

I was in the United States in March and met with 500 exporters and importers. I said to them that they had to understand that in Revenue Canada I have responsibility for what is effectively their IRS, their customs administration and their trade administration. They sucked in their breath. They could not believe it. I said yes, and you could not do that in the United States but because of the way we have organized ourselves, because of our size we could bring and house these separate entities together so that our citizens can contact the government more effectively and efficiently.

This whole issue of horizontal management becomes real and alive. Canadians no longer have to call and someone says "I am sorry, that is someone else's business". In my department everybody can respond to those issues: a single window. That is what

Canadians want. They want effective government, a government to respond to them as citizens, to provide that service, and that is what we are doing. It is a tremendous challenge but the employees of Revenue Canada are rising to that challenge.

Today the auditor general in his report completed a whole chapter talking about our administrative consolidation. He praised us for the approach we have taken. He praised us for the contribution that change is going to make to the fairness and effectiveness of the system, for the return to the taxpayer. He indicated that our activities should be a model for other departments and agencies.

It is a pleasure for me to receive that report and to say to the employees who are in the service of the Canadian public in my department, thank you. You are making a difference to the way this government responds to Canadians, to the way we are serving the Canadian public. It is real and it is tangible.

More specifically, there are other things that we are doing on the revenue administration side.

• (1555)

Members will know that different tax regimes were developed individually in their own silos, the personal tax structure, the corporate tax structure, the consumption tax structure; all separate, all with their own penalties and interests, all with their own management teams.

We are breaking that down as well so that we can now look at a Canadian citizen, a Canadian business as an entity. They do not have to deal with Revenue Canada with four business numbers. We can look at them in total. Their tax positions can be understood completely by us.

That is a real competitive advantage. It is a responsive, positive change in the way of doing business. On the customs side, the same thing is happening. Very effectively, we are now moving to understand that we have to facilitate effective trade to let the good things pass through our border quickly and efficiently. But by golly, to keep the bad things out, firearms, drugs, people we do not want in our country, we have to have a smart border.

Our strategy is to maximize the potential of our employees, to use new technologies, to build partnerships with the private sector and yes, with other levels of government and other governments to provide Canadians with the most competitive revenue and customs administration they can possibly have.

I am very proud of the work of my department. I am very proud of the response that my department took to these issues directed to us by the auditor general. I want to make clear to the Canadian public that the opposition is full of political huffery and puffery on this item.

*Supply*

Again, it is not about family trust. We have dealt with that effectively. It is not about scandal. There is no indication of scandal. What this is about is our government's taking efficient, effective, immediate action when concerns are drawn to our attention. It is about a government that believes in the fairness and equity in the tax system.

It is a government that believes it can make a difference and will make a difference. It will provide Canadians with the tax regimes they deserve.

**Mr. Philip Mayfield (Cariboo—Chilcotin, Ref.):** Mr. Speaker, I very much appreciate the comments of the minister. There is another side to this. She mentions there are two sides to the argument. I intend to follow that for just a moment.

We have listened to the minister and other members of the government side speak of the due diligence they have paid to this problem in the revenue department. We have heard the chairman of the finance committee mention how they have called witnesses. They have invited the opposition parties to call more witnesses. They have looked at it as thoroughly as they could in depth.

There has been a lot of talk, talk, talk about this issue. I am pleased they are coming to some resolution. The issue is not entirely family trusts. In my mind the issue related to that which is perhaps more important is government accountability. To whom is it accountable?

There is a disturbing trend. For example, as legislation is being amended I hear members of the legal community saying that one of the concerns that they have is that the government is seeking less and less accountability in rather small and obtrusive ways.

For example, little words like "shall" are being modified to "may" where there is less accountability, and phrases like "in the opinion of the minister", which is not challengeable in any court because how does one challenge someone's opinion?

Relating to the issue of revenue generation and family trusts, and going one step beyond that, I have seen how the government has looked carefully over a long period of time at this issue, but there are other instances also.

For example, when a farmer took a truckload of grain across the border, he was taken to court. There is nothing wrong with that. When the judge said there is nothing wrong, the regulations were changed in a flash. It did not take weeks and months and years. The government acted immediately.

• (1600)

Another example: Shortly after this Parliament convened after the election, we were confronted by a crisis of smuggling tobacco products. What happened? The government acted very quickly by

lowering the duties collected on tobacco products and dealt with the smuggling problem in this manner. It acted very quickly. The consequence of that however is there are thousands of young people now involved in smoking. They have taken up this highly addictive habit and face years of suffering trying to get away from it. The medical costs of caring for them later on have not been calculated but they will be high.

The difficulty is not simply family trusts, it is government accountability and to whom it is accountable. Is it willing to be accountable to the law as all citizens are, or is it seeking to be less and less accountable? It is my contention that this is the case.

In this instance the Liberal government has spent a long time talking about the issue. I will be interested to see exactly what the outcome is. Hopefully it will be that large family trusts will not be able to leave the country without paying due taxes as the rest of us do.

The government is quite properly looking to claim all legitimate revenues. Forms are being sent out to people to tell stories about other people who may not be paying their taxes, who may be escaping their taxes through the underground economy. Are we asking our citizens to be stool-pigeons while other people are quite legally removing their money from the country? There is a matter of fairness that Canadians really object to.

These are the concerns which I have as I talk about government accountability. I ask the minister if she would please respond. Is the government prepared to be accountable in all areas, or simply in the areas where it is most convenient for it?

**Mrs. Stewart (Brant):** Madam Speaker, let me say that yes indeed the government is prepared to be accountable in all aspects of its responsibilities. When we talk about accountability I would like to share with the House something else we have done in the department which responds directly to the member's concerns.

It is only fair when we ask Canadians to open their books to us as we collect their taxes and look at their position, that we do the same. As a result of that I have asked my department to take the time to prepare on the basis of an internal audit, reports for this House, for members opposite and for their constituents on the different programs we take responsibility for.

Most recently we did a full report on the tax filing year that indicated the positives, the fact that people are getting their refunds much faster now as a result of E-mail and other changes to our system, that we have implemented new strategies like E-filings, telephone filings which make sense to Canadians and respond to them. At the same time this report identified areas of weakness where we have to make improvements and respond more directly to Canadians.



*Supply*

Most recently we have issued our second report, a report on the child tax benefit. The hon. member may be interested to know that the newest line of business in Revenue Canada is providing benefits to Canadians, returning revenues back to Canadians as appropriate: the issue of the child tax benefit and the GST credit for example. We have done a review of our child tax benefit program and strategy. We have found aspects that are very positive about it, but aspects that yes indeed we have to improve.

These are the kinds of measures this government is taking to respond to the concern of the hon. member in the area of accountability.

• (1605)

**Mr. Ken Epp (Elk Island, Ref.):** Madam Speaker, we are privileged to have the minister here responding to the motion and answering questions. I thank her for her very lucid communication. I commend her for her style of speaking.

She indicated that this particular issue which has been brought up by members of the Bloc has been solved by her department, that the loophole has now been closed and that it is no longer permitted. I presume if the same attempt were to be made now, the tax revenue would not be forgone by the Government of Canada.

Was there an attempt made to reassess the tax payable on the amount that was taken out of the country?

**Mrs. Stewart (Brant):** Madam Speaker, I should clarify a couple of things.

The concerns of the auditor general were really two. One dealt with policy: the issue of taxable Canadian property; how we apply it; how we should not apply it. The other was the issue of deemed disposition and when taxes should be paid on Canadian property.

Those issues were reviewed by the finance committee and recommendations were given to the Minister of Finance, whose purview it is to deal with the policy of the Income Tax Act. He is currently reviewing them. As he does, I have in my department maintained a moratorium on rulings of taxable Canadian property. It is only appropriate and prudent that we give the minister time to make those considerations and ensure that the issues do not come before my department simultaneously. We want to ensure that the intentions of the members of the House and their concerns about this particular aspect are reviewed, given a full airing by the minister and then, when he makes his decisions, we will again return to the normal process of rulings, given the changes to any legislation.

Beyond that I would say we have taken further action on the administrative side. Very clearly the auditor general and the committee were concerned about three things: the transparency of our decisions; the consistency of our decisions; and the documenta-

tion which we have in our files around all the decisions we make. I am glad to confirm to the House and to all Canadians that we have taken action in all three of those areas, as I indicated in my speech. I believe that should add comfort and assure the integrity of our taxation system.

[*Translation*]

**Mr. Pierre de Savoye (Portneuf, BQ):** Madam Speaker, it is a pleasure to address the House this afternoon on the controversial topic of family trusts, and, more particularly, of the auditor general's report.

There is no getting around the fact that it was very ill-considered of the finance committee, which is obviously controlled by the Liberal majority, to have criticized the auditor general and his report, because the auditor general is an institution that must, at all times, be above criticism.

I appreciate the fact that the minister recognizes that the auditor general is doing a good job. Beyond the fact that I know that the minister is the soul of honesty, I must say that the scheming that has come to light in her department and that she says she is trying to rectify, is not going to encourage the public to have great confidence in the federal revenue department.

Beyond the technical considerations the minister laid out earlier, the fact still remains that the average citizen does not necessarily have great confidence in the federal tax system. If you met a businessman anywhere in this great land and you asked him whether he was treated fairly by the tax system, I am not sure you would find him very enthusiastic. On the contrary, he would point out a number of situations that he finds disgraceful, a number of measures that he finds unfair.

• (1610)

And even if we were to give him a technical explanation for certain situations, he would be no more convinced.

When average citizens, the men or women who work five days a week, who have families to raise, file their tax returns at year's end, do they think they are being asked to pay their fair share of taxes, or do they think they are being asked to pay more than the more fortunate members of society?

So you can understand that when the auditor general tells us that a rich family, with the help of what is known as a family trust and by means of tax provisions permitting money to be moved out of the country, has used these tax rules to shelter a sum of two billion dollars from taxes, average citizens do not understand. They do not understand why the act allows something like this to go on while they must pay every last cent of taxes they owe.

You will agree with me that they have reason to worry. The legislative tax measures that are in place and that are administered by Revenue Canada cannot be justified solely from a technical

*Supply*

point of view, but must also demonstrate respect for this country's citizens, whatever their income.

Basically, the problem is that people who have money are able to get the technical expertise they need to find legal ways to save on their income tax. Technically speaking there may be nothing wrong, but the fact remains there is something distinctly immoral about this.

The average person is not in a position to say, with a big smile, that everything is okay because it is legal, because all the rules and regulations have been observed and the experts said it was all right. How can you make it morally acceptable to someone who earns a modest weekly wage and pays provincial and federal income tax of up to 20, 25, 30, 35 or 40 per cent and more, that someone can take two billion dollars, transfer it to the United States and not pay a cent of income tax? That is hard to swallow.

For the benefit of the minister, I will tell you about a letter I received a few days ago. It was from a woman in Saint-Raymond, in the riding of Portneuf, a woman with a family, who last year had a job under a program managed by Human Resources Development, commonly referred to as DEPS and section 25s.

• (1615)

I hope the minister will listen for a few moments, because I think the situation will interest her and help her understand why some people feel the family trust issue is particular shocking.

This woman, who worked under a job readiness program of Human Resources Development for many months, hired a babysitter so her children would be looked after at home. Instead of paying this person under the table, thus making her work illegally, she paid her a reasonable amount so she agreed to give her name and this woman from Saint-Raymond could claim child care expenses as a tax deduction. In other words, she acted like a law abiding citizen so she could claim this deduction.

But there is a problem because the money to pay for her salary comes out of the Unemployment Insurance Fund. So she is not entitled to this deduction. So, imagine, this woman who spent more to avoid hiring someone illegally was denied the deduction to which all other workers who have a job are entitled.

There are numerous technical reasons, and the minister will agree, for which this woman is not entitled to that deduction but fundamentally, morally, and I hope the minister is listening carefully, that woman feels very angry and frustrated and is disappointed by a tax system she finds unfair.

That is what is outrageous. On one hand, the auditor general tells us that a wealthy family was able, through a family trust and with rules on taking money out of the country, to shelter \$2 billion. This

is three times the cost of the disaster in the Saguenay. That is a lot of money. Three times the cost of the disaster in the Saguenay: \$2 billion.

On the other hand, this woman I just talked about is losing the equivalent of \$1,000. I realize my time is running out but I believe I have demonstrated that what is outrageous is not that some things are legal but that the law has more consideration for the rich than for the poor.

I hope the minister will be able to address this situation as soon as possible.

**Mr. Michel Guimond (Beauport—Montmorency—Orléans, BQ):** Madam Speaker, I am pleased to speak to the Bloc Québécois' motion on this allotted day, particularly as I am Chairman of the Standing Committee on Public Accounts.

I believe it is our duty, when we have the floor, to put things in perspective, so that our listeners can understand what we are talking about.

On May 7, 1996, the Auditor General of Canada, Denis Desautels, tabled a report. Under an Act of this Parliament, the auditor general is expected to submit three reports each year. In this report, one chapter in particular caught our attention, not only the attention of the official opposition but also that of all the members of the Standing Committee on Public Accounts.

Let me explain. I am talking about Chapter I, entitled "Other Audit Observations". This is a kind of catchall, not so much in terms of its content but because it contains a variety of observations.

• (1620)

This chapter described two particular cases. The auditor general had examined two particular cases relating to the transfer of assets from one family trust to another family trust in the United States. The figure was astronomical. The principle would also have been unacceptable had the figure been smaller, but the very fact that it was a tax-free transfer of \$2 billion made it even more so.

The Standing Committee on Public Accounts met, as it does each time the auditor general tables a report, and as it did today, in fact. In committee, we try to determine which priorities we should look at, study and call witnesses about.

You will understand that the official opposition wanted to study these two family trusts quickly, I must stress this fact, right from the beginning, as the Chairman of the Standing Committee on Public Accounts, the only committee to be chaired by a member of the opposition. The rules of our democracy entitle the official opposition to chair that committee which acts together with the auditor general. This committee monitors the government and the

different departments to ensure, for Canadian taxpayers, that their taxes are being spent efficiently. In fact, such is the role of a state where taxes are collected. We pay the taxes and we make sure that we get our money's worth.

We wanted to examine this issue on a priority basis and that is why we, in the official opposition, decided it warranted further debate in the House, because we were unable to find out in detail what really happened in these events we now call a scandal. This term was not necessarily chosen by the official opposition. The Parliamentary Secretary to the Minister of National Revenue said that the government members do not like to hear us using the word "scandal", but we are not the ones who first used this term. It was first used by neutral and independent reporters who happened to examine the case. We could quote Martin Leclerc, from the *Journal de Montréal* and the *Journal de Québec*; we could quote Gilles Gauthier, from *La Presse*. They are not in the pay of a specific party. They were the ones who said this situation was outrageous, that it did not make sense.

We can tell you that, again today, as a result of delaying tactics, the official opposition is not in a position to do its job properly because, as we speak, we cannot find out what really happened.

As my colleague, the member for Portneuf, was saying earlier, we have a few questions of our own. Why, when it is time for two rich families to transfer, tax free, \$2 billion, are all the officials, all the senior officials at Revenue Canada available to meet with them, help them win their case and proceed with the transfer?

This is what worries us about the 1991 decision. It was handed down on December 23, 1991. If there are questions or comments later on, I already know that Liberal members will say: "This did not happen while we were in power, it happened under the Conservatives". Quite true. Nice try. Indeed, the Liberals were not in power in 1991, but they will not be able to get away with what was made public today by the auditor general in his report. Revenue Canada is going to have to account for \$630 million worth of tax evasion. The auditor general mentioned that this is due to a lack of auditing of major oil companies and the tobacco industry; \$630 million in 1994-95 alone.

• (1625)

This means that the Liberals' argument that they were not here in 1991 still holds. However, what practical steps have they taken to close the door?

The Liberals want us to stop reviewing chapter 1 of the auditor general's report, claiming that the Standing Committee on Finance has already done so. They want the Standing Committee on Public Accounts to work on something else. I know some members here in

### *Supply*

this House could say: "Yes, but the committee agreed to hold only one meeting on family trusts". Maybe the Liberal majority members are smarter than I, but, as I said to the Standing Committee on Public Accounts, I do not feel that one single sitting is enough to shed light on what really happened on December 23, 1991.

Because we, the members of the official opposition, have always believed in the institution personified by the Auditor General of Canada, we also find it unfortunate and deplorable that the Chairman of the Standing Committee on Finance and member for Willowdale tried twice to discredit, to corner, to trip up the auditor general and his colleagues. He never assumed such an attitude towards the Deputy Minister of Finance, Mr. Dodge, or the Deputy Minister of National Revenue, Mr. Gravelle. This is what we call double standard. Instead of showing some respect for the Office of the Auditor General of Canada, an independent and democratic institution that has no political ties, he chose to play party politics.

The member for Willowdale is well-known for the way he conducts the proceedings of the Standing Committee on Finance. As Chairman of the Standing Committee on Public Accounts, I do not need the member for Willowdale and Chairman of the Standing Committee on Finance, telling me what to do.

The fundamental issue is the issue of the accountability of senior officials. This is regrettable, but I must tell you that the question of accountability of senior civil servants will not be studied by any parliamentary committee. The Standing Committee on Public Accounts, of which I am a member, will not be able to do it in one single sitting any more than the Standing Committee on Finance did. In a democratic society, it is of considerable concern when people are not accountable for their actions and their decisions.

We will never know neither the circumstances which led to the transfer out of Canada of \$2 billion, tax free, nor all the reasons surrounding these improprieties. I am not the one mentioning improprieties in this context, it is the auditor general.

To conclude, if we go beyond this case, it is the whole process of external audit of the government which has to be reviewed. Maybe Liberals are longing for the time when they were in opposition. They were more aggressive then, more lively, perhaps, and they will probably be there again after the next elections. The only committee chaired by an opposition member is being side-tracked despite its formal mandate to study the auditor general's report. The auditor general is under attack and will not have any forum to defend his indictment of this government, if the Standing Committee of Public Accounts is not able to shed light on this question.

I will conclude by saying that this is a frontal attack on the principle of government accountability to Parliament.

*Supply*

[English]

**Mr. George S. Baker (Gander—Grand Falls, Lib.):** Madam Speaker, I listened carefully to the hon. member from the Bloc. In its position as the official opposition to the Government of Canada, the job of the Bloc is always to hold the government accountable. Its job is to ensure that any legislation coming before the Chamber will be accountable to the people of Canada. In particular, its job is to watch the public purse. In particular, the Bloc motion states that the government is opening the door to other capital transfers that will deprive the federal government of hundreds of millions, and possibly billions, of dollars every year.

• (1630)

I cannot understand the Bloc political party. Only a year ago the transfer of money across the border to the United States was under discussion in the committees and in this Chamber. Changes were suggested to the tax treaties between Canada and the United States. The general public has to understand that these are reciprocity agreements which apply to Canadians and Americans.

A suggestion was made by the Senate banking committee in the form of a bill that came to this Chamber eventually. This political party was asked to pass judgment on a major change in tax policy that would mean a reduction in the withholding tax on multinational corporations that sent their money from their subsidiaries to their parent company in the United States. Do you know what the Bloc said, Madam Speaker? The Bloc said on page 14707 of *Hansard* that it was a wonderful thing because now our capital could freely flow into the United States.

I ask the hon. member to justify his position in view of what he is saying today. Here is what was said at page 15541 of *Hansard*: “The bill does not specifically say how many millions and billions of dollars are at stake in this protocol. We do not know which country, Canada or the United States, will benefit the most from this tax liberalization protocol but we support these proposed tax changes”.

How does the hon. member support the position of the Bloc when it supported the movement of capital out of this country and at the same time put in the words of this motion today and present this picture to the people of Canada?

[Translation]

**Mr. Guimond:** Madam Speaker, in Quebec, when the Canadian Broadcasting Corporation gives us the time programs will start, it always says “one hour later in the maritimes”. That is confirmed by the statements of the hon. member for Gander—Grand Falls, one hour later in the maritimes, but he did not make any relevant comment on the issue.

I would like you to ask the Speaker if he would be kind enough to send me the page in *Hansard* where I spoke on this bill. I cannot recall saying what the member says I did. It could just be my

memory, but I really do not recall saying that. But there is one thing I remember saying and I have repeated it. What we want, and the hon. member did not understand that, is to shed some light on what really happened on December 23, 1991.

[English]

I will mention to the hon. member that I worked 14 years for Abitibi-Price. That company had a paper mill in Grand Falls, Newfoundland, in his riding. I ask the member, when he returns to his riding this weekend, to ask the paper maker, the guy who works in the boiler room, the guy who works in the chip mill if they accept the fact that the rich can move \$2 billion U.S. without paying income taxes. Is it normal, is it acceptable to the paper maker in the Grand Falls mill?

• (1635)

**Mr. Barry Campbell (Parliamentary Secretary to Minister of Finance, Lib.):** Madam Speaker, it is a pleasure to be sharing my time with the hon. member for Renfrew—Nipissing—Pembroke, the dean of this House.

It is time to ask what is really going on here. What is the real motive behind the Bloc Quebecois’ fascination with this issue?

When smart people do odd things, it ought to make a person suspicious. I am just a little suspicious about the motives operating here.

It cannot be that the Bloc wants to embarrass the previous government. That is a rather bizarre thing, not that I object.

It cannot be that the Bloc believes that the government has not acted on the auditor general’s recommendations because it has done so. First, there was a moratorium on additional tax rulings; second, a referral to the finance committee; third, a very serious piece of work from the finance committee and, from that will undoubtedly flow action on the recommendations of that committee.

This fascination of the Bloc cannot be because its members think we have not responded in a timely fashion. We have.

The fascination cannot be based on some perception of interference or wrongdoing in the decision making process because the auditor general has admitted that there was no such thing.

The fascination with this issue cannot be because there is something wrong in taxpayers seeking advance tax rulings on complex transactions. As they well know, the auditor general in previous years has reviewed and praised the advance ruling process.

If the taxpayers in question wanted to do something untoward, wanted to get away with something, they certainly would not have

come to Revenue Canada and asked for a tax ruling. I suggest that they would have done it.

One of the reasons the auditor general praised the tax ruling process was that it provided, if you will, a heads up to Revenue Canada about transactions and actions out there so that Revenue Canada would be right up to date on the things that were happening. This taxpayer talked to Revenue Canada. He or she did not have to do that.

The fascination of Bloc members can be understood. It is not for any of the reasons above. It is because of who they believe the taxpayer is. Maybe it is someone rich, they say. Maybe it is an anglo. Maybe it is an ethnic. We can draw a lot of lessons from their fascination with this issue.

What lessons can we draw from the way the Bloc has handled this matter about the kind of society it would build in Quebec? Let me tell members. Based on its performance on this matter, its members would build a society in which being successful would bar a person from fair treatment.

They would build a society in which there would be no taxpayer confidentiality. They would build a society in which envy would be the basis for policy, a society led by accountants that envy, bookkeepers of offence, measurers of science. What kind of economy would be left in Quebec in that environment?

What kind of society would they build? Based on the Bloc Quebecois' minority report on this issue, I will say what kind of society it would be building: a society in which expertise and experience is dismissed if someone's opinion disagrees with its ideology.

In their minority report, Bloc members dismiss out of hand the seven out of eight tax experts who appeared before the committee and concluded that the opinions Revenue Canada provided, based on the law and regulation as it then was, were incorrect.

What kind of society would they build? It would be a society in which your opinion would be unassailable if you agreed with their ideology. They cite Professor Brooks, the other of the eight who supported the Bloc's position and disagreed with the seven other experts.

His opinion, of course, was unassailable but the other experts, in the Bloc member's opinion, had a conflict of interest. How convenient.

● (1640)

What kind of society would Bloc members build? A society in which minorities in Quebec might hope to be tolerated but never be quite equal. We are all minorities. It just depends where you draw your borders.

What kind of society would it be? It would be a society led by historical revisionists recasting and perverting history for their own

### *Supply*

ends. The francophone history in Canada is not one of shame but one of which to be proud. It is one of building a great country together, of opening a continent. What do they want to do? They want to lock francophones up in Quebec.

What kind of society would they build? It would be a society in which someone else is always responsible for the problems: the anglos, the rich, the ethnics, the federalists. Who will they blame if they go it alone?

It would be a society built on an insecurity so severe that they, the separatists, attempt to insulate themselves from criticism, labelling those who have criticized them as sellouts or part of some great overarching conspiracy, a society where government would decide when to suspend the rule of law, and the rule of law is all that stands between us and tyranny.

They would also build a society where it appears, based on the separatists own actions and statements, that there is collective responsibility. The Jewish community is responsible for Mr. Galganov, but the separatists and the francophone community are not responsible for Mr. Parizeau's comments about ethnics, for Mr. Landry's treatment of ethnics or Mr. Villeneuve's comments.

I am pleased to have had this opportunity to participate in this debate but I weep for Quebec, for the decent, hardworking, fair, open people of Quebec who are demeaned by the behaviour and attitude of the separatists as we have seen in this debate and in so many other debates.

I have confidence in the people of Quebec. They will never allow themselves to be led down the garden path to the narrow, stifling, miserable future the separatists have in mind for them.

[*Translation*]

**Mr. Maurice Bernier (Mégantic—Compton—Stanstead, BQ):** Madam Speaker, I listened to my colleague from St. Paul's comments on the motion before us today. It is hard to believe that the hon. member for St. Paul's can make such insulting comments not only about Bloc members but about all Quebecers.

This shows—as the people listening to us will realize—how the Bloc was justified in putting forward the issue of family trusts, how this hurts the Liberal government across the way, how they are not defending the interests of taxpayers in Canada and Quebec. It is the interests of those who contribute to their election fund they are looking after.

In 10 minutes, he managed to talk about the experts he claims the Bloc Quebecois is denigrating. He forgot to say that the experts who appeared before the finance committee were invited by the committee chairman himself and that these experts come from firms that, as we said before, contribute generously to the Liberal Party's coffers.

*Supply*

When someone as credible as the auditor general came before this committee to shed light, to tell the truth, he was harassed. They would have fired him if they could, because he had dared to tell the truth.

Then the hon. member for St. Paul's paints everything with the same brush. This is called condemnation in—

**An hon. member:** In absentia.

**Mr. Bernier (Mégantic—Compton—Stanstead):** Not in absentia, as my colleague said, but they are trying to link people who are not linked in any way. He criticized Mr. Parizeau for the comments he made the night of the referendum; he also criticized Mr. Landry's comments and those made by Mr. Villeneuve, which were condemned by everyone in Quebec.

• (1645)

Our colleague's remarks were dishonest and, if he is an honourable man, he will withdraw them.

He should tell us why someone who is so pure, so intent on finding the truth, is not asking his government to disclose all the facts on the family trust matter. This is what the Bloc Québécois wants, what the auditor general wants, what the people of Canada and Quebec want: to shed light on the huge amounts of money leaving the country without a penny in tax being paid, as we have been saying for the past three years. Year after year, they cut over \$5 billion a year from the programs aimed at the unemployed.

That is what we want to know. We do not want to be treated as the hon. member, who talks through his hat more often than not, has treated us.

[*English*]

**Mr. Campbell:** Madam Speaker, I will be brief. I think members can express views on either side of this side. The hon. members for the opposition never hesitate to speak their minds and provide us with their interpretation of facts, history and reality. I think we are entitled on this side to do the same. If they do not like how it sounds or how it feels, I cannot help that.

I might add one other item to my list of what sort of society they might be talking about. That is one where one's professional competence and professional ethics are attacked if one does not agree with their opinion because that is what they are doing with respect to the experts before the committee.

I remind the hon. members that one expert was invited by the Bloc Québécois, which was entitled to have as many others as it wanted. It could only come up with one.

This issue is about taxpayer migration. This government has dealt with family trusts in the last budget to the extent that family

trusts impact this issue of taxpayer migration. I think the finance committee has done an excellent job of addressing those concerns.

**Mr. Leonard Hopkins (Renfrew—Nipissing—Pembroke, Lib.):** Madam Speaker, as I rise to speak on this motion today I am really amazed with its content. It has been some time since I saw a motion in this House that is worded in the way this one is today. It is really trying to get at rulings that were made in 1985 and 1991 relating to the immigration of taxpayers and the distribution of Canadian trust property to a non-resident beneficiary. It is also very much about migration taxation.

The opposition motion today tries to convince people that the doors are open for other transactions to leave the country and they talk of this in terms of hundreds of millions and even billions of dollars. This is an absurd assumption. What they are trying to do is create a perception of a loss of tax dollars. The finance committee has brought an excellent report into this House and found no such transactions taking place.

As I have said, this is an absurd assumption. Are billions of dollars leaving the country tax free? The answer is a clear and unequivocal no. Revenue Canada is not aware of any similar transactions since 1991, and the finance committee confirmed it found no indication of large revenue losses or tax planning opportunities that occurred because of the 1991 ruling.

The minister of revenue, as she said today, has placed a moratorium on any such rulings in this area of the Income Tax Act until such time as the government plugs the loopholes.

• (1650)

The hon. member for Beauport—Montmorency—Orléans indicated today that the Liberals would be blaming this on the Tory administration. The Canadian public has already passed judgment on the Tory administration. It did that on October 25, 1993 in the general election. Therefore we do not have to pass it on to it, it was there during its time. However, there was no evidence found of wrongdoing on the part of tax department officials in this ruling. That is in the report that the finance committee brought into this House.

I want to emphasize that the Minister of National Revenue has stated that we have a moratorium on any such procedures until the government plugs the loopholes. This is in effect a freeze on all procedures, and no decision to let money out of this country can be taken while that moratorium is on. How do we get fish out of a lake when the lake is frozen? We have to drill a hole. But the finance minister and the Government of Canada are saying they are going to plug the hole. The Bloc can try as it likes but it will not be able to drill a hole in the ice on that lake and get the fish out. The Government of Canada is going to review these tax laws which have not been reviewed for 25 years. It has already taken many measures in this regard.

Therefore let us not get carried away with the idea that something terrible is going on today because the finance committee, the auditor general and other officials, six leading auditors of this country, have said there was no wrongdoing. The Department of National Revenue says that nothing has happened since 1991.

If they are trying to put a hole in the Liberal armour in Quebec, they will have to try harder than this. The people of Quebec are smart enough to know they are not being led down the garden path by tactics such as this. Just reading that motion is the worst bedtime reading anybody could possibly have.

The government has stated on the floor of this House that the problem today is how to treat capital gains when someone, an immigrant, a person, a trust, a company or a partnership wants to leave Canada. That is the question. That was the auditor general's main point. The majority finance committee report of the House endorsed it by saying action must be taken. The Minister of Finance said: "We agree and we intend to take action".

At another place in *Hansard* on September 20, the government said that the majority finance committee report was very thorough in the way it dealt with this point and that the government intends to take action. The Minister of Finance, on behalf of the government, said: "We wanted to shed some light on the matter and the majority report of the finance committee did so, and we intend to act".

It becomes very clear that the motion which the House is debating today has been placed on the Order Paper by the official opposition as an example of straight crass politics, and that is why it does not mention the positive approaches that have been taken by this government to update the Income Tax Act. The average Canadian needs the facts surrounding this issue and they are getting them. They do not need the kind of political rhetoric portrayed by this motion.

I repeat that a moratorium has been placed on all rulings with respect to taxpayer migration until the government has introduced legislation and taken other steps to plug the loopholes. It wants to study the finance committee report in depth.

• (1655)

Let us compare ourselves with other countries. In the House we are always downgrading ourselves in many ways. I want to compare Canada's tax laws with those of other countries.

Our tax laws are tighter than those of other G-7 nations. Our tax administration system is the most highly respected of any today. It is pure speculation that money has been lost. There is no evidence from any source that money has been lost.

It is another matter when we come to a debate such as this to examine the issues in their full complexity, not just in simplistic

### *Supply*

statements such as those stated in the motion today. It is another matter to examine the actions of hardworking and dedicated officials in the context in which those actions occurred.

It is very easy to criticize somebody, talk about the good and the bad, put people into categories of heroes and the villains. But that is why it is absolutely necessary to explain the whole issue on the floor of the House. It is quite another matter when we consider that one of the central issues we are examining today relates to the highly complex and frequently uncertain area of the tax treatment of taxpayers who migrate.

Chapter 1 of the auditor general's report issued on May 7 of this year raised issues related to income tax rulings and in particular Canada's tax policy as it relates to persons who become or cease to become resident in Canada.

The fact that these concerns dealt partially with family trusts should not obscure the fact that the principal issue in this matter is the tax rules relating to taxpayer migration.

I think this is something which is very relevant. It has been said that the period since the end of the second world war will be regarded by historians as the twilight of the nation state and the dawn of the single world economy.

According to *Webster's Dictionary* the term globalization did not even exist until 1944. Today it is the defining watchword of our modern world. Yet surprisingly tax rules relating to taxpayer migration were not enacted by Parliament until 1971 and have not been significantly reviewed in the 25 years since they were enacted.

[*Translation*]

**Mr. Ghislain Lebel (Chambly, BQ):** Madam Speaker, I am somewhat disappointed with the remarks made by the hon. member for Renfrew—Nipissing—Pembroke, whose career as a politician is coming to an end. I am sad to see him make remarks that can only bring shame on parliamentarians.

I wonder if the hon. member, as a former chair the Standing Committee on Public Accounts and a senior member of this House, with 36 years of service, could tell us what message he thinks he is sending the Canadian people with remarks like that. When he chaired the public accounts committee, would he have let the auditor general's report be torn to pieces along with the auditor himself, who simply did his job and nothing more?

Why was this issue, which was before the public accounts committee, referred to the finance committee, an obscure committee controlled by the Liberals? The Liberals are the majority on the finance committee. Right there, there is cause for concern, there is something fishy.

*Supply*

A member with 36 years of experience in politics just does not lend himself to this kind of thing. Either he stays put or, better yet, he stays home because these goings-on were downright unacceptable. He mentioned experts, tax experts, the same experts who participated in the making of the December 24, 1991, decision.

• (1700)

In what way were the rules of law adhered to and the wish to get to the bottom of this issue respected, this issue raised by the auditor general, who, thankfully, is not working for the Liberal Party but as an agent of this House.

They shot the messenger with red hot bullets to shut him up. They tried to discredit him. Why is the ruling party doing that? Could it be that the auditor general has uncovered something he was not supposed to uncover? Did he express suspicions he should not have expressed? What need was there to attack the auditor general and deal with this matter on the quiet in a finance committee controlled by the Liberals, who are, as we know, the major players on these committees?

Does the hon. member, who has 36 years of experience in politics, take pride in what he is trying to have Quebecers and Canadians alike believe? He should not have a hard time convincing them, seeing that the scandal was revealed by sovereignists, members of the Bloc Québécois. It is easy to convince the Canadian public, terrified of the BQ, that it was a bad thing the BQ uncovered. But the auditor general is not a member of the Bloc. He is probably the man with the highest moral authority in all of government. This is the man that they have tried to tear to pieces for possibly putting his nose in something he should not have put his nose into.

I urge the hon. member to make amends and acknowledge the fact that the Standing Committee on Public Accounts should have given the matter full consideration, reported to this House and recommended an enquiry.

[*English*]

**Mr. Hopkins:** Madam Speaker, I just want to say to the hon. member that it is quite obvious that I got through to the true intention of the Bloc Party in the House of Commons today when he turns around and makes a personal attack on me. My hide is thick. I can take that. But I can also dish it out.

I am going to say to him today that the Auditor General of Canada has always had the highest respect from the member for Renfrew—Nipissing—Pembroke.

I have no hesitation in saying that it was this government which took the initiative. It was not the Bloc. Do not stand and say that the Bloc took the initiative. The Government of Canada took the initiative and referred the matter to the finance committee of the House of Commons and the finance committee brought in the report.

[*Translation*]

**Mr. Claude Bachand (Saint-Jean, BQ):** Madam Speaker, first I wish to inform you that I will share my time with my colleague from Chambly, so I have ten minutes for my speech.

My first three words in the present debate are: shame, shame and shame.

I listened to the hon. member for Renfrew—Nipissing—Pembroke and I totally disagree with the chronology that he just described. I have the course of events written here, showing how cynical the government's methods were.

First of all, on December 23, Revenue Canada issued its ruling, that is to say, officials held discussions leading to a decision. In his report, the auditor general mentioned that at least four meetings were held that day. This was already preferential treatment for the kind of companies, or rich families we are discussing today.

This was also done behind closed doors. Two days before Christmas, when everybody was celebrating, officials were called together four or five times to try and to see what could be done for friends. We will prove later that they were friends of the Liberal Party.

On December 24, they issued their ruling. When asked for a ruling or when a ruling is appealed, revenue officials rarely issue a ruling within 24 hours. That happened in the case discussed today.

In 1993, the auditor general ordered Revenue Canada to publish its rulings, because he realized that it did not publish its rulings regarding family trusts. I also totally disagree with the hon. member who spoke just before me, the hon. member for Renfrew—Nipissing—Pembroke, because family trusts have been in the Bloc Québécois' platform since the very beginning, since its founding—and I was there—and also during the election campaign.

• (1705)

We realized there was a major problem. The middle class and the poor were hit by all kinds of taxes and measures, while other Canadian families were benefitting from the government's generosity. We pointed this out from the very beginning and we started doing something about it, since we were elected in October. The hon. member can look at the record: the Bloc Québécois' first questions in the early days of this Parliament related to the issue of family trusts, which was part of our platform.

Finally, on March 21, five years after the beginning of this saga, Revenue Canada made its ruling public. On May 7, the auditor general released his report, in which he alludes to a precedent that could cost Canadians hundreds of millions of dollars.



Following the release of the auditor general's report, the Bloc continued to ask questions. In a very unfair move, the government, rather than asking the public accounts committee, chaired by a Bloc Quebecois member, to review the issue, as should have been the case—although it would have been risky for the government—asked instead the finance committee to shed light on these events.

There is no surprise. The revenue minister often hides behind the report of the finance committee, because it was prepared by the Liberal majority of course, but she never talks about the minority report of that same committee. The minister claims the exercise was conducted according to normal practices.

Not so. The public accounts committee is the one that should have been instructed to examine the issue. And what did the finance committee do as soon as it convened? It asked experts to come and testify. My colleagues told you about this. I have the names of these experts.

The committee invited officials from Ernst and Young, Stikeman Elliott and Coopers and Lybrand. These are all tax consultants who give advice to rich Canadian families so they can avoid paying taxes to Revenue Canada. This is tantamount to putting the wolf in charge of the sheepfold. And this is what happened.

Once the report appeared, everybody said: "This has been done democratically, the finance committee has reviewed the issue, there is no problem, experts were called on to give evidence." Nobody tells us that foxes were called to tell us how to mind the geese. As a result, we might never know where those two billion dollars went and what families were concerned. That too was disclosed, the names of the families. Again, those are presumptions. What is sure is that it happened and maybe it keeps happening right now. Yes they can talk about ice and holes in the ice that can be plugged.

In our opinion, that keeps happening and were it not for our colleagues' intervention, our colleagues for Saint-Hyacinthe, for La Prairie and for Beauport—Montmorency—Orléans, we would still be allowing fortunes to move out one way or the other. We would ignore it. That is not exactly how we want things to be done.

Earlier, my colleague for Portneuf talked about the importance—I would rather call it the appearance—of tax equity. Is there appearance of tax equity?

**An hon. member:** Not at all.

**Mr. Bachand:** Not at all.

Think about the blue-collar worker employed by the City of Saint-Jean who looks at his pay cheque on Friday and sees that a third of his pay goes to income tax and various other taxes, and who knows that at the end of the year Revenue Canada will show its claws if he contravenes the law. Can he phone Revenue Canada

### *Supply*

and ask for a ruling? Can he ask whether it is legal to do such a thing? We just got an answer this afternoon: no.

But if your name is Bronfman, if your name is Conrad Black—

**Mr. Bernier (Mégantic—Compton—Stanstead):** Or Paul Martin.

**Mr. Bachand:** —or Paul Martin, you can give a call not only to Revenue Canada, but also to the Prime Minister of Canada, and ask them for some kind of sweet deal.

Actually, what we would like to know is precisely what they are refusing to tell us. The young woman who is a white collar employee of the city of Saint-Luc or the bus driver working for the bus company in my riding are just fed up. They keep telling us they have had it with taxes, they are overburdened. How can a small family with a combined annual income of \$45,000 and no tax loophole consider that the tax system is fair, when they hear about blatant inequities like the one being debated today?

The tax system should have the appearance of fairness. A principle of justice is that justice should appear to be done. Today, we do not even have a semblance of tax fairness.

• (1710)

Even the finance minister dared to say: "There is no problem with family trusts. I have my own." And we know it too. Bronfman and Conrad Black are sure to have one too, and their children will benefit from it for generations to come.

But what about the man on the street, the blue or white collar worker, the bus driver, the subway train operator, or the average worker in a company? Can they leave millions of dollars to their kids? I do not think so.

It is unfortunate that the hon. member for Nipissing has left, because the Liberal Party is so arrogant that it behaves as if it owns the House of Commons in a system where there are no rules to govern those who sit here. If it were not for the minimum rules we have around here, I think the Liberal Party would say that it owns the House of Commons and that it no longer wants an auditor general. Of course, because he does not always agree with them. But he is a watchdog; it is his role not to always agree with the Liberal Party.

The philosophy of the Liberal Party of Canada is quite simple: its members will continue to protect their rich friends. I think that we, in the Bloc Quebecois, will continue to protect the middle class citizens who are tired of being taxed and witnessing such unfairness. We will continue to protect the needy who are affected by the cuts, because, in order to balance the tax base and the budget, the government cuts programs for the underprivileged, taxes the middle class and turns a blind eye to all those rich families who flee the country with all their money.

*Supply*

This is not the philosophy of the Bloc Québécois, but the philosophy of the Liberal Party of Canada. It will come back to haunt them in the next election. If they do not change their minds, the people will realize that such unfairness does not make any sense and the Liberal Party might meet the same fate as my hon. colleague for Renfrew—Nipissing—Pembroke wished upon the previous Conservative government earlier on.

It is all very well to have power, but not to the point where one becomes domineering and arrogant. The people will realize it some day. We sit here, in opposition, to make Quebecers and Canadians aware that they are much better served by an opposition party, by an auditor general who acts as a watchdog, as some kind of opposition, and wants to help the party in office to get back on track.

[English]

**Mr. Philip Mayfield (Cariboo—Chilcotin, Ref.):** Madam Speaker, I note that the member of the Bloc Québécois does not take credit for raising this issue. It is the auditor general.

I would like to express my appreciation for his acknowledging that. The auditor general does have an extremely important role in holding the government accountable.

This issue raises for me the lack of accountability of this government and its intention to be even less accountable as we proceed through its mandate.

I think of the changes in legislation that are coming through where the government is seeking to have more discretion in its power as it governs. It is interesting how power seeks power.

There are little changes like changing in the legislation a “shall” to a “may”, which leaves more discretion; a comment such as “in the opinion of the minister” in the legislation, which leaves no latitude for appeal.

There are a couple of issues that I would like to raise about government accountability in my own constituency. There is the appointment of returning officers. What is the accountability of the government in this?

In my constituency there have been two returning officers appointed by this government. As far as I can tell neither of them has had any public input.

As I read the qualifications, I read that the work is by nature impartial, non-partisan: “The returning officer must conduct all business accordingly. Returning officers must abide by the government’s conflict of interest code and Elections Canada code of professional conduct and must abstain from all activities of a politically partisan nature”.

• (1715)

Yet it is well known in my community that both people who were appointed—one has since resigned and the other remains appointed—are indeed part of the Liberal organization. Where is the accountability there?

I would also like to raise the issue of the Nisga’a treaty and the agreement in principle where a large portion of the province of British Columbia has been set aside without consultation of the people of British Columbia. Included in this agreement are educational matters, justice matters, infrastructure matters, commercial fishing matters. Where did the government include people in this? Where is the government’s accountability to the people who elected it? This is the issue.

As we talk about family trusts, people are extremely nervous because of the way the Liberal government has gone about governing the nation, not in a fair manner at all.

[Translation]

**Mr. Bachand:** Madam Speaker, I am pleased to see that the Reform member shares our view on this matter. We rarely agree, but on the subject of the government’s responsibility regarding this iniquity, we share the same opinion. For the record, though, I would like to say that the Auditor General released his report on May 7, but that this was part of the Bloc Québécois’ electoral platform in 1993 and that, by chance, we reached the same conclusions. Of course, when the Auditor General tabled his report, we agreed with it.

I want to give the Bloc Québécois credit for this because it had already identified the problem. The fact that the Auditor General confirmed this, put us in agreement. We too have criticized the accountability of the government, which continues to hide behind committees that, until now, have been pretty phoney.

**Mr. Ghislain Lebel (Chambly, BQ):** Madam Speaker, honestly, I cannot say that I am happy to speak today on the motion tabled by the official opposition. This is not the first time that I have criticized apparent conflicts of interests, flagrant iniquities against ordinary taxpayers by the current government.

I need only mention the Pearson Airport episode. There was even one Liberal, alleged to be the revenue minister’s father, who said that there were plenty of apparent conflicts of interests and shady dealings that should be investigated. And this is not from a Bloc member but from the father of the current Minister of Revenue, a very well-known Liberal named Nixon, who had made that recommendation to the government. The government did not pay heed. It was as if he had not said anything.

I remember the then Minister of Transport, who said that it was no use to dig up such things. And yet, they dig up things when they

find a low income earner who defrauded unemployment insurance of \$200. They will pursue him even into his grave. It is worth their while to dig up such things. But matters involving billions of dollars is only wheeling and dealing.

The Pearson deal is not the only example. Do the members across the way remember Power DirecTv? A decision was reversed even though it had been taken by the authorities responsible for overseeing these things. The Cabinet changed it. It just happened that there were people at Power DirecTv who were close to the Prime Minister and his entourage.

In the case of Ginn Publishing, they did not even wait for the lawyer's report to again return things to friends of the government party and its leaders.

I could go on and on. I remember a minister who was in Los Angeles at one time and who came to ensure that Canadians had truly taken control of a film distribution company. He was ready to swear and put in writing that this company was really a Canadian company.

• (1720)

There are many examples, and everything leads us to believe that there will be others.

The Standing Committee on Finance. I was watching the Liberals pull out their hair earlier: the Standing Committee on Finance has decided this; the Standing Committee on Finance does not want to know anything, it does not want to find anything, as in the case of Pearson Airport. There is none so blind as he who will not see. This is the case of the Standing Committee on Finance. If the members opposite can convince other Canadians of this, it is their problem. But, as the member for Saint-Jean said, I am not sure they will not get their comeuppance royally in the next election, as other parties that have done similar but not such bad things as this, I would say. With some 177 seats, a government can devise laws benefiting the wealthy, and the opposition, official or not, can do nothing about it. That is what has happened in the three years since the government came into power. It is a shame involving everybody.

We come here to implore the common sense of independent experts, of six independent experts who probably were involved in a series of decisions, the one taken on 23 December 1991 in particular. They were at the party held on December 23, and we are asking them if, in their opinion, everything was done according to the rules. My colleague called that a just application of tax equity. The government is not even trying to give an appearance of clearness and cleanliness. It does not care. "We are too strong, they will never dare to destroy us, because we are the ones who decide in the end." And even the Minister of Finance said: "I do have a family trust." Indeed, and it is made up of taxable Canadian property. The day he sends his ships for a trip in the South with the intention of not bringing them back, how will we look, since he is the Minister of Finance?

### *Supply*

That is almost what happened with the \$2 billion. Can you imagine how much tax \$2 billion represents? "No, we cannot do it because this is a friend. Scratch my back, I will scratch yours". That is how it works across the way.

At one point, Canadians will have to realize that they are being bamboozled as they have never been in the history of Canada. We have already seen governments making timid attempts, but today, we are seeing people taking the cash and laughing all the way to the banks—overseas. Two billion dollars! It does not make any bloody sense at all.

Still today, I thought that the haemorrhage had been staunched, but no. Today, we saw in the auditor general's report that there is still \$630 million worth of loopholes of all kinds. We are not talking about petty thieves, but about big tobacco companies. It is all the same gang. When we dig a little bit, we can find the connections. People will attend a \$3,000 a place fundraising dinner to have a look at the Prime Minister and have the opportunity to rub shoulders with him in the men's room.

It is terrible to say, but when you are on the government's side, no threat of any kind can rattle you, not even from the auditor general. That man was demolished. It is as simple as that. If you do not like the message, just shoot the messenger.

Not only must laws be implemented in a fair and reasonable way, but they must appear to be implemented in a fair and reasonable way, just as with justice. We operate under the rule of law, like the justice minister said this morning, and the courts established the rule of law long ago. Not only must justice be administered, but it must appear to have been administered. But appearances do not matter in this case. Old chums received a little help, and I would not be surprised if not many family trusts were left.

A provision that was reasonable and, in a certain way, logical was used ill-advisedly, it was used in a way not intended originally. It is all a sort of institutionalized misappropriation of funds with the wealthy members of society, who make off with the money, the next one with his boats, no doubt, it is probably one of the last remaining, but an inquiry must be called.

• (1725)

When the truth is what you want, you do what is necessary to obtain it. An independent inquiry, a royal commission if necessary, must be called, and independent experts brought in, not those who took part in the ruling. The RCMP should be involved, and the bank accounts of those who had anything to do with this ruling scrutinized closely.

When you want to find something, you look for it. In this case, they do not want to find anything, and so they are not looking. They are saying: "This is just a bunch of separatists who have stumbled over something. Nothing to worry about. The people of Newfoundland, westerners and easterners will never dare to believe separatists, so the way is clear. We can have the rink to ourselves and do as we please". That is what is scandalous about this affair, and the Liberals can tell me what they like, but it is not going to wash. It will not wash. Something stinks in this business and we will not let up until we find out what it is.

*Supply*

[English]

**Mr. George S. Baker (Gander—Grand Falls, Lib.):** Madam Speaker, I have just a few words on this motion put forward by the Bloc. In looking at this motion, I think it is first, a condemnation of the Tories and second, a condemnation of the Bloc itself. I say that because what the Bloc is talking about are family trusts.

Bloc members are talking about family trusts and trying to blame the Liberal government for a report given by the finance committee. Where they are wrong is in their accusations against the Liberal government. It was the Liberal government that brought in the capital gains tax on family trusts. It was the Liberal government that brought in the rule that would supposedly close the loophole created by forming a trust because a trust does not die. This was the problem facing Canada back in 1971. Prior to that, we had the inheritance tax in Canada. We had the estate tax in Canada, as in the United States today. It also has the capital gains tax.

We had the inheritance tax and the estate tax in Canada and along came a royal commission that recommended substantial changes, the Carter commission, but those recommendations were not followed at the time. I wish some of them had been but they were not. The Liberal government at that time brought in a capital gains tax that would affect family trusts at half the normal taxation rate of income.

When that was brought in a problem came up, as it always does when one changes the law. There were ways around it, especially for paying taxes. The way was found around it by putting assets in trust so that when somebody died you would not have to pay the normal capital gains tax that was imposed by the Government of Canada in 1971.

At that time the Liberal government, in order to close the loophole, said that at the end of 21 years, regardless, the taxes that would normally have been paid on the increased value of the assets would then become due in 21 years. That was during the Liberal administration, to close the loophole of wealthy people being able to hire very expensive law firms and accounting firms to get around the tax law.

• (1730)

What happened? For 21 years assets had been put into a trust. On January 1, 1972 the new law came into effect and all of a sudden we are now in 1992, and guess what? That money would now be owed to the Government of Canada. It was estimated to be in the hundreds of millions of dollars.

I and other members of the opposition went through access to information and we discovered that expensive consultants were hired during the Tory regime to try and convince the government to lift that 21-year rule that the Liberals brought in, to make everybody pay up.

In looking at the correspondence to the then ministers of finance of the Tory government, you could see that a man who had \$100 million in trust was going to have to pay \$11 million in 1992. Another man who had \$200 million might be liable for \$15 million; another man with \$70 million was going to have to pay \$7 million. They were pleading with the Tory government: "Don't let this happen. I do not want to have to pay all this money. After all I only have \$100 million". It almost made you want to cry. This was in letter after letter after letter.

Then came the consulting firms. We also received the surveys that were done by the consulting firms. I will not mention their names because if I do perhaps it will give them more business because they were very successful in changing the mind of the government of the day.

The problem became, what could somebody do with a family trust, with this magic 21 years coming up and the taxes having to be paid? Could it be rolled over? An anti-avoidance rule was brought in. A person had to go before a judge and prove that it was not being done to avoid taxes. All of these rules were there to prevent it from being done.

It is in that setting that we discuss these family trusts. A great many of them did not mind paying the taxes. From the documents that we received at that time from access to information some were quite willing to pay the tax. I recall one gentleman who owed \$12 million writing to the agency that was trying to change the law saying: "I have to pay \$12 million but there is no problem".

In 1985 the government of the day made a decision. The government has to be held responsible for what bureaucrats do. If the Department of Finance and Revenue Canada do something, the ministers and the government are held responsible. A decision was made.

• (1735)

In 1991 they moved \$2.2 billion in this one instance across the border to the United States. If the purpose was to escape the 21-year rule, which I do not know if it was but I rather suspect it was not, they should not have worried at that time. They should not have worried because we had a government in power which, as sure as you are sitting there, Madam Speaker, was going to change the rules so that all of this money would not become due. That is the Tory way of doing things.

The Tories always supported, as the Reform Party does, the very wealthy in our society, the people who have loads of money and the people who they identify as keeping the economy moving.

A change was made. The change I am talking about took place on December 23, 1991. A couple of weeks later they actually removed the 21-year rule. In other words, all of these family trusts were supposed to pay taxes after 21 years. A decision of the Government of Canada said that all of this money which would have become due after 21 years would not become due until the death of the youngest member of the family.

That was the Tory government, the same Tory party that is trying now to regain power in Canada. They want to become popular across the country again, that same Tory party with those same Tory principles, the same as the Reform. Some people say the Reform Party is worse.

The Tory party said: "All of that money is not going to come due now which the Liberals proclaimed". The Liberals closed the loophole. The Trudeau administration brought it in. All taxes that are avoided will come due in 21 years. That is why it was called the 21-year rule.

At the last moment the Mulroney administration gave a reprieve. They said: "Oh, no, you won't have to pay up". At the last minute in 1992 they said: "It's okay. You won't have to pay up because we are going to bring in a tax change and we are going to change it so that the money will not become due until the death of the youngest person in the family".

The Tories were replaced by the Liberals. In the debate before the House today the Bloc say it pertains to family trusts. What did the Liberals do when they got in? It was the Liberals who closed the loophole. Along came the current finance minister and he changed the law again. The door that was opened up by the Tories has been closed. The Liberals said: "You won't be able to do that any more. We are going to give you a few years until 1999 but at the end of that, no more".

The Bloc stands in this Chamber on a motion and criticize the Liberals for creating loopholes on family trusts. It was the Liberals who closed them. It is this Liberal government and this Minister of Finance who have once again closed the family trust loophole.

• (1740)

The second portion of the motion is an outright condemnation of the Bloc. The reason it is a condemnation of the Bloc is because that party is supposed to be the official opposition in the House of Commons. I am not supposed to be. Liberal backbenchers are not supposed to be. We have had, on occasion, to delve into the facts to take the place of the official opposition. Why did we have to do that?

### *Supply*

The Bloc's motion talks about condemning the Liberals for something which the finance committee suggested. It condemns the Liberals for the tax free transfers of family trusts when it was the Liberals that closed all the loopholes. The Bloc is condemning the Liberals for what the Tories did and what the Tories would do again if they ever got back into power. If the Reform Party got into power the same thing would happen.

What did the Bloc do? I have gone over the record of that political party just to see the way it has treated the transfer of hundreds of millions and possibly billions of dollars every year. The Bloc claims that the Liberals opened the doors. It is an absolute total outrage.

What did the Bloc say about the transfer of funds across the border into the United States?

The Liberals took action on the transfer of \$2.2 billion, which involved, as the auditor general said, secrecy. There was secrecy in Revenue Canada on the rulings. Let us not forget that if the ruling in 1985 had become public the tax auditors and the tax lawyers would have been on to it and all of a sudden Revenue Canada and the Government of Canada would probably have realized they had a problem.

What did the current minister for Revenue Canada do? First, she said that rulings will be made public. What did the finance minister do? The finance minister closed the loophole again, just as the Liberals had closed it before the Tories opened it up again.

We had a response from the finance minister. He is perhaps the greatest finance minister in the history of the country. The minister for Revenue Canada is doing a fantastic job. They responded in concrete ways. Not only that, I understand that there are perhaps even further measures going to be taken to ensure that this will not happen again.

There are two sides to the argument. People talk about the transfer of money across borders. It is the thing to talk about these days. The borders are opening up. Barriers are being dropped. Withholding taxes are disappearing, at least between certain nations in the industrialized world. We are into globalization. We are into a situation in which multinationals control over half of the trade in our world today. What we are doing is removing barriers.

• (1745)

What did the Bloc members say when the United States received what it wanted through the Senate banking committee? What did Bloc members say about the announcement on the withholding tax on dividends, that is, the payment from subsidiaries to their parent companies in the United States and from subsidiaries in the United States to their parent companies in Canada—not many of them, most of it goes the other way.

*Supply*

What did Bloc members say when the tax rate was dropped by 50 per cent, amounting to about \$700 million? They said the same thing to that as they said to the other proposition that was in the same agreement which said that the tax on interest gained would be dropped from 15 per cent to 10 per cent. The tax on royalties, even copyright royalties would be bifurcated so that they could be dealt with individually.

What did they say with that great loss of revenue? The Bloc said: "It does not specify how many millions and billions of dollars are at stake in this protocol. We do not know which country, Canada or the United States, will benefit the most from this tax liberalization proposal. We do not know, but we support it".

What did Bloc members say when the Americans wanted, and we changed, the estate tax relief that was granted to a wealthy person in Canada who had property in the United States including stocks and bonds through a Canadian bond agency? What did the Bloc say when the suggestion was made that a tax credit would be given in Canada for somebody if they had a billion dollars worth of property in the U.S. and were subjected to the U.S. inheritance tax, estate tax?

What did they say? I have it here. The Bloc said: "We are proud and happy to participate in this development in supporting this Senate proposal because it goes in the direction that we have always advocated. The only way to live side by side is to support legislation that will make more harmonious relations between the two nations".

I will conclude. The Bloc members are frustrated. What are they frustrated about? They are frustrated about the popularity of this Liberal government. They are frustrated because we are the best performing economy in the industrialized world.

[*Translation*]

**Mr. Antoine Dubé (Lévis, BQ):** Madam Speaker, the member for Gander—Grand Falls, as we have come to know him, has often shown his support for the most disadvantaged, for the people of his riding, of his province. I have the utmost respect for him. His commitment to certain fundamental things with regard to social programs and unemployment insurance, and the fact that, several times, he expressed his disagreement with the government have forced him to remain a backbencher within the Liberal Party.

I know that an election will be called some time soon. One year or maybe less from an election, the member is trying, in the presence of his whip and other colleagues who are listening to him, to improve his image within the party because he wants to run again in the next election, which is perfectly normal.

Even though he likes us and often tells us so, why not pick on the members of the Bloc Québécois a little. They have not said all they should have said about possible loopholes for rich people.

With respect to family trusts, he tells us that the matter will be resolved in 1999. We will have other arrangements then. What does that say? It tells wealthy families that they have another three years to prepare for the forthcoming changes.

• (1750)

I will tell you that, as in the Pearson deal and many other instances, the bad things that the member says came from the former Conservative government, where some people benefited from certain advantages, are more often than not related to these wealthy families. Oddly enough, in these cases, the friends of the Conservative Party have become the friends of the Liberal Party.

Why is that so? One just has to read the report of the Chief Electoral Officer on political party funding. One can see that large corporations also contributed to the Liberal Party of Canada's funding, equally in most cases. This is less true of the Reform Party, which gets 80 per cent of its funding from private individuals. In the Bloc Québécois, our funding comes solely from individuals, as is the case for the Parti Québécois.

Would the member, who supports the have-nots, who seeks political correctness, be in favour of correcting the impression of inequity in this whole issue? That is what the Bloc is asking for. Frankly, I ask the member if he can blame us for supporting the Auditor General of Canada when he says that there is a need to shed some light on what has happened and to inform the public.

How can he blame us for wanting to shed some light on something very obscure? If nothing is found, then so be it. At least the public will be reassured, as well as the 100,000 people that the Government of Canada is suing for unemployment insurance fraud in the amount of \$100 or \$200. Of course, the member for Gander—Grand Falls is not saying a word about that one year away from an election. Last year, he was talking about it. Why is he not talking about it this year? Is he so eager to improve his image within the Liberal Party? In that case, he will lose my respect.

[*English*]

**Mr. Baker:** Madam Speaker, the Bloc members at times, very rarely but at times, do show some indication that perhaps they want to make the government accountable, something other than their trying to figure out a way to break the country up. There are rare occasions.

That is why I bring to the attention of the hon. member, to the attention of the House, to the attention of the Speaker, and through the Speaker to the people of Canada that this official opposition really does not belong in the situation we are in. They stand up

here today and talk about tax changes and blame the Liberals, when it was the Tories who did it and would do it again if they ever got in office.

Then the hon. member does not like it. He does not like it because what I have taken out of *Hansard* is something which I could never understand but I do know why they did it. That is how the official opposition could turn around and approve and support it and say: "Bring it on. We love it. It is just as good as sliced bread". Massive tax changes that they were supposed to be objecting to.

They supported the very thing today they blame the Liberals for, for more flows of capital into the United States. They asked for more. Why? They asked for more because during the debate in the House where I took these quotations from they said that they were preparing for separation. Therefore they would like to have lots of ways of getting capital into the United States because they want to deal directly with the United States. That was the logic used. According to that logic they are not fulfilling their duties as the official opposition.

What the Bloc members are scratching about now is when they realized the Government of Canada has been so fantastic as to lead the industrialized world in economic growth, the member complains about contributions to the Liberal Party. The official figures show that Canada leads Italy, France, the U.K., Germany, Japan and the United States and stands all alone in economic growth for next year. At that rate one would expect the contributions to increase.

• (1755)

**Mr. Don Boudria (Glengarry—Prescott—Russell, Lib.):** Madam Speaker, I heard the most eloquent discourse of our colleague from Gander—Grand Falls.

[*Translation*]

**Mr. Dubé:** Give him a good rating.

[*English*]

**Mr. Boudria:** It is hard to give anything else but a good rating to such a fine speech, and I thank my colleague across the way for bringing that up.

My colleague referred to the growth of Canada during recent times and the forecasted growth for next year. I wonder if he is aware that Canada's forecasted growth for next year in terms of employment is such that it is predicted it will exceed all the European G-7 nations put together. Is he aware of that? Is that not in itself testimony to the kind of leadership that has been given to this country by the hon. Minister of Finance?

There is an excellent proposition I want to bring to his attention. Next year Canada will have the lowest deficit to GDP ratio of any G-7 nation.

### *Supply*

In terms of net cash requirements, there will not be any net cash requirements next year. We will not be borrowing any funds from abroad. We are in this enviable position thanks to the fine leadership of the Prime Minister and the Minister of Finance.

**Mr. Baker:** Madam Speaker, I want to add one thing to the excellent dissertation that was just given.

As the hon. member is aware, those estimates were not made by the Fraser Institute or the Canadian association of accountants or any Canadian organization. All of those estimates the hon. gentleman just gave were made in Paris. Who made them? Economists representing 27 nations in the world, the OECD. Twenty-seven of the nations in the developed world whose job it is to sit down and to realize the economic growth in the world and to promote those excellent standards and lo and behold Canada leads all the rest.

**Mr. Don Boudria (Glengarry—Prescott—Russell, Lib.):** Madam Speaker, I am pleased to participate in this debate. I was anticipating such an opportunity but I did not know it would come so quickly. I want to share my time with the hon. member for Gatineau—La Lièvre.

[*Translation*]

We have been hearing today that the members of the Bloc Québécois want to denounce the government for all sorts of reasons that they have been telling us about. At the same time, in their speeches, the members of the Bloc Québécois and also those of the Reform Party, the members of the opposition, have pulled out all the stops in a vain attempt to show that the government did not, in their view, act properly with respect to family trusts.

Nothing could be further from the truth. First, the member for Gander—Grand Falls gave a very good overview of the issue just now in his most excellent speech. Furthermore, it must be recalled that the question is not about family trusts, but about exporting assets when a Canadian decides to move out of the country. This is where the problem arises.

• (1800)

It is the same problem, albeit with different amounts, whether we are talking about a Canadian who suddenly decides to move from Montreal to Boston, a so-called ordinary Canadian, or a wealthy individual who leaves a large Canadian city with all his assets, his millions and so on.

It is also important to remember that the controversy that has apparently shocked the member across the way, a former organizer for the Conservative Party, if memory serves—

**Mr. Dubé:** Me? Never in my life.

**Mr. Boudria:** The action that has so shaken the hon. members across the way took place in 1991, when Mr. Mulroney was Prime Minister of Canada. As the member for Gander—Grand Falls has

*Supply*

pointed out, the Canadian finance minister has done everything required, in order to plug this sort of loophole in future.

Second, we have heard about the moratorium announced by the revenue minister. Third, we have also heard that in future this sort of ruling will be made public.

[*English*]

Therefore we have seen that the government has been vigilant, notwithstanding the attempts of members across the way to demonstrate otherwise.

What we should note is that the auditor general did not say that the present Government of Canada had done anything wrong. He made no suggestion at any time to that effect. That has not been said by the members across the way. However, I think some members across have adopted the strategy that if enough mud is sent toward the government some of it is bound to stick and the objective will be achieved.

Maybe some of that is true, although I think it is holding Canadians in rather low esteem to try to use this strategy, but by and large it is not true and Canadians will see what those people across the way are up to.

There is also another interesting proposition when we are talking about money leaving Canada and going elsewhere. We all recall during the referendum of last year when the separatist provincial Government of Quebec attempted at the time to speculate on its own loss using provincial taxpayer money. In other words, what the government did at the time was it bought huge amounts of Canadian dollars and then resold them later, making money in the process and participating in an exercise that could be best described as betting on its own loss.

That was a rather strange thing for a separatist government to do. In other words, it went at it this way: "We will surely lose so let us participate in this exercise and rake in the profit that will be created by moving money across the Canada-U.S. border in two different ways and in a very short period of time". That was the exercise in which that government participated. In the flurry of activity that occurred at that time not much was said about it, but the fact still remains that it is true.

I have in front of me the Nesbitt Burns "Economic Research Provincial Handbook" produced by David Rosenberg, senior economist for Nesbitt Burns, dated September 1996, in which he describes the economic outlook of Canadian provinces. This is not designed to be a commercial in any way, but I really recommend this book to all colleagues because it is, after all, not published by the government. It is produced by an organization in the financial area and presumably when things do not go the way of the financial community it does not take too long to remind Canadians of its thoughts.

• (1805 )

Here is what I read from the general overview. I will get into some of the provincial summaries a little later. In this document it states, from page 3, which refers to the economic growth of Canada:

Growth should be more conducive to an improved fiscal performance in both 1996 and 1997. The real GDP is expected to advance 2.9 per cent next year after this year's 1.8 per cent uptick, marking the second strongest gain this decade. Alberta will retain its growth leading status of the past five years, with 2.5 per cent growth this year, and 3.5 per cent next, while strong population gains should keep B.C. a close second at roughly 3.2 per cent in 1997.

It goes on to describe the Canadian growth that will occur and it complements the position that Canada is in. It is clear from this document that we are into some major growth over the next few years. I look at my own province of Ontario:

Ontario's auto production and exports are on track for another record year—which will likely be surpassed in 1997—as assembly capacity is in the process of being dramatically enhanced. Parts makers and assemblers already invested more than \$13 bln in new plants and machinery during the first half of the 1990s, and more investment is on the way. The new \$300 million Honda minivan plant in Alliston, now under construction with production to commence in the fall of 1998, will have an annual capacity of 100,000 vehicles. Toyota is spending \$600 mln to expand its Corolla production and its Cambridge facility. Chrysler is consolidating its entire North American production of LH line at its Bramalea plant, in conjunction with a \$500 mln overhaul of its operations as the firm gears up to build the new line of mid-size sedans for the 1998 model year.

It goes on to describe the great things that are occurring in this country everywhere. The unemployment situation is stated in the document. Of course we know about the 669,000 new jobs created by the government since we came to office. It also mentions the major gains in the area of reducing unemployment next year.

[*Translation*]

So, you see that the affairs of state are being well managed by this government, that the Minister of Finance, the Minister of National Revenue, the Prime Minister, and the whole cabinet, are doing an excellent job of managing the country's assets. Members may try to persuade the people of Canada to think otherwise, but, as usual, they are mistaken.

**Mr. Antoine Dubé (Lévis, BQ):** Madam Speaker, I would never be ashamed to admit to having been a Conservative Party organizer if I had been, but that is not the case and I would just like to reassure the government whip. I just wanted to clarify that. Moreover, I was a Nationalist Party candidate in Quebec in 1984.

The government whip then goes on to say that I was too critical, that the Bloc Mps have been too critical. Here we have one of the four ratpack members, the one whom, when they were in opposition, the media labelled as the most aggressive, almost harassing,



member of the bunch. In fact he ran after ministers, even trying to break up their press conferences and other such antics.

Now he takes a holier-than-thou tone, speaks quietly, no aggression. He is the House whip now, and adopts this manner because he would like to cool down the emotions of the hon. member for Lévis.

• (1810)

This is the same hon. member who is heavily involved just now in collecting money for the poor souls accused by the director of elections for Quebec. They have been told that they spent money they ought not to have during the Quebec referendum last year. He is assuming that attitude, perhaps, to attract the sympathy of Quebecers, but they will not forget that.

Now, not knowing what more to say on the matter—he is probably tired, and has every reason to be—he starts to read a report that has nothing at all to do with today's question on economic growth. But let us talk about economic growth.

I have had the time to read another report, one that could well have worried the hon. member for Newfoundland just now, one which tends to show that investments are not very high in Quebec, among other things. Some say that the share of investments in Canada is only in the 11 or 12 per cent range, from its previous level of 17 per cent. This report indicates that 59 per cent of private investments are made in Ontario, his province.

The people in the other provinces ought to be really worried about this, since it means that all of the efforts of this government on the economic level are probably linked to the number of Liberal MPs in the province. In Ontario, practically all members are Liberals, so it flaunts the fact but does so discreetly so the other provinces will not notice. We all know this government has a very soft spot for Ontario.

I am from the riding of Lévis. When defence contracts are announced, MIL Davie is asked to tender its bid against another shipyard, but recently, when it was time to order army tanks, there was no call for tenders and the contract was awarded directly. People in other provinces have the right to hear about that.

The Bloc Québécois, whatever members opposite may think about it, is the official opposition, and as such we condemn the treatment of family trusts. We did so during the last election campaign. We did not wait for the auditor general's report. We said this should be investigated.

At the very beginning, when the auditor general expressed its concerns about \$2 billion that were transferred to the United States, all we asked is that the government shed some light on the question. The government whip can say anything he likes, but we in the Bloc Québécois intend to keep insisting that this government

### *Private Members' Business*

do everything that is necessary to clarify the situation around the transfer of \$2 billion and that it take all necessary steps to ensure this does not happen again. We will not give up.

**Mr. Boudria:** Madam Speaker, I duly noted the accusations made by the hon. member across the way, who is condemning me for daring, with other Canadians, of course, to assist those who helped keep our country together last year. Last week, Bloc members accused us in this House of violating Quebec laws. The Bloc found us guilty even before the trial had started.

I see the hon. member for Saint-Hubert across the way. I think that, as a legal expert, she should talk to her colleagues and teach them that one is generally innocent until proven guilty, especially before the trial. The judge has not ruled yet, he has not even heard the case, but they have already found these people guilty.

I am not about to apologize for defending Canadians. This concert will be held on October 27 here in Ottawa; Canadians can all get tickets by calling Ticketmaster at 755-1111.

**The Acting Speaker (Mrs. Ringuette-Maltais):** It being 6.13 p.m., it is my duty to inform the House that proceedings on the motion have expired.

The House will now proceed to the consideration of Private Members' Business as listed on today's Order Paper.

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## PRIVATE MEMBERS' BUSINESS

[English]

### NEGOTIATION TERMS OF SEPARATION ACT

**Mr. Darrel Stinson (Okanagan—Shuswap, Ref.)** moved that Bill C-230, an act to provide for a national referendum to authorize the government to negotiate terms of separation with a province that has voted for separation from Canada, be read the second time and referred to a committee.

He said: Madam Speaker, it gives me great pleasure to rise in support of my private member's bill, Bill C-230, which is entitled an act to provide for a national referendum to authorize the government to negotiate terms of separation with a province that has voted for separation from Canada.

Repeatedly we have seen severe impacts right across Canada when the Government of Quebec has decided to ask Quebecers to vote to leave Canada. The possibility of such a separation has brought severe repercussions for its own province and all the people of Canada, including both short term and long term impacts

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on investment, from housing prices to business and industry, on the value of our dollar, on the rate of interest which must be paid to induce people to invest here and on the sense of personal comfort and well-being of our people. Even the threat of Quebec separation has been like blackmail hanging over our heads.

However, I want to make clear from the beginning of my comments today that I have had this legislation drawn up not to encourage Quebec to leave Canada but instead to promote discussion and eventual agreement on the ground rules for such a secession in order to prevent repeated referendums and the chaos which surrounds them. We must avoid the bad effects for our entire nation if a separatist government in Quebec again tries to pull the wool over people's eyes about the true meaning and full consequences of what a vote to separate from Canada will mean.

I know from many discussions with people outside Quebec that such separation will not be quick, it will not be simple and it will not be easy. Perhaps most important, such a separation will not lead to increased economic well-being for the people of a foreign country called Quebec nor for Canada.

For example, the North American free trade agreement was originally negotiated with a strong Canada. How would a foreign country called Quebec and a weakened Canada fare against U.S. negotiators in an entirely new round of NAFTA bargaining which would be required if Quebec separates?

To look at just one aspect, what would happen to the current Quebec dairy quota if Quebec decided to become a foreign country? No longer a part of a great nation, which despite our lingering internal trade barriers, today is a great economic union. Once the people of Quebec are given the true facts about what separation from Canada would mean, it is extremely unlikely they would decide to leave. Nevertheless it just may happen although passing Bill C-230 would help to prevent that.

The government has done virtually nothing to prevent it. By contrast, as an example of a prudent government response, yesterday United States congressman Tom Campbell, a Republican from California, had a U.S. congressional subcommittee hear testimony from academics about the possible consequences for the United States if Quebec separated from Canada.

Mr. Campbell's researchers emphasized this morning that their witnesses confirmed that an entirely new NAFTA would be required if Quebec separated from Canada.

• (1820)

Other international consequences would be its affect on NATO, the UN, the St. Lawrence Seaway and American purchasers of Canadian and Quebec debt. How ironic that the Government of

Canada by contrast with the U.S. Congress has chosen instead of preparing people to bury its head in the sand and has neglected to bring forward legislation on this critical bill. Even debate on this private member's bill has been limited to one single hour today.

However, the topic has met better fate at the hands of many serious thinkers across Canada since I introduced Bill C-230 on March 8 of this year.

This summer the C.D. Howe Institute released a commentary entitled "Coming To Terms With Plan B, 10 Principles Governing Secession". It began with the following:

The silence of the federal government during two Quebec referendums has left the Parti Quebecois free to describe how it would achieve secession. Maintaining the silence is irresponsible and will lead to chaos if Quebec tries to declare independence unilaterally.

I also find it ironic that the Quebec premier has repeatedly indicated that he believes neither the courts nor the law of Canada should be applied with regard to the possibility of a unilateral declaration of independence by his province.

He is only too willing to use the law and the courts as his defence with regard to the Churchill Falls contract with his neighbouring province of Newfoundland and Labrador. Obviously the Quebec premier has chosen to cherry pick which laws he will respect and which laws he will ignore.

Most Canadians respect the law and at this time there is no Canadian law which would allow the province of Quebec to separate legally. As the C.D. Howe commentary points out, the lack of such channels within the Constitution:

—is a case for deep concern. Canada is a democracy whose ultimate legal and political foundation is the consent of Canadians to be governed under the Canadian Constitution and Canadian law. If a significantly large and determined majority of Canadians in a particular province withhold that consent then the absence of appropriate legal wording to achieve secession will not prevent them from realizing their goal. Thus, the absence of an agreed upon procedure to govern secession will lead to confusion and conflict over the legitimacy of any proposed secession.

Clearly Quebecers have a big stake in ensuring that a vote to secede is regarded as legitimate. Otherwise consequences could be disastrous. The best way to avoid confusion and conflict would be to accommodate the legitimate needs and aspirations of the province of Quebec within Canada. That does not mean giving into blackmail which says do what we want or we will leave.

On behalf of the people of my own riding of Okanagan—Shuswap I want to emphasize that we want Quebec to remain in Canada as one of 10 equal provinces whose citizens are equal before the law. The people of Okanagan—Shuswap respect the fact that Quebec is different from us in many ways. However, we totally reject the idea that Quebec should be offered any kind of powers or status greater than what is offered to every other province of Canada.

If the people of Quebec reject the idea of remaining within the revitalized Canadian federation, the break up will cost all of us a great deal of pain.

One way to lessen that pain would be to pass a law like Bill C-230 so that a majority of Canadians agree in advance on the ground rules for negotiation with regard to separation. Also trying to avoid Quebec separation the Reform Party has released a position paper called "20/20" which presents many ways that all provinces would be given greater powers simply by administrative decision with no need whatsoever to reopen the Constitution.

However, in the event that such changes either are not made or do not satisfy the people of Quebec, it is our responsibility as the Parliament of Canada to have legislation in place which will serve as the ground rules for how a legal separation could be accomplished and that will clearly tell Quebec voters what a vote to separate will mean.

Personally I believe that the law must respect the will of the people.

• (1825)

I firmly believe that my fellow Canadians would be willing to look for a way to allow the people of the province of Quebec to go their own way, if in fact it could be clearly demonstrated that it was the will of the majority of the people of Quebec to become a foreign state; to give up their Canadian citizenship and their Canadian passports; to lose their unrestricted right to enter, travel and work in Canada; and, to lose their right to send some of their brightest and best people to Ottawa to represent them in the Parliament of Canada and in many of the highest ranking positions in the Public Service of Canada.

What has been done so far? Due to the lack of foresight of this government, there is not even a subcommittee of either this House or the Senate currently discussing this critical issue.

Regarding this lack of foresight, after examining the international experience, the C.D. Howe Institute basically said that advance planning in the event of secession could avoid violence and hardship later by establishing a consensus on the terms.

To promote such a consensus by encouraging debate I draw members' attention to Bill C-230 itself. It begins with a preamble, which states that the principles should exist in law to determine whether a vote to separate is a legitimate expression of the wishes of the people and that the provincial electoral districts where there is not the majority vote to separate must have their wishes respected equally with districts where the majority of the people vote to separate.

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Simply stated, if Canada can be divided because of the will of the people, then Quebec can be divided because of the will of the people.

Pundits have urged that Cree and other aboriginal people whose traditional lands lie within Quebec have a fiduciary relationship with the Government of Canada which could only be ended with their consent.

Personally, I believe no political unit should be forced to leave Canada against its will whether aboriginals or simply strong federalists. Their decision to remain in Canada must be every bit as binding on the Government of Quebec as the legitimate Quebec vote to leave Canada should be binding on Canada.

Bill C-230 spells out how I believe we could be sure that a separation vote was legitimate. Of course, a serious problem with my beliefs is that I cannot tell the separatists in Quebec what to do. However, this Parliament not only can but must tell the Government of Canada what to do.

If Bill C-230 were passed into law, it would say that unless certain conditions are met, the Government of Canada cannot negotiate separation. It would tell the Government of Canada that it must hold a binding national referendum within one year if elected parliamentarians agree that a fair vote was held in the province wanting to separate. Note that while I include an elected Senate, an appointed Senate is excluded because it represents only political patronage and not the will of the people of Canada.

Bill C-230 says that we must have a national referendum but only if Parliament agrees that the provincial vote to leave Canada was conducted according to the conditions set out on pages 3 and 4 of this legislation.

Some details about the process would include: full and fair advanced advertising and printing on every ballot that a vote to separate means a vote to become a separate state, foreign to Canada; cease to be a province of Canada; cease to have representation in the Senate and in the House of Commons; lose the right to be citizens of Canada; lose the right to hold a Canadian passport; and lose the right to unrestricted entry and travel within Canada and the unrestricted right to work in Canada.

They must also notify provincial voters that the Government of Canada cannot negotiate separation of any electoral district in which a majority of at least 50 per cent of the votes cast, plus one vote, are against separation from Canada; nor could provincial electoral boundaries have been changed so that the number of native people or non-francophone people was significantly altered from the preceding election.

This House and an elected Senate would have to agree by a free vote, that is, a vote in which the party whips told their members they are free to vote their conscience.

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I have included many provisions in Bill C-230 to ensure that this issue is decided with the maximum respect for the wishes of the people. The ultimate respect for the wishes of the Canadian people will be shown by referring this entire issue to their final judgment by means of a binding national referendum.

After all, it is their country being carved up. They feel just as strongly about it as some Quebecers do about the partition of Quebec.

• (1830)

According to Bill C-230, the question to be put before the people no later than one year after a legitimate provincial vote to separate should be as follows: "Do you agree that the Government of Canada may negotiate terms of separation between Canada and—?" The name of the province would be inserted here.

Once again the nationwide ballots would have to repeat that electoral districts which did not vote to separate would not be included in the separation. This would help keep separation within the realm of politics and promote a peaceful resolution rather than the wars and/or major civil disobedience likely to follow if, for example, Quebec tries to force primarily English speaking sections in and around the city of Montreal as well as the aboriginal peoples mostly living in northern Quebec in the region known as Ungava to leave Canada against their will.

Many people have argued that the Ungava region was only given to the province of Quebec to administer on behalf of Canada and that Ungava certainly did not form part of the province at the time Quebec joined Confederation. They say, therefore, that it must not be included in a foreign country called Quebec. I prefer that the issue be settled by vote and not by academics arguing.

Finally, Bill C-230 would allow elected representatives of the people of Canada to include additional questions in this binding national referendum, for example a formula for dividing the national debt.

During the last referendum we came very close to losing this country. I have had to sit here in the House many times and listen to the government on the other side, which buried its head and said that everything was fine, talk about us as Reform members not doing anything with regard to that situation. It knew full well that it begged and pleaded with us not to interfere because it had the situation under control in the province of Quebec and we would only get in the way and hinder the process.

Unfortunately, I have to admit, I along with many other colleagues fell into the trap that the Liberals laid for us in the House and we believed them. Look what almost happened. They now use that against Reform whenever they feel like it. They are forgetting quite conveniently how they pleaded with us to let them please handle it and it would be brought under control. Shame.

In conclusion, I repeat that the federal government should take reasonable actions to satisfy the legitimate aspirations of the people of Quebec within Canada. However, if Quebec still votes to leave it is essential to pass legislation like Bill C-230 to make the separation process as orderly as possible.

I would now like to ask for unanimous consent from the House to make this bill votable.

**The Acting Speaker (Mrs. Ringuette-Maltais):** Do we have unanimous consent of the House to have Bill C-230 a votable bill?

**Some hon. members:** No.

**Mr. Paul DeVillers (Parliamentary Secretary to President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.):** Madam Speaker, Bill C-230 tabled by the member for Okanagan—Shuswap is aimed at giving Canadians the impression that the Reform Party has a serious, carefully thought out plan for preserving national unity.

While our government is pursuing a positive strategy of renewing the federation and giving all Canadians hope for the future, the third party is telling Canadians to throw in the towel, to launch themselves into a negotiation process in the wake of a referendum that has not and may not take place.

This demonstrates yet again that the Reform Party does not have a real strategy for national unity. To put it simply, it has no vision for national unity and no vision for the country. The third party has patched together a series of third rate ideas and calls it a plan.

At a certain level I think I understand why this bill is being brought forward today. My hon. colleague, like many Canadians, was shaken by the last referendum. He is trying to respond to the concerns of Canadians but has chosen a misguided approach.

• (1835)

[*Translation*]

Our government's strategy is, above all, to deal with the real issues concerning all Canadians: economic growth, job creation, maximum government efficiency, as well as the protection of our social programs and our environment. But the federal government is also committed to providing certainty and legal clarification regarding the issues arising from Quebec's possible secession.

Earlier this year, we became involved in a case submitted to the Superior Court of Quebec by Guy Bertrand. We were forced to do so partly because of the Quebec government's position in this case. That government claims that the issues related to Quebec's secession do not come under the jurisdiction of the courts, that they have nothing to do with Canada's laws or Constitution, and that

Quebec can unilaterally determine how it will secede without taking Canada's Constitution or its judicial system into account.

Given the Quebec government's position and Judge Pidgeon's ruling, our government announced that it would refer to the Supreme Court the basic issues raised by the Pidgeon ruling.

[*English*]

Under that procedure the federal government is submitting to the supreme court questions of law and fact that it deems important for the court to hear and consider. We made this decision because the federal government owes an obligation to all Canadians to provide social, economic and legal stability. This obligation requires the federal government to provide certainty and legal clarification regarding the issues surrounding Quebec's possible secession.

Now is the time in this period of relative calm, with a future referendum not immediately looming, to seek judicial clarification of these issues.

[*Translation*]

By referring these issues, we are asking the Supreme Court to establish a legal framework and a common understanding that will allow us to address certain fundamental issues surrounding Quebec's secession.

Our decision to use this approach at this time does not in any way bring into question the right of Quebecers to express their views on their own future through an advisory referendum. We are appalled by the Quebec government's decision to place itself above the law and outside the jurisdiction of Canadian courts.

[*English*]

As for the result of the reference, the most important outcome will be that we finally have some certainty on the fundamental legal issues arising from the Quebec government's plan for secession. Nevertheless, the Government of Canada is pursuing its commitment to renew the federation through a wide range of constructive, well thought out initiatives.

In the February speech from the throne, our government indicated its willingness to withdraw from areas such as labour market training, forestry and mining development, social housing and recreation. Further progress was made during the constructive discussions and the first ministers meeting in June. This work is ongoing and we are on track with our plan.

At the first ministers meeting it was agreed that our government would continue to work with the provinces in the coming months, building on the work of the ministerial council on social policy reform and renewal to develop a new partnership for securing and modernizing the social union.

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In the weeks following the first ministers meeting the federal and British Columbia governments agreed to a full bilateral review of the responsibilities and roles of the federal and provincial governments in the management of the Pacific salmon fishery.

These are the types of measures that build goodwill, measures brought about through partnerships based on mutual respect and the desire to enter the 21st century as a renewed, united federation.

[*Translation*]

These measures may not be flamboyant enough for my colleague across the way, but they show that the Canadian federation is flexible and benefits all its partners.

• (1840)

We are proving that Canada works and that separation is not a solution. We are proving that another choice is available, namely the renewal of our federation, and that it is a best choice. Polls show that most Quebecers favour this option. I would therefore urge the third party to support this option.

This is the kind of positive attitude we need, in Canada, to see us into the 21st century, all the while remaining united. This is the attitude we, in the Liberal government, have. We do not sink into negativity; we are not afraid to take positive measures.

We want to unite Canadians, not divide them. We are also resolutely committed to a national reconciliation process.

[*English*]

We are putting in place initiatives that will lead to greater co-operation among governments and will reinforce the economic union and social fabric of this country. We are taking a step by step approach to bring about real practical changes. In so doing we are demonstrating the flexibility of the federation and undermining the myths that build support for separatism. This is how we will achieve national reconciliation.

[*Translation*]

The Premier of Quebec himself, Lucien Bouchard, has realized that he had better set his separatist designs aside and focus on concerns regarded as priorities by Quebecers: the economy, job creation and putting the fiscal house in order.

According to a Gallup poll released earlier this month, no fewer than 45 per cent of employed Quebecers are afraid to lose their jobs. That is the kind of concern that must be looked into and that we, in our government and our party, are presently looking into.

Quebecers want their government to take part in the discussions with the federal government and the other provinces, so that the interests of Quebec are represented.

*Private Members' Business*

They want change, of course, but change within Canada. That is the message they conveyed in the October referendum and this government, our party, is in the process of acting on this message.

[English]

The bill proposed by the hon. member for Okanagan—Shuswap does not respond to this message, nor does it correspond to the wishes of Quebecers and other Canadians who are asking their politicians to work together constructively to renew the federation, promote economic growth and work toward creating a climate suitable for job creation.

It is a far cry from the measured approach our government is taking to clarify issues and allow for a constructive dialogue to take place well in advance of a future referendum. The leader of the third party may believe he has 20-20 vision on national unity issues but this bill shows he has a big blind spot.

For these reasons I cannot support Bill C-230.

[Translation]

**Mrs. Pierrette Venne (Saint-Hubert, BQ):** Madam Speaker, Bill C-230 introduced by the member for Okanagan—Shuswap is entitled An Act to provide for a national referendum to authorize the government to negotiate terms of separation with a province that has voted for separation from Canada. It proposes rules which would apply to a referendum on the separation of a province from the rest of Canada.

In spite of its neutral wording, it is obvious that this bill primarily seeks to impose on the province of Quebec rules for its next referendum on sovereignty.

What the member for Okanagan—Shuswap proposes is strangely similar to the secession act passed in 1990 by the Soviet regime, in the former USSR. I will remind the member of certain facts regarding the passing of this act. Unlike Canada's constitution, the constitution of the Union of Soviet Socialist Republic included a clause granting republics the right to freely separate from the USSR, without any procedures or conditions.

• (1845)

At the beginning of the nineties, following the crumbling of the Gorbachev regime and of the Berlin wall, some sovereignist parties took office in certain republics. Given this situation, president Gorbachev quickly had the Soviet government pass an act on secession.

The act, which was passed in April 1990, set the conditions for separation. In fact, it sought to make it impossible to exercise this right by the means proposed in Bill C-230. For example, the Soviet legislation defined the referendum procedure to be used by the

republics, including the type of initiative allowed, the voting procedure and the number of ballots required for the decision to be valid.

The bill proposed by the member for Okanagan—Shuswap gives the House of Commons and the Senate the right to rule on the eligibility of the question and its wording, should the yes side win.

Indeed, should the yes side win, the Senate and the House of Commons will determine whether the question that was put was a simple and direct question; whether an affirmative vote was cast by a majority of at least fifty per cent plus one; whether the referendum was held in compliance with the laws of the separating province and whether its results were recorded on the basis of the electoral districts of the province; whether notice of the referendum appeared in the *Canada Gazette* and in at least one major newspaper in each riding of the province which, of course, means Quebec; whether the effect of a vote in favour of separation was clearly stated on the ballot including: the fact that the province will become a separate state, foreign to Canada; that it will cease to be a province of Canada; that it will cease to have representation in the Senate and House of Commons; that its residents will lose the right to be citizens of Canada; that they will lose the right to hold a Canadian passport; and, finally, that they will lose the right to unrestricted entry to and travel within Canada, and the unrestricted right to work in Canada.

By granting the House of Commons and the Senate the right to review the holding of a referendum, the bill proposed by the member for Okanagan—Shuswap gives the two houses a veto over a province seeking to achieve sovereignty. Indeed, this bill provides that the conditions I just listed can only be met if the House of Commons and the Senate render a favourable decision.

In the current context, it would be surprising, to say the least, to expect members of this House and the other place to make an objective decision. In addition, the bill gives the House of Commons and the Senate the authority to refer to the Supreme Court any question relating to the holding of a separation referendum.

In point of fact, this bill allows the process whereby a province wishes to become independent to be defined by the courts. Should the will of a people to decide on its own destiny be relegated to questions of a legal nature?

The referral to the Supreme Court must please the Minister of Justice, since he confirmed only today that he intends to seek the opinion of the Supreme Court by submitting to it, by way of a constitutional reference, the question of the legality of Quebec's sovereignty. In fact, any legal strategy intended to thwart the will of a people must be eclipsed by the freedom of that people to democratically decide on its political future.

• (1850)

Nonetheless, once the Senate and the House of Commons have determined that the sovereignty referendum is valid, the Governor

in Council shall hold a Canada-wide referendum that is binding on the Government of Canada within one year.

The question in this Canada-wide referendum will be whether or not the people of Canada authorize the federal government to negotiate the terms of separation of the province wishing to secede. The legislation on secession passed by the Supreme Soviet of the former USSR that I mentioned a little earlier provided for the same consultation mechanism.

In the event that a republic voted in favour of sovereignty, this legislation required the results to be submitted to all the other republics in the Union. Like Bill C-230, the Soviet legislation on secession also made provision for the right of partition of certain groups within the Republic. These groups were literally given the right to secede from another group that was seceding.

The right to self-determination is an attribute of peoples and of nations. Quebec being a nation within the Canadian federation, it follows that, should it become sovereign, its borders would be guaranteed against any challenge by Canada, the corollary of this right to independence being the respect of the territory associated with this people or this nation.

It is illogical to say that a riding within the province could take advantage of that right, just as francophone populations outside Quebec could not demand to be linked back to Quebec.

Finally, we all know what happened to president Gorbachev's plan; the independentist republics simply ignored it. Let us be straight with ourselves, however: Canada cannot be compared to the former USSR of 1990. The mere fact that Bill C-230 is oddly inspired by such an authoritarian model does, however, give one pause, even though this trend is not a great surprise to anyone.

The Bloc Québécois has always defended the principle of sovereignty of the provinces and their respective legislatures on their own territory. Provincial governments, being the elected representatives of the population, have the authority to achieve sovereignty, provided they receive a democratic mandate from their population to do so.

As I said a while ago, this bill is aimed primarily at Quebec. Should there be another referendum in Quebec, the bill is aimed at not only submitting the provincial government to the authority of the federal government, but also at preventing Quebec from exercising its right to sovereignty. The Bloc Québécois has always been opposed to any move by the federal government to hamstring the Government of Quebec by dictating the conditions for access to sovereignty.

**Mr. Mauril Bélanger (Ottawa—Vanier, Lib.):** Madam Speaker, Bill C-230, introduced today by the hon. member for Okanagan—Shuswap, would provide for a national referendum to

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authorize the government to negotiate terms of separation with a province that has voted for separation from Canada.

It is the second time within only a few months that the Reform Party has proposed a debate on a variation on the same theme. It is clear that by introducing this bill, the third party favours confrontation over national reconciliation.

[English]

Whereas the government is working to improve the federation so that it better responds to the real concerns of Canadians, the Reform Party seems to be interested only in the hypothetical scenario of secession. That being said, the practical constructive approach the federal government is focusing on to renew the federation does not prevent the government from understanding and sharing some of the concerns expressed today by the member for Okanagan—Shuswap.

I probably do not need to remind the member that the federal government has made a commitment to clarifying the legal questions relating to the possibility of Quebec secession.

• (1855)

[Translation]

I nevertheless wish to recall why our government intervened in the Bertrand case. We did so to defend the rule of law, to express our profound disagreement with the position of the Attorney General of Quebec, who maintained that Canadian courts had no role to play in issues concerning separation and that these issues had no connection with Canadian laws or our Constitution.

In the light of the position taken by the Government of Quebec and the ruling by Judge Pidgeon in the case of lawyer Guy Bertrand, our government announced that it asked the Supreme Court of Canada to give an advisory opinion on the fundamental issues relating to separation which arose from the Pidgeon ruling.

It is reassuring for all Canadians to note that the Superior Court dismissed the main arguments of the Government of Quebec, which maintained that accession to sovereignty had nothing to do with the Canadian Constitution. The judgment pointed out, first of all, that the case is an important one, and that it cannot be rejected without a hearing; second, that the legal aspects of secession are complex and important and therefore deserve to be heard on the merits of the case; and third, that the courts play a fundamental role in protecting the rule of law.

Let it be clear that the government's decision to ask for a reference to the Supreme Court of Canada in no way challenges the right of Quebecers to decide on their own future through a consultative referendum. What we want is to establish a framework based on legal certainties that will permit us to reply to certain fundamental questions to do with a possible secession.

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Contrary to what the government of Quebec is advocating, this is a responsible action on the part of our government, which must ensure social, economic and legal stability for Canadians. As long as there is a question of another referendum in Quebec, our government will assume its responsibility of ensuring that all the cards are on the table.

[English]

We are thus on the one hand fully assuming our responsibility and on the other hand and as a priority pursuing our plans to renew the federation step by step which is what Canadians want. On the contrary, rather than making a constructive contribution to the debate and helping Canadians to come closer together, the Reform Party has a tendency to exploit the differences that divide for partisan ends.

The issues of concern to Canadians are economic prosperity, jobs, social programs and the unity of our country. They are also the priorities our government has set for itself.

Canadians want their government to work together to bring about the changes that will make the federation work more effectively and more efficiently. They want gradual changes that will yield direct, positive results. The government is forging ahead with the measures to make the Canadian federation work better which were announced in the speech from the throne in February and the last budget and discussed at the first ministers meeting in June. In that regard, allow me to summarize for the benefit of my hon. colleague the initiatives for change that have been announced or implemented.

[Translation]

The federal government is pursuing its efforts with the provinces and territories for a review of the roles and responsibilities of the various levels of government. It has therefore undertaken to withdraw from areas of activity that are more properly the responsibility of the provinces, municipalities and other stakeholders, such as job training, certain sectors of transportation, mining, forestry, recreation and public housing.

In this regard, the proposal made last May by our colleague, the Minister of Human Resources Development, is a concrete example of delivering on a promise that was important for our government and for most of the provinces, which have, for some time now, been asking for more responsibility in this area.

It is a practical example that will make it possible to tailor programs to the particular needs of the regions, thus marking an important step towards a more flexible federalism.

[English]

With respect to social programs, the government is committed to ensuring that all Canadians can continue to rely on a secure, lasting social safety net. We are working with the provinces to ensure that

Canada's social programs continue to express the national objectives, values and principles cherished by our fellow citizens.

Again, with a view to co-operation and dialogue, a federal-provincial-territorial committee on social policy and national standards was proposed at the first ministers meeting in June and was endorsed by the provinces in August in Jasper, Alberta. Alberta recently appointed the co-chair of that committee. Our colleague, the Minister of Human Resources Development, together with the Minister of Health will thus be able to pursue the discussions on this matter which is of key importance to all citizens.

• (1900)

[Translation]

As far as the economy is concerned, the government will continue to work with the provinces to reduce the barriers to internal trade and manpower mobility.

It is also in the interest of better serving the public interest that the federal government is proposing the creation, in co-operation with the interested provinces, of new mechanisms to reduce overlap in the sectors of securities, revenue collection and food inspection.

[English]

In the environmental field the federal and provincial governments have agreed on a renewed partnership to develop effective management objectives and principles. In the field of tourism the provinces and territories have welcomed the private sector's co-operation in connection with the activities of the Canadian tourism commission.

These are a host of tangible examples of the progress that can be achieved through co-operation between the different orders of government. Discussions are evolving to renew the immensely successful national infrastructure program. The federal government is working with the provinces and territories to develop a proposal that is acceptable to all. This matter will be discussed at the upcoming finance ministers meeting next month.

[Translation]

Furthermore, our government is committed to restricting its spending power in areas that are the exclusive jurisdiction of the provinces. It will no longer use its spending power to create new, shared-cost programs in areas under provincial jurisdiction without the consent of the majority of the provinces. Provinces that opt out and establish a comparable program will receive compensation. It is the first time the federal government has offered to limit its powers outside the context of formal constitutional talks. This commitment marks a turning point in the history of federalism.

[English]

This is how our government is renewing the Canadian federation, by proposing constructive solutions to the issues which concern Canadians in an atmosphere of co-operation, dialogue and



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respect. We believe that the spirit of co-operation and openness will enable us to further Canadian unity.

[*Translation*]

Therefore, for all the reasons I enumerated previously, I cannot support the bill introduced today in the House by the hon. member.

Again, I do not dismiss the concerns about the possibility of another referendum in Quebec. Our government is well aware of them and is acting responsibly, as was pointed out in the throne speech.

However, I believe that co-operation, not confrontation, is the way to bring about the changes Canadians want and to guarantee the unity of our country.

We will continue to demonstrate that as we gradually improve the way our federation works, we will be in a better position to respond to the needs and aspirations of all citizens.

If the Reform Party wants to do everything it can for national unity, we urge it to drop the confrontational rhetoric and work on national reconciliation and the renewal of our federation, in the best interests of all Canadians.

[*English*]

**Mr. Dick Harris (Prince George—Bulkley Valley, Ref.):** Madam Speaker, I am pleased to speak to Bill C-230 today, put forward by my colleague from Okanagan-Shuswap.

As I sat here listening to these last two Liberal speakers I got the distinct feeling that these two hon. members must have been living in a complete vacuum over the last three years. This separatist group here has been standing in this House every day since the 35th Parliament started, saying: "We want to secede from Canada. We want to separate from Canada". I wonder if these hon. members have been hearing that.

This is why we got into so much trouble in the referendum in Quebec. This government appears now, after listening to the member for Simcoe North and the member for Ottawa—Vanier, to prefer to just carry on the with status quo. Let us just try and keep doing what we have been doing.

That is what almost lost us the referendum in October 1995. This government, these Liberals, would not face up to the fact that these separatists and the Quebecers they duped into following their line want to separate from Canada.

• (1905)

What does it take to get the message across? I do not want that province to leave Canada. That province belongs as much to British Columbians, Nova Scotians, Albertans, Ontarians and Saskatche-

wanians as it belongs to Quebecers. It part of Canada, even though only one part.

This Liberal government, the member for Simcoe North, says that we want to proceed with positive and constructive measures. That is Liberal talk for we want to have more appeasement and more accommodation for the province of Quebec.

I cannot believe the member for Ottawa—Vanier said the Reform Party talks about a hypothetical scenario of secession. The Bloc and the Parti Quebecois in the province of Quebec just went through a referendum in 1995 to determine whether the people wanted to separate. There is nothing hypothetical about that. What is the member for Ottawa—Vanier thinking about? He says it is absolutely important that we ensure that all cards are on the table.

We stood in this House day after day leading up to the referendum in 1995 and told the Prime Minister and this Liberal government, whose members were sitting on their hands: "For goodness' sake, put the cards on the table for people who are thinking about leaving Quebec by voting yes. Put the cards on the table".

There were no cards on the table. We came that far from a yes vote because this Liberal government did not have the backbone then to put the cards on the table. It obviously does not have it now to put the cards on the table.

The member for Ottawa—Vanier made another incredulous statement that the Reform Party would like to exploit the differences between Canadians. What an incredible statement.

There has been no political party in the history of Canada that has done more to foster the differences between Canadians than the Liberal Party of Canada in any Parliament at any time of our history since 1867.

Continually, day after day, year after year, the Liberal government, whatever it was of whatever year, has done more to foster the differences between Canadians than to bring Canadians together as one people.

That is on record a million times. How can the member for Ottawa—Vanier talk about the Reform Party's wanting to exploit the differences when this party has built its political career by fostering the differences between Canadians? What an incredible statement.

The reason the member for Okanagan—Shuswap put forth Bill C-230 was that this government does not have the guts to deal with these separatists on a face to face basis. It would rather beat around the bush and try to smooth things over.

We are talking about a group of Quebecers—thank God not all Quebecers, a majority want to stay in Canada—who have been duped by a small group of politicians into believing that there is some nirvana out there if they should leave Canada, a nirvana called Quebec nationhood.

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I say thank goodness the referendum failed in 1995. Unless this Liberal government gets its act together, it may not win the next referendum the separatists hold. If it continues on a path of do nothing, say nothing and hope the problem will go away, its members are going to lose.

Now we get down to the issue of Bill C-230. I say that Quebec is part of Canada and always has been. Since we became the country of Canada, Quebec has been a part of it. It has enjoyed the benefits of Canada as Canada has enjoyed the benefits of the province of Quebec. We have a country here. We have a nation.

But some people in Quebec have decided that somehow they will be better off if they leave this great country of ours. Somehow they have managed to convince a number of people in the province of Quebec that this would be a good thing to do.

In 1995 in the last referendum, did they talk about separation leading up to the actual voting day? No. They talked about some fuzzy sovereignty association. The Liberal government would hardly even mention the word separation in this House unless we dragged it out of them.

This separatist group that wants to break up this country did not have the courage to put a simple question to the people of Quebec: Do you want to separate from Canada, yes or no? It referred to some bill that had been passed in the Quebec legislature that dealt with some sort of fuzzy sovereignty association, negotiating some arrangement with Canada.

The separatists say they want to separate but they did not have the guts to go to the people of Quebec and ask them if they wanted to leave Canada, period. That is what the question should have been. If that had been the question that was put, the no vote would not have squeaked by like it did. The no side would have won by a huge majority because the people would have clearly understood the question. It would not have been some convoluted question that the separatists came up with, but it would have been a clear question.

The Reformers stood here and talked to the Prime Minister. We said: "Why do you not tell the people of Quebec what they are voting for? Why do you allow the separatists to put this convoluted question before them? Why is the Liberal government not saying something about it? Why are you not clarifying it?" Why did they not put all the cards on the table like the member for Ottawa—Vanier was talking about? That is what we demanded of the Liberal Party. In response the Liberals said: "You Reformers keep out of it. We know how to handle it".

We saw how the Liberal government handled it. It just about lost it. We came close to losing the vote in Quebec because of the Liberal government's inaction. The Liberal government did not have the courage to deal with these separatists head on.

The majority of the people of Quebec do not want to separate from Canada. We cannot believe what this separatist group has been telling us. We cannot believe what Mr. Bouchard in Quebec is saying. We cannot believe that.

The people of Quebec are Canadians who happen to live in the province of Quebec. I would say that if the Canadians who live in the province of Quebec had a clear question put to them: yes or no, do you want to separate from Canada, it would be an overwhelming no. That is what we are demanding in Bill C-230: that this Liberal government have the backbone, the courage to talk about the real question and not to let people get suckered in by these separatists here.

[Translation]

**The Acting Speaker (Mrs. Ringuette-Maltais):** The period set aside for the consideration of Private Members' Business has now expired and the order is dropped from the Order Paper.

It being 7.13 p.m., this House stands adjourned until tomorrow at 10 a.m., pursuant to Standing Order 24(1).

(The House adjourned at 7.13 p.m.)



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