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Tuesday, December 8, 2009

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Chair

Mr. James Rajotte

Standing Committee on Finance

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• (1805)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call the 70th meeting of the Standing Committee on Finance to order. The orders of the day are pursuant to the subject matter of Bill C-62, An Act to amend the Excise Tax Act.

Colleagues, as you know, we do have an order from the House. I will not read it in full but will explain that the report from the committee has to be done by 11 o'clock tonight. We have four hours from the time of the vote. The vote was called at 5:43 p.m., so we have until 9:43 p.m. At that time, if the committee is still debating the bill, I have to put every question necessary at that point without further debate or amendment, so essentially we have four hours here tonight to debate the bill.

We have five witnesses here before us who wish to present on the bill. I'm proposing that after that we have perhaps an hour with the witnesses, and then we proceed to clause-by-clause. We do have officials from the Department of Finance in the room who will be available for comments from members.

We have with us here today five witnesses. I'm recommending that we have between five and ten minutes per witness for an opening statement, and then we will have questions from members. My understanding in terms of presentation order is that Chief Angus Toulouse will be first; Chief Randy Phillips will be second; Chief Keith Matthew will be third; fourth will be Shirley-Ann George from the Canadian Chamber of Commerce; and fifth will be Jean-Michel Laurin from the Canadian Manufacturers and Exporters.

You have between five and ten minutes for an opening statement.

We'll start with Chief Toulouse, please. Thank you, and welcome to the committee.

Chief Angus Toulouse (Ontario Regional Chief, Assembly of First Nations): Thank you, Mr. Chair.

Honourable committee members, first of all, I want to thank you for giving me the opportunity to make this presentation. This subject is a matter of extreme importance to Ontario first nations and first nations people in general across this country. Therefore, I appreciate the opportunity to be heard.

We are in the midst of an AFN special chiefs assembly here in Ottawa, in Algonquin territory, where we've spent some time discussing the impact of the proposed HST on our communities. The chiefs are very concerned and have adopted a resolution expressing their position, which I would like to table with this committee. I

would also like to table for the consideration of this committee a proposed amendment to Bill C-62, which was communicated earlier to the offices of the leaders of the opposition, just this afternoon.

In this presentation I want to address two topics: one, the lack of consultation and accommodation of Ontario first nations in the development of the HST proposal; and two, the economic impact of the HST on Ontario first nations.

The first point I want to make, for the record, is that Ontario first nations have not been meaningfully consulted and accommodated on the HST. Committee members will know that when aboriginal and treaty rights stand to be adversely affected by legislative or any crown conduct, affected first nations are required to be consulted. This is in the Constitution Act of 1982, section 35, and has been recognized by the Supreme Court of Canada in the Haida and Mikisew cases.

The aboriginal and treaty rights do not have to be established; they just need to be asserted. Minister Dwight Duncan agreed with the first nations leaders that the first nations tax exemption is an aboriginal and treaty right, yet we were not consulted when the memorandum of agreement was being developed and we were not included in the consultation regarding the CITCA. Needless to say, the present point-of-sale tax exemption provided for in the Retail Sales Tax Act will be eliminated in the HST. This has a major impact, and it is incomprehensible how we could have been left out of this process.

I acknowledge that Ontario has at least made some efforts to discuss our concerns and has expressed its support, most recently by way of correspondence from Premier McGuinty to Prime Minister Harper. But these have not been meaningful consultations and they have not resulted in any accommodation. Ontario blames the federal government for the failure to address our rights and interests. The federal government has ignored requests for consultation and will not respect the rights acknowledged by Ontario and under the current RST exemptions. There is some hope that we may be turning a corner, as per the premier's letter of December 2, 2009, to Prime Minister Harper requesting a meeting and an action.

As to the economic impact of the HST on Ontario first nations, the constitutionally protected rights and treaty rights are not the only issues. The HST will have a negative impact on first nations economies, yet there has been no economic impact study with respect to the increase in value-added tax paid by first nations communities on reserve. This includes first nations members who are on reserve living in poverty, northern first nations communities that are dependent upon off-reserve vendors, and the increased agency costs absorbed by aboriginal and non-aboriginal small businesses that serve first nations communities.

Not only will first nations people now have to pay an additional 8%, the HST will cover all sorts of things the RST doesn't, like fuel, electricity, and other essentials. Rebates and tax credits will not work for our people. Rebates do not match the taxes paid. Rebates come in the mail later on. Rebates won't feed us when we need the money today to buy the basic goods and services.

Finally, rebates assume that the federal government can implement this system across first nations. The track record on implementation is terrible. From drinking water to simple road access in remote first nations, the federal government does not manage first nations governance. In Ontario, 25% of the first nations are fly-in communities. The HST will increase the costs of doing business and hurt economic development in a segment of the Ontario population that is less than 1%. It is targeted and mean-spirited and not consistent with reconciliation.

However, there are recommendations on how this committee can address the concerns of Ontario first nations, and these are reasonable accommodations that will avoid significant economic hardships that would otherwise result from imposing the HST on Ontario first nations. These accommodations are within Canada's authority and can be implemented administratively and legislatively in a manner consistent with the work previously done by Ontario and first nations leadership in Ontario concerning the maintenance of the point-of-sale exemption.

● (1810)

Because the federal government refuses to meet with us—and the province—we have every reason to believe that we will not be heard or dealt with fairly once this bill leaves this committee. Accordingly, we urge this committee to ensure that our rights and interests are accommodated.

I'm leaving with the committee the letter from Premier McGuinty to Prime Minister Stephen Harper, the resolution of the Assembly of First Nations from just this afternoon, the letters that we sent to the opposition party leader Jack Layton and to the clerk of the finance committee, Jean-François Pagé, and the other letters to Gilles Duceppe and to Michael Ignatieff, leader of the opposition.

I am leaving that with you, committee members. What is also included there is the actual suggestion in terms of the amendment to the bill.

The Chair: Thank you very much, Chief Toulouse.

We will now hear from Chief Phillips, please.

Grand Chief Randy Phillips (Grand Chief, Oneida Nation, Association of Iroquois and Allied Indians): Thank you very much, Mr. Chair.

[Witness speaks in Oneida]

Thank you very much, Mr. Chair and members of this committee, for allowing us to make this presentation today. I am going to reiterate much of what Chief Toulouse has indicated with respect to the way we see this as a violation with respect to our treaty rights.

I represent an organization of eight communities. Within that, there are seven nations. That is the representation that we are trying to make here today. Within the same Constitution that protects those rights is an obligation by the federal government to have this notion and duty of consultation. There is an honour of the crown at stake.

As we start talking about the imposition of this tax on our people, I think we only stand to be fairly treated with respect to this. There is a great concern amongst our people with the speed and the process in terms of this particular piece of legislation, with it being rushed through not only in the Ontario parliament, but in this House of Commons as well.

We are calling on both governments to honour themselves. They have an obligation to protect our aboriginal treaty rights; they do exist. There is a process to be taken on if there is going to be any infringement on those rights. We don't see that with respect to this particular government in terms of addressing those things, so we are asking you to take up your obligation to protect these rights.

With respect to the notion of the exemption clause that the Ontario regional chief has suggested we include in this piece of legislation, this is not going to take away from the bill; it is not going to take away from anything with respect to the taxation powers that are going to be created. If Ontario citizens and Canadian citizens want to be taxed, that is certainly something that is beyond the control of first nations.

I come from communities that live by the spirit of what they call *Gus-wen-tah*, Two Row Wampum: that we would go down the river of life parallel and that rules would not interfere with one another. This is the same thing we're talking about here, ladies and gentlemen. It's the spirit and intent of that treaty that we need to uphold, and if there's going to be any violation of our rights, I think it behooves this committee and it behooves this government to sit down and do the fair thing and talk to us about this.

I am really concerned. I currently hold the chair for the chiefs committee on social and child welfare. What I have heard from citizens of many first nations right across this country is that this is going to have a tremendous impact on them. It is going to change their current ways with respect to spending and it is going to reduce their spending power. Also, this idea of a one-time contribution by the federal government to offset these costs is not going to be equitable, and it's certainly not going to be fair in comparison once this happens year after year.

We're concerned about that. We're concerned about the activities that it's going to cause right now with respect to a change in behaviour.

What it's going to hurt, too, sir... You people have to understand that 90% of our money in first nations communities is not spent within our communities, but outside, so this idea that we don't pay tax is a misnomer. We have paid tax. We have paid tax continuously.

What we're saying now is that with this change, it's going to hurt the people. It's going to take money right out of their pockets. That, unfortunately, is going to have a negative effect on them. We're dealing right now with the poorest of the poor. We're dealing right now with families that are on fixed incomes. We're dealing with seniors who are on fixed incomes.

We live with all of these challenges on a day-to-day basis. We see nothing from the federal government in terms of trying to correct those things in a positive or aggressive fashion. We see that this tax is going to harm us and it's certainly going to harm our communities and our economic development.

With that, again, I just want to reiterate the fact that this is a violation of our treaty rights. I think this table has an obligation to report that to the House and to the Senate, and to take the proper actions to make sure that our rights are upheld and that this particular government holds true to its word with respect to the honour of the crown.

Thank you very much, Mr. Chair.

• (1815)

The Chair: Thank you very much, Chief Phillips.

We will now hear from Chief Matthew, please.

Chief Keith Matthew (Chief, Simpcw First Nation): Thank you, Honourable Chair. It's good to be here today.

I'd just like to say a few words in my language.

[Witness speaks in Secwepemc]

My name is Chief Keith Matthew. I'm from the Simpcw First Nation. I'm on the HST committee for the Union of B.C. Indian Chiefs.

I'd like to open my comments by saying that we do not see this as adequate or meaningful consultation on this particular issue, to be called one hour before a committee meeting. We want to engage on this particular issue, but we haven't had that opportunity. I need to state that for the record.

We are here to express concern with the current implementation process of the harmonized sales tax. I would like to meet and engage in meaningful consultations to ensure that our community's current tax benefits are unimpeded and uninterrupted by the potential passage of this legislation.

As you know, first nations in Canada have tax exemption for personal and real property situated on reserves under section 87 of the Indian Act, 1985. To date, B.C. first nations have not been consulted in any way about the potential HST legislation, although it stands to impact our communities, lands, and resources.

Because of this lack of consultation and inclusion, we are not clear about how the HST will affect and impact first nations bands, individuals, and companies. The UBCIC council, by resolution, has directed the UBCIC executive to raise concerns with the ministries

of finance of the provincial and federal governments regarding the HST and its impacts on B.C. first nations, and to call for meaningful consultation accommodation, including commitments to develop appropriate information packages regarding the application of HST to first nations, inclusion of specific non-derogation language regarding the preservation of section 87 of the Indian Act tax exemption, and continuing rights of first nations taxation rights under the First Nations Goods and Services Tax Act and first nations sales tax prior to B.C. and Canada signing the Comprehensive Integrated Tax Coordination Agreement.

We are asking you to include the non-derogation language arrived at with the appropriate consultation with first nations into the CITCA immediately and well before the passage of CITCA through the legislatures.

Further to that, our communities are poorly equipped as the poorest of Canada's poor. We see the HST as a shift from business to consumers. We pay taxes when buying goods and services off reserve. Most of our reserves in B.C. do not have a retail sector. We do most of our purchasing off reserve, and as the poorest of the poor, we are poorly equipped to deal with that shift.

Thank you, Mr. Chair, for considering these comments. I appreciate this opportunity.

[Witness speaks in Secwepemc]

• (1820)

The Chair: Thank you, Chief Matthew.

We'll now hear from Ms. George, please.

Ms. Shirley-Ann George (Senior Vice-President, Policy, Canadian Chamber of Commerce): Thank you very much, Mr. Chair. The Canadian Chamber of Commerce appreciates the opportunity to present this evening.

Given the short time we had to prepare for this hearing, I will be reading a letter to all the leaders of the parties that was sent by our president and CEO, Mr. Perrin Beatty, on November 30:

Dear Prime Minister, Mr. Ignatieff, Mr. Layton and Monsieur Duceppe:

For some years, the Canadian Chamber has asked the federal government to encourage provinces to levy retail sales taxes (RSTs) to harmonize these taxes with the GST.

I am writing all party leaders to urge you to support legislation enabling the provinces—in this case, Ontario and British Columbia, to move forward with harmonization.

Businesses pay retail sales taxes on many inputs related to the production of goods and services, including capital goods like the machinery Canadian workers use to produce the products we sell. The prices consumers pay reflect these embedded taxes. In contrast, businesses would be able to recover the Harmonized Sales Tax (HST) on the materials and services used to produce the goods or services they sell. This important reduction would help them price their products, including those they export, more competitively. Moving to an HST would strengthen Canada's business competitiveness at home and abroad and protect Canadian jobs.

TD Economics estimates that sales tax harmonization will reduce taxes paid on inputs by businesses by \$6.9 billion in Ontario and British Columbia combined. Much of this saving will be passed on to consumers as lower prices. Businesses are expected to save an additional \$650 million in compliance and administrative costs by combining paperwork and related efforts into one system instead of two.

I emphasize that this is most important for small businesses.

Additionally, the provinces will achieve significant savings for their taxpayers through reduced administrative costs.

In the 2009 Budget, the federal government stated that RSTs in British Columbia, Saskatchewan, Manitoba, Ontario and Prince Edward Island significantly increased their respective marginal effective tax rates (METRs) on new business investment, and if all five provinces were to adopt Harmonized Sales Taxes, the METR on new business investment in Canada would be reduced by more than 7 percentage points. This new investment would create jobs and greater prosperity throughout Canada.

According to the C.D. Howe Institute, more than one-third of RST revenue collected in Ontario comes from taxing intermediate and capital goods. The Institute estimates that Ontario's Retail Sales Tax on capital investment increases the province's marginal effective tax rates on capital from 28.2 percent to 37.0 percent. Replacing it with a tax system that does not bear on business inputs would boost Ontario's capital investment by \$36 billion.

That's billion with a "b".

In BC, about one-third of RST revenue coming from taxing business inputs. A report by the BC Progress Board indicates that the province could experience a 12 percent increase in trend investment in machinery and equipment by harmonizing, and close 70 percent of the machinery and equipment investment intensity gap between BC and the national average.

Investment in machinery and equipment, particularly information and telecommunications (ICT), drives productivity. Canadian businesses are well behind other countries, including the U.S., the UK and Germany, in investing in machinery and equipment. In 2007, Canadian businesses invested 16 percent less per worker in all machinery, equipment and software compared to the U.S.; 37 percent less per worker in ICT. Harmonization would help increase capital stock, worker productivity, business innovation, and Canada's global competitiveness. The result would be an improved standard of living for Canadians.

As with any tax reform, it is important to look at the impact on the economy as a whole. The Canadian Chamber recognizes that some currently untaxed products and services will be part of a broader tax base, resulting in higher prices for those goods and services. However a substantial portion of the tax savings realized by businesses will be passed on to consumers in the form of lower prices as businesses strive to retain customers and remain profitable.

- (1825)

While the transition to an HST will inevitably create challenges, the net economic benefit for Canadian business and Canadian workers will be significant and timely. Harmonization will help our companies emerge from the economic downturn in a stronger and more competitive position. The Canadian Chamber asks all elected officials, especially party leaders, to support tax harmonization legislation to build a stronger economy.

It was signed, as I said, by Perrin Beatty.

I would note that similar letters of strong support for the HST have also been sent by the Ontario and British Columbia chambers, and copies of these letters are available if the chair would like to have them submitted.

The Chair: Thank you very much, Ms. George, for your presentation.

We will finish with Monsieur Laurin, please.

[Translation]

Mr. Jean-Michel Laurin (Vice-President, Global Business Policy, Canadian Manufacturers & Exporters): Thank you, Mr. Chairman.

Ladies and gentlemen, good evening.

[English]

Good evening. Thank you for inviting me to appear before the committee this evening on behalf of Canadian Manufacturers & Exporters to discuss sales tax harmonization. This is a very important measure that would help Ontario and British Columbia

improve their tax competitiveness and make the exports coming from these two provinces more competitive as well.

Before I begin, I would like to say a few words about our association. Canadian Manufacturers & Exporters is the voice of manufacturing and global business in Canada. As such, we represent more than 10,000 leading companies nationwide. More than 85% of our members are small and medium-sized companies. Our members represent industrial sectors and every export sector you can imagine in the economy. We have members in every province and happen to have very active divisions in British Columbia and Ontario.

I am pleased to be here tonight to discuss Bill C-62. Sometimes, especially when we face some significant economic challenges, as is the case today, governments have to do the right thing, even in the face of political opposition. That's what leadership is all about, and it's what B.C. and Ontario are trying to do right now with their initiatives to harmonize their provincial sales taxes with the GST. It's the right thing to do for their economies, and it's the right thing to do for Ontarians and British Columbians.

One of the most important things we've learned from this recession that has battered the Canadian economy over the past year is that you have to create real value in order to sustain employment and generate income growth. The financial market crash has shown that no one can create lasting wealth simply by spinning other people's money around and around. Eventually that money needs to be producing goods and services that people want to buy. Otherwise it leads to financial bubbles and major trouble for our economy.

Another lesson we've learned from the recession is that whether we like it or not, our economy is affected by global economic conditions. We must compete around the world for customers and suppliers, for skills and intellectual property, for credit and for investment dollars. Our companies have to be world class, and the business environment they operate in also has to be world class.

Competitive pressures have only become more acute as a result of the recession. In that context, we should be aware that the way we perceive taxes has a significant impact on investment, innovation, job creation, and all the elements needed to sustain a healthy economy. These lessons are becoming more obvious as the economy begins to recover. Business as usual is not an option for governments or for the enterprises upon whose success the economic recovery ultimately depends.

Sales tax harmonization is exactly the kind of forward-looking policy reform that will be critical in strengthening provincial economies, speeding along recovery, and creating job opportunities in the future. Harmonization will save businesses money, lowering the cost of investments in innovation and new technologies, productivity, and environmental performance, and in the development of new markets, all of which are extremely important in rebooting the economy, securing jobs for the future, and helping businesses make the changes they require to compete and grow in global markets.

Businesses in British Columbia and Ontario currently pay \$6.9 billion every year in provincial sales taxes when they purchase inputs such as construction materials, office supplies, energy, legal services, furniture, business vehicles, and equipment—all goods they need to produce goods and services that they will sell to their clients. That \$6.9 billion will be saved under a harmonized sales tax system. There will also be additional savings for businesses, as well as for governments, as a result of lowering the cost of tax administration.

Tax experts—and I understand you might be hearing from some of them later on—agree about the benefits of the HST. The introduction of an HST in Ontario and British Columbia will make these provinces' tax systems more competitive in attracting business investments to their provinces. That's extremely important for companies that are competing right now to attract and retain the investments these provinces need to develop an economy based on advanced manufacturing and on knowledge and value creation.

But it is the citizens of these two provinces who ultimately stand to benefit from tax harmonization. Business savings will be redirected to supporting employment in more competitive industries as well as reducing consumer prices.

● (1830)

To conclude, I want to stress that sales tax harmonization will help build a more competitive private sector in B.C. and Ontario that is capable of creating jobs in the future, because it's investing today in new products, new technologies, new skills, and new markets. By doing the right thing today, we will help our economies recover faster from the recession. We will be in a stronger position to pay off the debts we incurred before and during the recession. Above all, we will continue to generate the job and income growth that is so important to maintaining the quality of life Ontarians and British Columbians enjoy, both today and in the future.

Thank you.

The Chair: Thank you very much, Mr. Laurin. We'll now go to questions from members.

Mr. McCallum, you have seven minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair, and thank you to all the witnesses for being with us this evening.

I want to begin by describing our actions in the Liberal Party vis-à-vis this issue, which the three aboriginal chiefs and the grand chief have presented.

Grand Chief Phillips, I think you'll remember that we had a meeting in my office. As a consequence of that meeting, I wrote a letter to Mr. Flaherty. I copied you. I hope you received it.

The one paragraph says, "Grand Chief Phillips has indicated to me that the Government of Ontario has shown some interest in establishing a working group to discuss this issue. Of course for such a group to have any chance of success, the federal government must be present. As the Department of Finance's annual performance report states that,"—this is in quotation marks, and I think this is an important part—"the Department"—that is, the finance department—"works with Aboriginal governments to negotiate tax treatment agreements." The dialogue between the Crown and the AIAI—

which is the Association of Iroquois and Allied Indians—"should therefore logically begin with you."

This letter was sent on November 16. I haven't had a substantive response, and I assume, Grand Chief, that you haven't either.

● (1835)

Grand Chief Randy Phillips: No, sir.

Hon. John McCallum: I don't understand. I would hope that someone on the government side, such as the parliamentary secretary, might explain when it comes his turn to question. If it says in the Department of Finance annual performance report that the department works with aboriginal governments to negotiate tax treatment agreements, then I do not understand why, up until now, neither the Minister of Finance nor the Prime Minister has responded.

I hope the parliamentary secretary will cast light on that, unless you, Grand Chief, have a theory as to why we have had no response.

Grand Chief Randy Phillips: Thank you for that.

Mr. Chair, I really don't have any response whatsoever. I met personally with Minister Flaherty. He gave me his assurance that we would sit down and have this dialogue. Then, once we met with the officials—senior ministers, the Minister of Aboriginal Affairs, the Minister of Finance, and the Minister of Revenue for Ontario—they reiterated that this is what was going to happen. We received some correspondence back from those gentlemen saying that they already spoke with the chiefs of Ontario, that they already spoke with us. That dialogue never occurred, sir.

As a matter of fact, what we've been hearing clearly from the office of Minister Flaherty is that there's no need to discuss this issue. We continue to raise this issue with members of Parliament and members of the Senate to say that we haven't been treated fairly with respect to these issues. And we think that should have been the response as a first course. Unfortunately, nothing has come back with respect to any of the points you raised, sir.

Hon. John McCallum: We, as the Liberal Party, are committed to supporting this bill without amendment, largely because we regard it as a matter of provincial jurisdiction. At the same time, we are pushing the finance minister to engage on your issue.

Just today, our leader, Michael Ignatieff, said at a press conference that he was also pushing the government to engage with Ontario to come to an agreement on your issues. I said the same thing in the House.

I don't understand. I'm hoping that Mr. Menzies might provide guidance as to why there has been no response at all on this matter.

Grand Chief Randy Phillips: Sir, I'll quickly respond to that.

Mr. Chair, when we met with provincial officials, they said that it was up to the federal government. When we met with the federal government, they said it was up to the provincial government. So this is where we are right now with respect to some of the frustration and concern about moving this issue forward. We are hearing that it's somebody else's responsibility.

Hon. John McCallum: Thank you.

The Chair: Go ahead, Chief Toulouse, please.

Chief Angus Toulouse: I will add to Grand Chief Phillips' comments. What we're proposing and what we've attached is the suggested amendment that would allow for us to have certainty about the kinds of amendments that we're seeking and that would enable that to take place. That would hopefully allow the province, through their agreement, to work with us, but without this amendment going forward, we're not going to be able to have that kind of discussion with all three parties present.

Hon. John McCallum: We haven't seen the amendment because I don't think we achieved unanimous consent; it's not translated into French and English. We had committed earlier to pass the bill without amendments, but to try to use other means to push the government to enter into discussions in good faith on your issue.

Chief Angus Toulouse: That's the problem we have. If there were some consideration on the amendment, it would give us more comfort that we could actually sit down with the province and deal with the issue in the best way possible for our citizens.

Hon. John McCallum: Thank you very much.

The Chair: Thank you, Mr. McCallum.

Did you want to add to that? Please be very brief.

Grand Chief Randy Phillips: I just want to respond to that. I certainly do appreciate the member's support with respect to this, but there is one issue that we did raise with the Liberal Party, and we found it within the Liberal Party's platform. I'm going to read this off to you. It says, "...the Liberal Party of Canada rejects the GST, and more particularly, categorically rejects the imposition of the GST to first nations and their citizens...."

We see the HST as an extension of that, and this is the opportunity for the House and for Parliament to correct that mistake and put us back with respect to this notion of tax immunity and tax exemption.

•(1840)

The Chair: Thank you.

Go ahead, Monsieur Laforest.

[Translation]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chairman.

I would like to welcome all our witnesses. I am very pleased to have this opportunity to hear from you today.

First of all, I would like to respond to Mr. Matthew, who finds it unacceptable to have been summoned to appear before the committee only one hour before the meeting was to begin. Yesterday, members of Parliament approved a motion that effectively handcuffs the Standing Committee on Finance in terms of its ability to directly oversee the process for reviewing a bill—the one we are discussing today. The Bloc Québécois voted against this motion because we believe it would be a way of restricting the process for reviewing legislation, a process which would normally have allowed you to be better prepared and allowed us to possibly hear from other witnesses. In that regard, I fully support Mr. Matthew's complaint that this is

almost undemocratic and that it was very difficult for him to prepare adequately for today's meeting.

However, the Bloc Québécois supports this legislation. We said as much in the House today. This is a bill which will renew or improve the process implemented in 1997, when sales taxes were harmonized with New Brunswick, Newfoundland and Nova Scotia. It is our belief, given that Quebec has yet to be compensated for harmonizing its sales tax in 1992—well before all the other provinces—that this bill will facilitate the process of compensating all the provinces, including Quebec, for their losses. That is the position Bloc Québécois MPs have taken on this bill.

However, I do have to put a couple of questions for the witnesses. Ms. George, you said earlier that harmonizing the tax in these provinces will enhance competitiveness and reduce manufacturing costs, and that some of the money collected will be passed on to consumers. On a number of occasions, we have heard people say that a significant amount will be passed on. But what portion are we talking about? In percentage terms, are you able to assess the benefit, for consumers, of a harmonized tax, in terms of lower costs for the goods affected?

[English]

Ms. Shirley-Ann George: Thank you very much for the question. *Merci beaucoup.*

Yes, our understanding from a number of reports is that the majority of the tax will be passed back to consumers. Consumers are going to see the full amount of any increase, and the decrease will be in small amounts that will be hard for them to distinguish. Overall, it is estimated, according to a report by TD Economics, that there will be a permanent increase for consumers but that it will be very small. It will be 0.4%, which means that for every hundred dollars spent, there will be an additional 40¢. With a gain of 591,000 jobs estimated by C.D. Howe, that seems to be a very reasonable price.

The amount of the tax that will be returned overall is, of course, impossible to predict upfront. But based on the studies that have been done of what happened in the Atlantic provinces, approximately 80% of the tax savings for businesses will be passed back to the customers.

•(1845)

[Translation]

Mr. Jean-Yves Laforest: Thank you.

Chief Matthew, you talked about taxes on-reserve and off-reserve. I would like some clarification. You said that first nations people make most of their purchases off-reserve and that, in that case, they are required to pay taxes. However, if they make those purchases on-reserve, they do not pay taxes. Since most of their consumer goods are purchased off-reserve, this measure will have a much greater impact on the first nations. I would like some clarification, because if more goods were sold on-reserve, one can assume that first nations people would pay less tax overall.

Would it not be possible, from a business standpoint, to arrange things so that more goods are sold on-reserve?

[English]

Chief Keith Matthew: Thank you for the question, Mr. Laforest.

I'd like to explain a little bit about the background of this particular issue and then refer directly to your question, which is about economies in first nations communities. And I'll refer to most of those in British Columbia.

In our estimation, the honour of the crown is at stake when dealing with this particular issue in our communities. I need to state that for the record. We don't feel as if we've been given the opportunity to deal with this particular issue. And I refer to the fact that my organization, the Union of B.C. Indian Chiefs, had \$4,500 for our legal advisers to develop a position based on our perspectives. We exhausted that small fund, and our legal adviser is now working pro bono.

In reference to your question about the economies on reserve and the distinction that is made by our people buying goods and services on reserve, very few first nations are in that enviable position. By and large, they have enacted their own first nations GST and first nations PST. But that occurs mostly in the British Columbia area. Most first nations are engaged in the collection of real property tax through the First Nations Tax Commission. But that opportunity isn't available to all first nations across Canada because it's optional.

One thing we refer to up in the Shuswap Nation, where I'm from, is "bungee economics". Most of our communities don't have infrastructure or secondary industry; most of us are rural-based. And there are a lot of barriers to doing business on reserve.

What we refer to as bungee economics is the money that comes to us as first nations people goes directly into the local non-native communities that have goods and services and infrastructure in place to sell to our people. It doesn't even do one circuit, for the most part.

The Chair: *Merci, Monsieur Laforest.*

Mr. Wallace, please.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chairman.

Thank you to our guests for coming here today. I know it was relatively short notice, so I really appreciate your effort.

I want to start with this because I need a little bit of an education on the tax system for our native Canadians off reserve. Maybe you can just tell me if I'm right or wrong and help explain it to me—it's Mike, by the way.

In Ontario now, if you buy something at Zellers—we'll use that off-reserve example—you pay GST on that item but not PST. Is that correct?

• (1850)

Grand Chief Randy Phillips: Currently we enjoy a point-of-sale exemption in a majority of stores. It's a policy, and it's up to the store now as to whether or not they employ that. So there's been an erosion of that over the years. But to characterize your question: fair enough.

Mr. Mike Wallace: But you have been paying GST. It's the PST that you've been exempt from at some of the stores. Is that correct?

Grand Chief Randy Phillips: Yes.

Mr. Mike Wallace: Okay. For British Columbia, for their provincial sales tax, is it exactly the same? When you're off reserve you pay GST, but not the provincial sales tax.

Chief Keith Matthew: No. That's incorrect.

Mr. Mike Wallace: Okay. I need to know what the answer is.

Chief Keith Matthew: I believe we pay for both PST and GST when we're off reserve.

Mr. Mike Wallace: Off reserve, at present—

Chief Keith Matthew: Yes. We don't have a point-of-sale exemption.

Mr. Mike Wallace: At present. Okay.

What other province has a point-of-sale exemption for their provincial sales tax? Are there any other provinces, other than Ontario, that you know of?

Grand Chief Randy Phillips: I couldn't answer that. I'm just here with respect to Ontario's position. That's the way we've dealt with it in Ontario. I think they've done it properly, but I couldn't speak on behalf of others.

Mr. Mike Wallace: So was that an Ontario decision or a Government of Canada decision?

Chief Angus Toulouse: I believe it was an Ontario decision at the time, but what we've also registered here is that the federal government's imposition of GST is something we haven't been consulted on, and we still have issues with that. It is, at this point in time, the Ontario government that has recognized the point-of-sale exemption.

Mr. Mike Wallace: Where the other provinces do have harmonized tax.... Let's take New Brunswick, for example. Our native population in New Brunswick has been paying the harmonized tax for about 12 years now. Is that correct?

Chief Angus Toulouse: There are some exceptions to the rule in terms of the retailers that the first nations people in Nova Scotia go to on a regular basis. They still recognize the point-of-sale exemption. I'm not sure exactly how that's done, but it is something that is happening—maybe not consistently enough. But I did ask Regional Chief Rick Simon, who is my colleague at the national executive table, about that whole issue, and that is what he responded to me.

Mr. Mike Wallace: So those exemptions would have been that the retailers themselves are making those exemptions or that the province has made that decision. It hasn't been a federal decision. Would that be correct?

Chief Angus Toulouse: I'm not certain of the details.

Mr. Mike Wallace: The other interesting piece I just want clarification on is that the short title for this bill is the Provincial Choice Tax Framework Act. I appreciate you coming and highlighting this issue. I did have the Association of Iroquois and Allied Indians come and see me about this particular issue a few weeks ago.

You talk about treaty rights and so on and so forth. You would be in agreement, then, that what the provinces want to do is within their rights within the Constitution—to harmonize the tax. In my view, the bill here is to enable. It's an enabling act. It's to enable the provinces to harmonize, the ones who haven't already and those who may want to in the future.

I view that as their right as a province. Do you agree that they have the right to do that? As you were saying you have treaty rights, would you agree that they have that same right?

Chief Angus Toulouse: They do have the right and obligation to consult and accommodate our interests. I think that's what we've been saying. Both levels of government have that obligation. As I stated, that's from the Haida and Mikisew cases clearly establishing that whenever our rights are going to be impacted, there is an obligation by government to sit down, consult, and, hopefully, accommodate our interests.

Mr. Mike Wallace: I appreciate that.

I have a question for Canadian Manufacturers & Exporters—and I see I have two minutes, Mr. Chair, thank you.

Who are we kidding around the table? We're getting a lot of feedback. This past weekend I was at the annual meeting of my provincial member of Parliament, who happens to be a Conservative. There were some questions about the HST at that meeting.

Would you comment, if you could, about what actually happened 12 years ago in the Atlantic provinces in terms of manufacturing? The speaker had a glowing review of Newfoundland and how it's doing so well. I pointed out to the audience that Newfoundland has an HST. It's one of the tax issues there.

If you're able, could you comment—and maybe the chamber can comment also—on how those provinces have done under the harmonized regime that the provinces have chosen to undertake?

● (1855)

Mr. Jean-Michel Laurin: Thank you, Mr. Wallace. I think it's a very good question.

In terms of the experience in the Atlantic provinces, we expect the same thing would happen in Ontario and British Columbia if the HST goes forward. You're putting in a tax system that makes it much more competitive for companies that make something and companies that export something into other markets to be located in those provinces.

If you're producing this microphone, for example, currently on all the inputs that are purchased, assuming they are purchased here in Canada—let's say \$100 of inputs go into a product—you have to pay provincial sales taxes in Ontario and British Columbia. Under the new system, companies would get these taxes reimbursed, because HST is a value-added tax, just as the GST is, and you have to charge it to your consumers, but not if you're exporting the products.

In other words, companies that are paying all these taxes on their inputs right now, which we estimate to be \$6.9 billion in Canada, would get these taxes reimbursed and could pass on those savings to their clients, but they could also make additional investments in creating jobs, putting in new machinery and equipment, investing in the skills of their employees, and so on.

There are a number of studies. I know Professor Michael Smart of the University of Toronto has done some work on estimating the impact of harmonization in the Atlantic provinces. I think there is some evidence that consumer prices actually fell.

I've seen 12% in one study. I think that was over a year or two years following sales tax harmonization. I could find that study and forward it to the clerk of the committee for circulation, but our experience in the Atlantic provinces is that it has built a much more competitive tax regime in those provinces for companies that are operating out of these provinces and adding value to the economy.

The Chair: Thank you, Mr. Wallace.

Monsieur Mulcair, s'il vous plaît.

[Translation]

Mr. Thomas Mulcair (Outremont, NDP): Mr. Chairman, I would like to begin by making a few brief comments that are addressed to the Canadian Manufacturers and Exporters. I invite them to take note of the fact that the Canadian Federation of Independent Business, which has 105,000 dues-paying members, made the following observation, in English and French, with respect to what is proposed for Ontario and British Columbia. I would like to read you an excerpt: “[...] the lack of an overall rate reduction partly explains the concern our members have with the harmonization initiatives in Ontario and British Columbia.”

[English]

They're very worried at the Canadian Federation of Independent Business with regard to a reduction in the rate.

Furthermore, an important point has to be made with regard to New Brunswick and Newfoundland. There was no increase in activity in those two provinces, other than in the oil and gas sector, and those increases would have taken place irrespective of any harmonization of the HST.

But the most important question to deal with today is with regard to the first nations, and I apologize on behalf of all of us that you were only called in today, but at least you were, because the NDP insisted that you be consulted. My colleagues Jean Crowder and Dennis Bevington in particular insisted that we do everything we could to get hold of you and get you in here today.

Now I listened with a great deal of sympathy, Grand Chief Phillips, as you explained how you're being sent from pillar to post, you're being told that it's not a provincial matter, it's a federal matter, and when you get here you're told, actually, it's a provincial matter, as Mr. Wells tried to do before. One of the more interesting aspects of the Liberal presentation is that Mr. McCallum has a new twist on that. He says how unfair this is for you and yet he tells you at the same time that he wants to vote for it without amendment.

So what I'm going to do...somebody has refused to allow you to table this because it's in English only; I'm going to read the English—it's only three lines—and I apologize for that because I would have preferred for you to be able to do it in your own language, but the only two languages accepted here are English and French. I think out of openness we should have accepted this, but to the extent that it's only three lines, I'll read the English so that the interpreters can provide the French version for those who were objecting:

To ensure conformity with the laws of Canada and further to section 8.3(1) of the Federal-Provincial Fiscal Arrangements Act, any provincial value added taxes (PVAT) that have been exempted by a participating province shall be exempt under the Excise Tax Act.

Now in your presentations, Chief Matthew, Chief Toulouse, Grand Chief Phillips, you explained that this engages the obligation of the crown as expressed several times by the Supreme Court of Canada. Do you want all parties here, including the Liberal Party, to stop fooling around with your rights and to finally vote the amendment that you have proposed so you will continue to benefit based on the notion of honour of the crown that you correctly put on the table? Do you want the Liberal Party to do the right thing for once and vote for your amendment, or do you accept Mr. McCallum's weaselly attempt to explain why he's going to vote for the bill without amendment?

• (1900)

Grand Chief Randy Phillips: Thank you, Mr. Mulcair. Certainly we appreciate any efforts made by any party, particularly the NDP, to get standing at this committee.

What I'd like to see is that all parties of the House understand and recognize and respect aboriginal treaty rights, and this, I think, is a minimalist approach with respect to that. So yes, I'd like to see all parties of the House support this amendment. As I've said earlier, with respect to this particular tax, it's going to impact on the majority of the citizens of Ontario. Since the majority of the citizens of Ontario refuse to stand up and protect their rights, it's up to us to make sure that both the provincial and the federal governments honour their obligations and protect us. So at a minimum, that's exactly what we'd like to see. In my view, this doesn't hurt the implementation of an HST in any way, shape, or form, but it does protect our rights and makes sure the federal government and the provincial government honour themselves.

Mr. Thomas Mulcair: The essence of your presentation, if I'm not betraying your thoughts, is that the point-of-sale exemption that exists now must be read as being a right granted to the first nations over the years as an extension of other treaty rights that had been recognized and that exist. Based on past experience, has anyone in the federal government been able to give you an argument why they're not consulting you, why they're not carrying out what is required, an adequate and meaningful consultation, because all they're doing is setting themselves up for a fall? It's patently obvious to anyone who knows Canadian law that you have a right to meaningful and real consultation and it's being denied you.

So has anyone in Indian and Northern Affairs, has anyone in Minister Flaherty's office been able to provide you with at least the beginning of a rationale, "No, we don't have to consult you because"...?

Chief Angus Toulouse: If I may, no, we haven't had that kind of a dialogue. As political leaders we've tried to get a meeting with Minister Flaherty where we could at least have had some discussion or at least have heard from Minister Flaherty on the government's intention. And again, thank you for reading those two or three lines of the amendment we're seeking. Again, just to be clear, what we're seeking is to add a schedule, which would be schedule 11, entitled "First Nations and Harmonized Sales Tax Agreement with the Provincial Value-Added Tax Exemptions". That's the schedule we're asking for that would lead...in terms of that sentence that you read, Mr. Mulcair.

So again, to be clear, that's what we're asking this committee to consider.

The Chair: You have one minute.

Mr. Thomas Mulcair: What are your intentions if the Liberals back them and provide the Conservatives with the majority that Canadians voters didn't give them? Are you going to court to fight this?

Grand Chief Randy Phillips: It's certainly one of our options. We're looking at all options right now. What we have said here as leaders is that this is the last diplomatic ploy we have to make sure that our rights are protected. Certainly other than that, we'll use whatever means exist within Canadian law and international law to get that recognized. I think the UN Declaration on the Rights of Indigenous Peoples is certainly a good place to start.

Mr. Thomas Mulcair: Again, thank you, Mr. Chair.

My first conversation was with Mr. Menzies, and he immediately accepted the NDP proposal that you be invited in today, so I want to put that on the record.

Thank you.

Grand Chief Randy Phillips: Thank you, sir.

The Chair: Thank you, Mr. Mulcair.

We'll go to Mr. Pacetti, please.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair, and thank you to the witnesses.

I have a couple of things to clear up. Maybe I'm hearing conflicting versions, but on reserves—let's focus on sales taxes—do you charge the provincial sales tax or any type of sales tax?

Grand Chief Randy Phillips: There is no taxation whatsoever within our reserves, our communities—we talk about reserves.

I want to try to make one point here, and it has been raised a few times. The Supreme Court of Canada has already made the decision with respect to first nations government that they have to protect the rights of their citizens regardless of their residency. This is not an on-off issue. This is an issue with respect to the aboriginal treaty rights of those people.

The reserve boundary doesn't stop their rights from existing simply because they cross it. That's the part of the problem we've been having for a long time.

• (1905)

Mr. Massimo Pacetti: Mr. Matthew—sorry, I'm interrupting just because we have limited time—how about in B.C.? Is there any sales tax collected on reserves, whether it be provincial or even a first nation type of sales tax?

Chief Keith Matthew: Yes, some of our communities engage in that currently in British Columbia, as I described earlier.

Mr. Massimo Pacetti: The reason I'm asking that is because it would obviously be a lot easier if the taxes were collected but then redistributed in another fashion. So I wonder, do you benefit from any of the money that is collected from either the provincial or the federal government?

Chief Angus Toulouse: On the first point that it's easier, no. It's far from easier for first nations communities. As I stated in my comments, we're already talking about individuals who are below the poverty line. We're talking about individuals who are, at this point in time, dependent on social assistance. We're talking about \$249 a month, in a lot of cases, for our citizens. That's what they have to live on.

Are you going to tax that even more? They can't make do with what they have right now as it is. So, no, it is a non-starter.

Mr. Massimo Pacetti: What would happen if the system were that you would get a GST rebate or refund or a credit on your tax return on a quarterly basis and in Quebec you'd get the QST rebate as well? Wouldn't you just maybe ask for something in return on the other side, so perhaps ask for your members to get more money through the tax system because they are under the poverty line? Wouldn't that be an alternative?

Chief Angus Toulouse: No. Again, it's not a fair alternative at all. A lot of our people haven't filed income tax returns because of their situation living on reserve for many years. So, no, they are not getting the GST rebate in a lot of cases. That system doesn't work for many of our first nations citizens.

Mr. Massimo Pacetti: What about in your case, Mr. Matthew?

Chief Keith Matthew: I'm not particularly certain about that, but I would agree with the position taken by the Union of Ontario Indians and Regional Chief Toulouse's point of view.

Mr. Massimo Pacetti: Okay, thank you.

Ms. George, our research staff here at the Library of Parliament says that the Ontario government is going to lose about \$952 million in provincial revenues. In your presentation, you said that the companies will be saving a lot of money. Is this basically going to be savings by companies? Are the companies going to be the ones that are going to benefit from the \$952 million in lost revenue?

Ms. Shirley-Ann George: I apologize. It was somewhat difficult to hear you. You were asking if the companies—

Mr. Massimo Pacetti: According to the Library of Parliament here, in 2009 it is estimated that Ontario would lose \$952 million in provincial sales tax revenue for the first year of harmonization. Would the corporations benefit the most out of that \$952 million?

The government is going to take \$952 million less in revenue. Who is going to benefit?

We heard from the chiefs, and they're saying they're not going to benefit, so who is going to benefit?

Ms. Shirley-Ann George: There's no doubt that the benefit from this change is going to go to job creators, Canadian companies.

Mr. Massimo Pacetti: So how do we guarantee that actually happens, and how are we going to guarantee that the consumers are ultimately going to benefit from some of these savings?

Ms. Shirley-Ann George: If you're looking for an ironclad guarantee, I don't think we can predict into the future, but we can look at what happened in the Atlantic provinces. It was very clear when studies were done afterwards that the vast majority of benefits that companies received from reduced taxation were passed on to their customers.

Mr. Massimo Pacetti: I have a quick question for the chiefs. How would this affect the businesses that are on reserves? Would this benefit them, or will it be a disadvantage to them?

Grand Chief Randy Phillips: Thank you very much for that question. I want to answer in this way. We've already heard who will benefit from this. This will benefit business and government, not people. What we have is small businesses and communities, and those are people. So no, this particular tax regime, or any change in this tax regime, is not going to help anybody within the community. It's going to hurt them. It's going to hurt the people.

It's not going to hurt business. It's not going to hurt government. It's going to hurt the people.

Even with the stimulus plan, that money wasn't directed at people. It was directed at businesses and governments, again to try to get them out of their mismanagement. This is another ploy in terms of supporting business. As you've heard my colleagues here say, there's no guarantee that the people will save from this, and there's no guarantee that those businesses will pass those savings on to the consumers.

• (1910)

The Chair: Thank you, Mr. Pacetti.

Monsieur Paillé, vous avez cinq minutes.

[Translation]

Mr. Daniel Paillé (Hochelaga, BQ): Good afternoon. The point I would like to make is that, unfortunately, consultations occur that do not respect the rights of all concerned and do not give everyone an opportunity to present their views. As far as I am concerned, that is critical. I want my rights to be respected. This evening, however, the colleague to my left did not respect those rights. When someone tables an amendment in English only, even though I understand the language very well, my rights are not respected and I know that you all understand my position.

I would like to put a question to Ms. George and Mr. Laurin. Given my professional background, I am very wary of people who say that everything is absolutely wonderful, that tremendous improvements are on the way, in the form of 591,000 new jobs and \$36 billion of new investments in Ontario. I am wary of that kind of claim because, if it will really be that great, how is it that, without the HST, things are not really so bad? I try to see the other side of things. If it is going to be so fantastic afterwards, that must mean that it was not so fantastic beforehand. If I am not mistaken, Mr. Laurin said that we will be more competitive, but compared to whom? British Columbia and Ontario will have the HST. Quebec has had it for 17 years now. But so have three other Maritime provinces. Alberta does not have a tax. That leaves only Saskatchewan, Manitoba and Prince Edward Island.

I am wary of all these great things. Don't get me wrong: I am in favour of this taxation formula, but to then say the end result will be total perfection, I think a little restraint is in order. I would be interested in hearing your comments, because I respect the provinces' fiscal autonomy. As a member of the minority, I am very anxious to see Quebec receive the same treatment and that it be given \$2.6 billion as quickly as possible. I would be interested in hearing your comments.

Ms. George, would you care to comment?

[English]

Ms. Shirley-Ann George: Thank you.

You raise an important point, and that is the data that have been put forward. What I would like to stress is that this is a report that has been consistent. It isn't a single economist who has had the perspective that HST is going to benefit Canada as a whole. It is economist after economist after economist, very well respected and independent voices.

You do raise the question about whether this is all rosy and life is wonderful. Without a doubt there are some transition costs associated with this. Businesses have to go and change their systems. Every time there's an exemption, it gets more difficult and more costly for businesses to make that adaptation. We look at what happened in the Atlantic provinces. While there were price reductions, there were some products whose prices actually increased modestly, including clothing and footwear, for example. So it is a transition. There will be costs. We do have members who are not happy about this at all. It is one of those times when it's very difficult for groups like the Canadian Chamber of Commerce, CME, and members of Parliament, when you have to look at what is the right thing to do overall. I would just like to stress that one of the things that is put forward is this 591,000 jobs, and that is a direct and immediate benefit to Canadians.

• (1915)

The Chair: Be very brief, please.

[Translation]

Mr. Jean-Michel Laurin: You were asking compared to whom these provinces would be more competitive. First of all, they would be more competitive in relation to the other provinces. This will definitely improve the tax environment in Ontario and British Columbia for businesses operating in those provinces. I can tell you that, in those two provinces, there are a lot of plants that are

competing internally—in other words, Canadian subsidiaries of foreign firms that have to fight to attract investment and retain jobs.

The ability to pay less for business inputs, and substantially less for goods that are purchased locally, will certainly give a boost to businesses. That is why my colleagues in British Columbia and Ontario have been working for years to try and convince the governments of those provinces to harmonize their provincial sales tax. This will be a boost to businesses.

In order to measure the effect of this simple measure on the economy, it would be possible to carry out different studies and arrive at different results. But I think the current economic environment is so challenging that it is difficult to assess the results. However, the impact will certainly be positive. Of all the steps the government could potentially take, this is probably the one that will most help businesses at the present time.

The Chair: Thank you, Mr. Laurin.

Thank you, Mr. Paillé.

Mr. Menzies, please.

[English]

Mr. Ted Menzies (MacLeod, CPC): Thank you, Mr. Chair, and thank you to the witnesses. We do realize this was short notice, so thank you for making the extra effort to come here.

It has been a very interesting debate in the House over the last few days. It did give us an opportunity to hear a maiden speech delivered in the House today. Mr. Paillé, I listened intently to your maiden speech. It was an excellent job. I continue to think you're going to make a great member of this committee, and hopefully you'll stay on here permanently. It's no reflection against Mr. Laforest. He's an excellent member as well, but glad to have you on board.

If I could, I would like to just put something on the record.

We've heard some concerns raised by Grand Chief Phillips and Chief Toulouse. On November 4, 2009—this is referring to the federal Department of Finance—Minister Flaherty responded to Minister Dwight Duncan, the finance minister in Ontario, Revenue Minister Wilkinson, and you, Chief Toulouse, outlining the federal government's position and concerns with maintaining the Ontario point-of-sale exemption under this proposed HST.

He suggested that Ontario may wish to explore other ways to meet the interests of Ontario first nations outside of the HST framework, such as expenditure programs or tax room sharing with first nations. I'm encouraged to see that Minister Flaherty is involved in this, and I understand that in discussions with Ontario, at least—and I know that Ontario is a unique issue. These discussions continue. I would encourage that discussion amongst yourselves.

I also understand that INAC has indicated to first nations that it is willing to enter into agreements for you to impose your own sales tax. I work very closely with five of my first nations—Treaty 7 in southern Alberta—and some of them are pushing very hard to make sure...they're working on home ownership, their involvement in economic development, and those sorts of things. With control over that comes taxation.

Can you give us some thoughts on where you might like to see that go?

Chief Angus Toulouse: I have just some quick comments on those communities that you're familiar with. They're probably in the process where they're negotiating what they may feel is their self-determination, their self-government arrangements, which again talks about what they believe is their ability as a government, like any government, to tax. I'm sure they have those kinds of discussions happening, and like anybody involved in any self-government negotiations, there is that agenda item that I'm sure is in front of them to have that kind of discussion.

What we're saying in Ontario is that we have treaties. We've already signed treaties. We already have agreements. What we're asking from the government is to live up to these agreements. You mentioned Minister Flaherty. What we're asking for is to sit down with Minister Flaherty and Minister Duncan and iron this out. That's what we have been asking for since we heard that this harmonized sales tax was being proposed by both parties. They were looking at it and looking at legislation. Right when they were introducing these things, we sent out correspondence saying that we need to talk about our rights, and to ensure that our rights would be protected.

• (1920)

Mr. Ted Menzies: How was it dealt with in Newfoundland and Labrador, New Brunswick, and Nova Scotia? Quickly, I guess, since we only have one minute.

Chief Angus Toulouse: I can't answer that. I'm sorry. I'm from Ontario.

Mr. Ted Menzies: No. I didn't mean to put you on the spot. I was interested to see what the difference was.

Ms. George, Jack Mintz put forward a report talking about 600,000 jobs. He's a pretty credible individual to put that sort of recommendation. Do you concur with that?

Ms. Shirley-Ann George: Yes. Jack Mintz is one of the most respected economists in Canada, and his work is well-recognized both within government and within the business community of Canada.

The Chair: Thank you, Mr. Menzies.

Colleagues, I'm going to recommend that, because we have 44 clauses in one schedule, we go to clause-by-clause at this point.

Mr. Mulcair.

Mr. Thomas Mulcair: I agree.

I want to take this opportunity to especially thank the representatives of the first nations, Grand Chief Phillips, Chief Toulouse, and Chief Matthew.

You can be assured that we will be presenting your amendment.

The Chair: Mr. Mulcair just took the words out of my mouth.

I want to thank you all for being with us.

This is a public meeting, so you're certainly welcome to stay and observe the discussion of the clause-by-clause.

Members, we will suspend for about a minute while we bring officials from the Department of Finance to the table.

Thank you.

• (1920)

(Pause)

• (1925)

The Chair: I call the meeting back to order.

Colleagues, before we go to clause-by-clause, I'll have the officials introduce themselves and their role with the Department of Finance, just for members' information, please.

We'll start with Madame Potvin.

[*Translation*]

Ms. Lise Potvin (Director, Sales Tax Division, Tax Policy Branch, Department of Finance): My name is Lise Potvin and I am director of the Sales Tax Division at the Department of Finance.

[*English*]

Ms. Louise Levonian (Assistant Deputy Minister, Tax Policy Branch, Department of Finance): I'm Louise Levonian, Assistant Deputy Minister of Tax Policy for the Department of Finance.

Mr. Brian Ernewein (General Director, Tax Policy Branch, Department of Finance): Good evening.

I'm Brian Ernewein, general director, on the legislation side, in the tax policy branch at Finance.

[*Translation*]

Mr. Pierre Mercille (Chief, Sales Tax Division, GST Legislation, Tax Policy Branch, Department of Finance): My name is Pierre Mercille and I am chief of GST Legislation at the Sales Tax Division.

[*English*]

The Chair: Thank you all for being with us here this evening.

Colleagues, we'll go through this clause by clause, and I'll ask for any discussion or amendment on that specific clause. As you know, we postponed discussion of clause 1, so we move to clause 2.

Mr. Pacetti.

• (1930)

Mr. Massimo Pacetti: Yes, a general question, just to hear from the bureaucrats, and very short. I don't want to prolong this.

In terms of history, is this a bill that is normally required for harmonization? All we're really asking is that the provinces accept the harmonization. If this bill did not go through...what happened in the past? Was this bill implemented prior to the agreements with the Atlantic provinces?

Ms. Louise Levonian: Yes, the bill is required because the HST is imposed under federal law. There was a bill in 1997, when the Atlantic provinces harmonized.

Mr. Massimo Pacetti: So the bill was presented prior to the negotiations, or was it subsequent to negotiations?

Ms. Louise Levonian: It was presented after the agreements were negotiated with the provinces.

Mr. Massimo Pacetti: Okay, great.

The Chair: Thank you.

Mr. McCallum.

Hon. John McCallum: I'm not quite sure of the process, or if Mr. Mulcair is going to move that amendment, but at some point I thought it would be interesting to ask the officials about this aboriginal issue we've just been hearing about, and what their view of it is.

The Chair: That perhaps would be a good place to start.

Do any of you want to comment? I think you heard the amendment as read by Mr. Mulcair.

Ms. Louise Levonian: Mr. Chair, would you like comments on the amendment or would you like comments on the overall issue the first nations raised?

The Chair: I think probably comments on both.

Ms. Louise Levonian: Comments on both? Okay.

The Chair: Monsieur Paillé.

[Translation]

Mr. Daniel Paillé: I do not believe an amendment has been tabled. I, for one, have not seen any.

[English]

The Chair: I think the general will of the committee—I'm sensing there may be some resistance—is to hear about the issue that was raised here tonight with us. That's what I'm proposing to do.

Is there any objection to hearing generally about the issue that was presented tonight by the chiefs?

Monsieur Paillé.

[Translation]

Mr. Daniel Paillé: About what they said, but not the amendment.

[English]

The Chair: Okay.

Right now, we'll hear generally on the issue that was presented by the chiefs to the committee.

Ms. Louise Levonian: I'll start off, Mr. Chair, by saying that obviously this bill is presented to implement harmonization for Ontario and B.C. So it's the choice these provinces have made, and this is a framework bill that allows the implementation of that choice at the end of day. In particular with respect to Ontario—I guess there was a B.C. first nation here too—how the tax is designed is for Ontario and B.C. to make those decisions at the end of the day, and whatever facility they wish to accommodate in that respect is for the Ontario and B.C. governments to do. That in essence I think answers the overarching question.

I'll just comment on whether or not there was a duty to consult. I myself met with Ontario first nations, and we have met with them and tried to understand their perspective, tried to explain the HST and how it would work, and provide as much information as possible so that there could be an understanding of how the HST was going to work. We also offered very clearly to meet as many times as was necessary to understand how the implementation of the HST was going to work.

A duty to consult arises out of a treaty or aboriginal right. The exemption that exists is a statutory exemption. It's section 87 of the Indian Act, which is not an aboriginal or treaty right. Canada has never recognized that these kinds of exemptions are a treaty or aboriginal right. It's a statutory exemption, and as a result the formal duty to consult is not triggered. However, despite that we have been meeting and trying to exchange views and understanding of where the aboriginal first nations of Ontario are coming from.

The Chair: We're just having a general discussion and we'll take questions on this. I'll take as many questions as I get from members.

I have Mr. Mulcair and then Mr. McCallum.

•(1935)

[Translation]

Mr. Thomas Mulcair: I am intrigued. Who told you that this does not trigger a duty to consult? On what authority are you making that assertion? I am absolutely dumbfounded. I cannot believe that an officer with such an important department could make such an assertion, in light of the very clear rulings handed down by the Supreme Court. You cannot exempt yourself from your constitutional obligations by simply inventing other ones that suit you better.

The legislation, the Constitution and the Supreme Court are clear. You cannot say that this does not apply because it's in a statute. Over time, what is included in our laws becomes part of guaranteed rights. What are you basing yourself on to make such a statement? I don't understand. I have never heard such a statement.

Ms. Louise Levonian: I will ask Annie Carrier to answer your question, because she is well acquainted with this area. She works at the Sales Tax Branch.

[English]

Ms. Annie Carrier (Chief, First Nations Taxation Section, Intergovernmental Tax Policy, Evaluation and Research Division, Tax Policy Branch, Department of Finance): I'm Annie Carrier. I'm the principal manager of the aboriginal tax policy section within the Department of Finance.

[Translation]

Mr. Thomas Mulcair: I asked my question in French; perhaps you could respond in French.

Ms. Annie Carrier: Yes. I will respond in French.

The position of the Government of Canada is that court rulings—

Mr. Thomas Mulcair: Which one?

Ms. Annie Carrier: The decision in the Benoit case. Individuals who were descendants under Treaty 8 were asking that their tax immunity be recognized as a treaty right. They did not win their case before the courts. Canada won another case as well, where first nations were asking for recognition of a treaty or aboriginal right. Our position is that this has not yet been recognized by the courts. There is no duty to consult or make accommodations under rulings made by the Supreme Court, as you mentioned.

Mr. Thomas Mulcair: Are you a lawyer?

Ms. Annie Carrier: Yes, I trained as a lawyer.

Mr. Thomas Mulcair: Are you a member of the Ontario Bar?

Ms. Annie Carrier: I am a member of the Quebec Bar, but I do not work for the Department of Justice. However, our Justice lawyers argue all these cases.

Mr. Thomas Mulcair: Perhaps, but I asked Ms. Levonian on what authority she was making such an assertion. The decisions of the Supreme Court are very clear. You cannot simply invent an exemption in order to get around a Supreme Court ruling. Come on now! I have never heard of such a thing. I worked as a manager in the public service for a long time; I was also a minister and elected representative, but I have never heard anyone say straight out that, in spite of the decisions handed down by the Supreme Court, they would ignore existing rights guaranteed in writing. You think that aboriginal rights are not real rights. In my whole life, I have never heard such a thing.

Ms. Louise Levonian: Excuse me, Mr. Mulcair. Could I respond? I did not say this is an exemption; I simply said this is Canada's position.

Mr. Thomas Mulcair: Yes, but it's ridiculous. That runs completely counter to what the Supreme Court of Canada has said. You cannot make such a statement. It is scandalous to hear that kind of thing.

[English]

The Chair: Monsieur Mulcair, let's have an....

Does anyone want to respond to that?

Ms. Louise Levonian: I think Annie does.

[Translation]

Ms. Annie Carrier: Perhaps I could complete that answer. The Government of Canada respects the decisions handed down in the Haida and Taku cases, where it was found that the aboriginal people have ancestral rights and that the Crown has a duty to consult them and accommodate them when a treaty or ancestral right is at stake. In that regard, Canada's position is that registered Indians' entitlement to a tax exemption is laid out in section 87 of the Indian Act, and that their entitlement to a tax exemption is not a treaty or aboriginal right. That is why we do not believe the duty to consult is engaged here. However, we have met with the first nations and want to continue to meet with them, when they request it, on an informal basis, and not on the basis of a duty similar to what the Supreme Court of Canada has said exists for aboriginal rights.

Mr. Thomas Mulcair: Mr. Chairman, lots of cases begin exactly the same way: with an assertion that the government has no duty to do this or that. And, every single time, the Supreme Court brings them back into line, orders them to respect those rights and, every

time, they start all over again. I don't want to pursue this any longer; they are not elected members of Parliament. They are simply providing the explanation forced on them by their department. I find it inconceivable that officials from a department as important as theirs could come here and say that the decisions of the Supreme Court of Canada do not apply. They have invented a new interpretation. I have never seen that before in my life, Mr. Chairman.

• (1940)

[English]

The Chair: I think we're getting into a point of debate.

Ms. Levonian, did you want to respond?

Mr. Thomas Mulcair: It's not a point of debate. They've invented their own constitution.

Ms. Louise Levonian: I just want to set the record straight. I didn't say that we don't listen to the Supreme Court.

Mr. Thomas Mulcair: That's a fact. You're not listening to the Supreme Court. Those are the facts.

The Chair: Okay, let's not get into a debate about that. Clearly there's a difference of opinion.

We'll go to Mr. McCallum.

Hon. John McCallum: Thank you.

My question is on a somewhat different line. As I understand it, they effectively want a continuation of the exemption that they used to have prior to the HST. If I understand this correctly, if that exemption were granted, it would be at the cost of provincial revenue, not federal revenue. Is that right?

Ms. Louise Levonian: That's correct, if it could be measured accurately. If we could measure what that exemption would be, we would take it out of the revenues that would be provided to the provincial government. But it's a very difficult thing to measure, and therefore it could impact the revenues of other provinces.

Hon. John McCallum: Why is it difficult to measure when we're really just trying to extend the status quo?

Ms. Louise Levonian: Right now the status quo is that it's just within Ontario and it's Ontario revenue that is collected, so it doesn't affect any other province. We collect the revenues and they're not tracked across all the provinces that are harmonized. We take those revenues, we put them into a pot, and we allocate it based on economic data. When a province provides a point-of-sale exemption, we have to be able to accurately measure what that point of sale exemption is to be able to then subtract it from the amount we transfer to the province. If we can't accurately measure that, it affects the rest of the pool.

Hon. John McCallum: Okay. The basic point, I think you would agree, is that it may be somewhat difficult to measure, but at least in principle, if Ontario agreed to this, it would be at the cost of Ontario revenue principally.

Ms. Louise Levonian: I think this is of course a matter for ministers to decide, but from a policy perspective there are issues with expanding section 87 of the Indian Act.

Hon. John McCallum: I'm assuming it would be primarily Ontario that would lose revenue. So if we voted for such an amendment in federal Parliament, we would be voting essentially for Ontario to have less revenue.

Ms. Louise Levonian: The way the Comprehensive Integrated Tax Coordination Agreement—this is the agreement between Canada and Ontario—works is that Ontario or B.C. or any province that enters into this Comprehensive Integrated Tax Coordination Agreement has to agree on any point-of-sale rebates that are provided. The province will choose what point-of-sale rebates are. If we think data exists and it is administrable, then the province absolutely has the choice about making that point-of-sale exemption. Because the federal government is administering the point-of-sale exemption, it has to be administrable.

Hon. John McCallum: What if Ontario wanted to grant the aboriginal people the exemption they're asking for? Would the federal government agree?

Ms. Louise Levonian: As I said, that would be something for ministers to decide, and there would be considerations involved in that. There are policy issues to expanding section 87, and there would be issues with data as well.

Hon. John McCallum: Okay. So does this mean discussions are ongoing between the provincial Government of Ontario and the federal government, at least at the officials' level, on this matter?

Ms. Louise Levonian: I can't really comment on that specifically. Those are internal discussions.

Ontario would have the capacity to do what it would want to do outside the HST system as well. There are no limits on the province doing that.

Hon. John McCallum: Thank you.

The Chair: Thank you, Mr. McCallum.

I'll go to Mr. Pacetti, and then Monsieur Laforest.

Mr. Massimo Pacetti: My question is sort of along the same lines as Mr. McCallum's question.

My understanding is that the GST does not allow for any exemptions except for whatever is in the law. Once the provinces have signed on to the HST, would they have any flexibility in saying they weren't going to tax microphones, for example? Do they have that flexibility or do they have to run along the same lines as the GST?

Ms. Louise Levonian: No, Mr. Chair, they definitely have the flexibility to choose point-of-sale exemptions for themselves. Ontario has chosen children's clothing, children's shoes, feminine hygiene products, and many other items for exemption.

The only caveat I would add is that obviously, since the federal government is administering the entire HST, we have to be able to administer it. So if they were to choose red shoes as a point-of-sale exemption and we couldn't identify how many red shoes were sold, then we wouldn't be able to administer it. The provinces have complete authority to decide which point-of-sale exemptions there are, but we have to be able to administer it.

●(1945)

Mr. Massimo Pacetti: So then the province would collect the GST on children's clothes, but not the HST portion? Is that correct?

Ms. Louise Levonian: For the amount that would be charged, say on children's clothing—because the GST is applied on children's clothing, but in Ontario it won't be applied on children's clothing—at the point of sale, the GST would apply. But the provincial portion of the HST would not apply. And we have to be able to quantify that so that we can subtract it from the amount we would transfer to Ontario.

Mr. Massimo Pacetti: How has that become more efficient administratively for the person or the company selling children's clothing?

Ms. Louise Levonian: The broad efficiencies arise from the fact that there is one law for businesses to look at now. The rate would be 13% in Ontario and 12% in B.C. There is only one administrator. The businesses have to deal only with the Canada Revenue Agency.

Also, we have this revenue allocation formula. I was saying that we divide up the revenues based on an amount of money that's submitted. That is submitted based on 13% or 12%. The amounts of provincial or federal revenues that are collected do not have to be tracked. They all go into a pool so it makes it much simpler for business to administer.

Mr. Brian Ernewein: If I may just add to the point, to answer your question directly, there isn't a tracking system under the HST that requires merchants to identify how much was sold in children's clothing that qualifies for exemption. They simply send in their total HST collections. Through the input and output tables Stats Canada collects—if they have a category for children's clothing—they can identify the amount sold among the HST provinces. The allocation formula simply takes that into account and slices off a portion, for example, for Ontario in relation to that. It's not merchant-based or individually tracked. It's done overall with the aggregate data.

Mr. Massimo Pacetti: So with the HST you can exempt certain things at points of sale, but in Quebec it's pretty consistent, from what I recall. Everything that is GST-able is QST-able, except there is a certain input of tax credits that you cannot claim for the QST system.

Will Ontario have the same ability to prevent companies from claiming certain HST exemptions?

Ms. Louise Levonian: One point I forgot to make in my last response was that point-of-sale exemptions are limited to 5%, so I should just say they can only go up to 5% of their base.

Mr. Massimo Pacetti: That's 5% of...?

Ms. Louise Levonian: It's 5% of the GST or HST base.

Mr. Massimo Pacetti: Okay.

Ms. Louise Levonian: To answer your question, Ontario is allowed input tax credit denials similar to what Quebec has under its system, but temporarily. It's allowed fully for a period of five years, and then it's ratcheted down. As far as the base goes relative to the GST and the QST, the main differences are that the financial institutions are not the same, although there are smaller differences as well; they have the ITC denials on an ongoing basis, and the QST applies on top of the GST, which isn't part of the GST base.

Mr. Massimo Pacetti: Okay, great. Thank you.

The Chair: Thank you.

We'll go to Mr. Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chairman.

Ms. Levonian, I just want to be sure I understand. With respect to the amendment the chiefs have suggested, you stated a little earlier that no such amendment is needed because, in your opinion, the provincial legislatures can reach agreements.

Is that what you said?

Ms. Louise Levonian: The provinces are able to provide compensation outside the GST system.

• (1950)

Mr. Jean-Yves Laforest: Mr. Mercille, we met with you last Thursday for a briefing session. You told us that the bill was intended to modernize what is already in place and that it provides a framework for the tax harmonization that took place in the Maritime provinces in 1997.

I am thinking back to the answer you gave earlier with respect to the current legislation and the fact that the suggested amendment I talked about earlier is not necessary, because the legislation does not prevent the provinces from entering into agreements.

Is it the same in the 1997 act or is it because the legislation is being updated that the provinces will now be able to enter into that kind of agreement?

Ms. Louise Levonian: There is a certain flexibility that did not exist in 1997. The 5% tax exemption for retail outlets did not exist in 1997. However, if the provinces wanted to do something outside the system, they always had that option.

Mr. Jean-Yves Laforest: Thank you. That is helpful.

[*English*]

The Chair: Thank you, Monsieur Laforest.

Colleagues, we have two more members who wish to ask questions. As your chair, I must tell you that we have less than two hours remaining and we do have to address the clauses. I am advised that if someone wishes to move an amendment similar to what the chiefs were recommending, it would have to be done at the end, because they present it as a schedule. That is just advice to committee members in terms of our scheduling for the next two hours.

Next we have Mr. Mulcair, and then Mr. Wallace.

[*Translation*]

Mr. Thomas Mulcair: I would not want to address this to the wrong person. Who among you had primary responsibility for this piece of work?

Ms. Louise Levonian: It was Mr. Pierre Mercille.

Mr. Pierre Mercille: I was responsible for drafting. I supervised a group that drafted the bill.

Mr. Thomas Mulcair: There is a related debate to the discussion we just had regarding the possibility of considering the current agreement with Quebec to be part of this legislative framework. However, there is no actual reference to the province of Quebec in the bill, in either the schedules or the body of the text.

Supposing this bill were to pass in its current form, with the differences that Ms. Levonian has just pointed out—in other words that, in Quebec, the responsible authority is not the federal government and that the Quebec sales tax, or QST, is added to the GST, and so on. If this bill were to pass, would it be possible for compensation to be paid and for recognition of the current agreement with Quebec as constituting harmonization pursuant to this legislation? Is it theoretically possible that this could be recognized?

Mr. Pierre Mercille: Theoretically—and that is what you're asking—this bill allows any other province that signs an agreement similar to the one in Ontario and British Columbia to join the system and become one of the provinces participating in the regime created by this bill. However, in order for that to happen, there must be an agreement pursuant to subsection 8.3(1) of the Federal-Provincial Fiscal Arrangements Act. If an agreement is reached with any province, under this subsection, a province may join and become a participant. Because of the flexibility built into this bill, the name of a province could be added, as well as a tax rate.

Mr. Thomas Mulcair: Yes, I understand that. That is a simple reading; a preliminary version of the bill. But my question went further than that, and I think you understood what I was getting at. I will ask it a little differently, so that there is no misunderstanding.

What, in the current structure of the agreement between Quebec and Canada, would have to be changed for it to come within the framework of this bill? I am going to describe the context, so that you understand what I am driving at. Since Quebec is not mentioned in here, we, in the NDP, are of the view that it is wrong to claim that this bill would allow Quebec to receive compensation that we, in the NDP, have been demanding for a long time now and that Monique Jérôme-Forêt very clearly placed on the agenda recently.

This is my question: as things now stand, what would Quebec have to change in order to be recognized as a participating province?

• (1955)

Mr. Pierre Mercille: The first thing would be for Quebec to enter into a formal agreement with the federal government. Such an agreement does not exist at the present time—other than the one dealing with the administration of the GST in Quebec.

Mr. Thomas Mulcair: Perhaps I could rephrase the question. At the present time, Quebec is responsible for tax collection. I am trying to qualify this, so as to not bring in the purely political aspect of this. Based on what has been said so far, this cannot happen if Quebec continues to take responsibility for administering the tax.

Mr. Mercille, can you tell me—yes or no—whether Quebec could continue to take responsibility for administering the tax while still meeting the requirements of this new legislation?

Mr. Pierre Mercille: It is up to the government to decide whether or not it wants to enter into this kind of agreement with the province.

Mr. Thomas Mulcair: So, Quebec could continue to look after administration. It would be possible to maintain the status quo in Quebec and still receive compensation. Is that your testimony today?

Mr. Pierre Mercille: That is not what I said. I said that the first condition—

Mr. Thomas Mulcair: This is a very important question for us. I am simply trying to get a clear answer to a clear question.

Mr. Pierre Mercille: The problem is that your question is hypothetical. The fact is that there is no agreement in place with the Government of Quebec at the present time. If there were to be an agreement, we would have to determine whether it can be brought into that section of the legislation that deals with fiscal arrangements between the federal government and the provinces—in other words, whether it meets the conditions of that part of the legislation. If that turns out to be impossible, the legislation will not enable anything of that nature.

Mr. Thomas Mulcair: I understand. I have one final question. We really need to get an answer to this in order to move forward, Mr. Chairman.

Let's speak frankly, Mr. Mercille. In terms of the status quo, what needs to be changed in order to bring this into the framework, as you so aptly put it? When you gave examples earlier, there are some things that you did not say, and the same goes for Ms. Levonian.

Mr. Pierre Mercille: The agreements contemplated under this part of the bill provide for a common tax base, a tax collected under federal legislation, federal administration of the tax and the application of the income allocation method currently used by the three Atlantic provinces, Ontario and British Columbia.

Mr. Thomas Mulcair: Thank you for that clear answer. You have just confirmed that the NDP is right to oppose this bill. Indeed, as things now stand, it will be impossible for Quebec to receive compensation. Thank you.

Mr. Daniel Paillé: That is not what he said.

[English]

The Chair: Okay. I'm not sure if he said that.

We'll move on to Mr. Wallace, please.

Mr. Mike Wallace: Thank you to the staff for being here tonight.

But my questions are for you, Mr. Rajotte. I just have a question on process. I'm assuming we're going to go to clause-by-clause. Is there any reason why we can't move all of them at once, from clause 2 to clause 44?

The Chair: No. A member can, although obviously any member can have a discussion—

Mr. Mike Wallace: My next question is, can it be on division? It doesn't really matter, does it, for this?

The Chair: They can always be on division.

Mr. Mike Wallace: So they can always be on division. Thank you very much. Those are my questions. Let's move on to clause-by-clause.

The Chair: Thank you, Mr. Wallace, for those questions.

We will go to clause-by-clause consideration.

Members, here's the way I will proceed, unless members indicate to me otherwise—

Mr. Mike Wallace: Well, I would like to move, Mr. Chair—

The Chair: Mr. Wallace, I will say, “Shall clause 2 carry?”, and we will go that way, unless members wish to group clauses together to speed this along.

Mr. Thomas Mulcair: Don't we do clause 1 before clause 2?

The Chair: No. Clause 1 is postponed. It's done at the end.

Mr. Mike Wallace: With that, Mr. Chair, can I move clauses 2 to 44?

The Chair: Yes, you can move clauses—

Mr. Mike Wallace: I move it, then, so we can get to Mr. Mulcair's clause 1.

The Chair: Mr. Wallace moves clauses 2 to 44.

Mr. Mulcair, on a point of order.

Mr. Thomas Mulcair: I'll do it in English, so there's nothing literally lost in the translation.

As the chair, you just set down the rule that we were going to go clause by clause. And then you seem, unless I missed something, to have accepted a recommendation to adopt the law holus-bolus, as one part. That's a contradiction. I think it's a way of contesting the decision of the chair. And I think that—

● (2000)

The Chair: Well, I can explain that.

Mr. Thomas Mulcair: It's not for me to be defending you; you should be defending yourself.

The Chair: No, I can explain. My intention was to say, “Shall clause 2 carry? Shall clause 3 carry? Shall clause 4 carry?” But as I mentioned, it is procedurally admissible for a member to say, “I move that clauses 2 to 44 carry”.

Mr. Thomas Mulcair: With respect, Mr. Chairman, we're here tonight at your call. You've set out an order of the day, which you just indicated you intended to follow. This was your decision, and I support it. Now you have one of your Conservative colleagues attacking you like this, showing a total lack of respect for your authority. I intend to defend the chair and the chair's decision, which was clearly rendered, to proceed in the normal way, which is clause by clause. And I insist you do that.

The Chair: I sincerely appreciate your support for my chairmanship, Mr. Mulcair.

Mr. Thomas Mulcair: And my solicitude, I'm sure.

The Chair: My intention was to proceed clause by clause. But as I did mention, members of the committee can choose to group together a number of clauses. I checked that with our legislative clerk. He indicated it was appropriate for a member to move it as such.

If you want the legislative clerk to comment on that...

Mr. Wayne Cole (Procedural Clerk): If it's not the will of the committee and they dispute it, they can debate the motion.

The Chair: If the committee wishes to debate each single clause, the committee can do so. If the committee wishes to proceed with clauses 2 to 44.... Of course if we do that—clauses 2 to 44—members of the committee may debate as long as they want to. They can address all of those clauses within that debate.

So Mr. Wallace has moved that clauses 2 to 44 carry. The discussion is on that.

Mr. Mulcair, on the discussion.

Mr. Thomas Mulcair: Thank you, Mr. Chairman.

I'll begin by reading for my colleagues some extracts in English and in French from the position of the Canadian Federation of Independent Business. Unlike the Canadian Manufacturers & Exporters association that was here a little bit earlier, it actually has members. There are 105,000 members of the Canadian Federation of Independent Business. Recently they wrote to all of your colleagues, and they provided me with a copy of it—today, in fact.

I'll start with the French.

Mr. Mike Wallace: Let's go.

[Translation]

Mr. Thomas Mulcair: However, many CFIB members expect to be negatively affected by sales tax harmonization—particularly those selling products and services not currently taxed at the provincial level. Small businesses in these sectors are very worried about consumer reaction to the price increases they will be required to pass on with the expansion of the sales tax.

As you know, Mr. Chairman, the *Fédération canadienne de l'entreprise indépendante* is the French name of the Canadian Federation of Independent Business. They go on to say the following—although I do not intend to read everything, given the limited time.

We have heard many comments from members in Ontario and British Columbia that suggest concern that sales tax harmonization will not end up as revenue neutral or a tax reduction, but lead to an overall increase in the tax burden on Canadians.

That is very important.

I would also like to note that there was similar worry on the part of small firms in New Brunswick, Nova Scotia and Newfoundland and Labrador when those provinces undertook similar harmonization initiatives. After extensive consultation with the federal and provincial governments and surveys of our members in the affected provinces, CFIB offered support to the initiative. In our view, two important factors helped achieve small business support for the HST in these provinces.

Here they are referring to New Brunswick, Nova Scotia and Newfoundland and Labrador.

One, there was a benefit to consumers built into the change, as the combined sales tax rates were reduced at the same time as the base broadened; and two, small businesses themselves felt part of the process, as there was a degree of consultation missing from current initiatives. It often surprises public policy

makers that small business owners often view things through the eyes of their customers, rather than through the lens of their own business.

That is what we have just seen with the first nations.

And now we come to the crux of their analysis.

I believe the lack of an overall rate reduction partly explains the concern our members have with the harmonization initiatives in Ontario and British Columbia.

Mr. Chairman, unlike Mr. Wallace, you clearly understood the fundamental difference between what occurred when the Maritime provinces harmonized their taxes and what is about to be done in Ontario and British Columbia. For greater certainty, allow me to read the corresponding passages in the English version.

● (2005)

[English]

However, many CFIB members expect to be negatively affected by sales tax harmonization—particularly those selling products and services not currently taxed at the provincial level. Small businesses in these sectors are very worried about consumer reaction to the price increases they will be required to pass on with the expansion of the sales tax.

They go on a bit further. Time is a bit short tonight. We don't have as much time as we'd like to deal with this issue, so I'll skip ahead.

We have heard many comments from members in Ontario and British Columbia that suggest concern that sales tax harmonization will not end up as revenue neutral or a tax reduction, but lead to an overall increase in the tax burden on Canadians.

Then he goes on to say—and the “he” in question, Mr. Chair, which I didn't say before when I read it in French, is Dan Kelly, senior vice-president, legislative affairs, at the Canadian Federation of Independent Business—this:

I would like to note that there were similar worries on the part of small firms in New Brunswick, Nova Scotia and Newfoundland and Labrador when those provinces...undertook similar harmonization initiatives. After extensive consultation with the federal and provincial governments....

It should be pointed out again that that's what was lacking, according to the first nations who were here earlier.

...and surveys of our members in the affected provinces, CFIB offered support to the initiative....

—in those provinces, but it doesn't offer its support for the Ontario and British Columbia initiative. That's interesting, and they explain why:

In our view, two important factors helped achieve small business support for the HST in these provinces. One, there was a benefit to consumers built into the change as the combined sales tax rates were reduced at the same time as the base broadened, and two, small businesses themselves felt part of the process as there was a degree of consultation missing from current initiatives.

Of course, as we saw tonight—

The Chair: Mr. Mulcair, we have a point of order.

Do you have a point of order, Mr. Menzies?

Mr. Ted Menzies: With all due respect, Mr. Mulcair, I hope you'll respect what I'm going to ask for here.

We have some officials with us here this evening. If Mr. Mulcair wishes to continue, that's fair, but with all due respect, if there are not going to be any further questions for our officials, could we please allow them to be excused for the evening?

The Chair: Well, the challenge is if there's an amendment done at the end that we would want their comment on.

Mr. Ted Menzies: I've tried. Thank you for the respect for our public servants.

Mr. Thomas Mulcair: I have so much respect for our public servants that I want them to stay so that we can take advantage of their expertise and experience—

Mr. Ted Menzies: Let's move on, Tom.

Mr. Thomas Mulcair: —and I noticed that they were taking notes as I read to them the difference between the Ontario and B.C. HST, which the Canadian Federation of Independent Business is opposing.

I was explaining to you why, because once you know why, I'm convinced you're going to vote against it as well.

Some hon. members: Oh, oh!

An hon. member: You're already asleep. You're dreaming.

● (2010)

Mr. Thomas Mulcair: To go back to what I was saying:

One, there was a benefit to consumers built into the change as the combined sales tax rates were reduced at the same time as the base broadened, and two, small businesses themselves felt part of the process as there was a degree of consultation missing from current initiatives.

That's from the Ontario and B.C. ones. It continues:

It often surprises public policy makers that small business owners often view things through the eyes of their customers rather than through the lens of their own business. I believe the lack of an overall rate reduction partly explains the concern our members have with the harmonization initiatives in Ontario and B.C.

We believe that's a good point at which to start, Mr. Chairman.

Also, for the benefit of my friend and colleague, Mr. McCallum, I will now read from a resolution passed at Hull at a Liberal Party annual meeting. I can't name all the people who were there. Some of them are still elected and I can't name them, but Paul Martin, Jean Chrétien, Ethel Blondin, and Sheila Copps, all of fond memory, were there. Here's what was resolved by the erstwhile Liberals, now led by a right-wing phalange:

Be it further resolved that the Liberal Party of Canada rejects the G.S.T., and more particularly, categorically rejects the imposition of the G.S.T. to First Nations and their citizens throughout Canada on the grounds that it is in violation of their aboriginal and treaty rights which are recognized and affirmed in the Constitution, and is inconsistent with the principle of self-government.

Of course, as Mr. McCallum would tell you, that was then and this is now.

But they went on to say the same thing in French.

[*Translation*]

Be it resolved that the Liberal Party of Canada rejects the GST, and more particularly, categorically rejects the imposition of the GST on first nations and their citizens throughout Canada...

A voice: Point of order.

[*English*]

The Vice-Chair (Mr. Massimo Pacetti): Yes, Mr. Kramp.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Is there any need to repeat it in French when we have translators? Is it not redundant to repeat the identical message?

The Vice-Chair (Mr. Massimo Pacetti): Well, if Mr. Mulcair feels that it's necessary to repeat it in French, we have no set time limits.

But I would request, Mr. Mulcair, that you cease from or try to avoid saying the same thing in two different languages, because we do have translators. Just to expedite the interest...not to expedite but to maintain the interest of your colleagues, perhaps doing one language because they are using translation...

But I leave it up to you. The time is yours, Mr. Mulcair.

[*Translation*]

Mr. Thomas Mulcair: Mr. Chairman, your comment only reaffirms a very dangerous admission on the part of the Liberal Party of Canada. You are telling me that the French version of your resolutions is nothing more than a slavish translation of what was adopted in your only real official language English. I can certainly read the only official version in English and rely on—

The Vice-Chair (Mr. Massimo Pacetti): You can begin in French, Mr. Mulcair. What I was trying to say is that, if you don't trust the translation, you can repeat your comment in English, or vice versa. It is only out of courtesy for your colleagues around the table.

Mr. Thomas Mulcair: Thank you, Mr. Chairman.

So, I was saying that if the Liberal Party, for which you do not appear to have a great deal of respect, passed these unilingual English resolutions and relied on a slavish translation, I would agree with you. But, in that case, how could Mr. Kramp improve his perfect knowledge of the two official languages by comparing the simultaneous interpretation provided by the experts who are with us today and what is proposed in the two versions; that is an extraordinary exercise for Mr. Kramp and for you, members of the Liberal Party, because you will be able to listen carefully to the experts who are with us today—our close collaborators who are at the back of this room, in order to determine whether the party succeeded—

The Vice-Chair (Mr. Massimo Pacetti): Mr. Mulcair, please confine yourself to the subject. Otherwise, we will—

Mr. Thomas Mulcair: Mr. Chairman, allow me a friendly reminder: I was actually reading a document that is perfectly relevant.

The Vice-Chair (Mr. Massimo Pacetti): I leave that to your discretion.

Mr. Thomas Mulcair: He interrupted me, you helped him interrupt me, and now you have the gall to say that I am the one that has a problem. That really is a bit much.

The Vice-Chair (Mr. Massimo Pacetti): Thank you.

Mr. Thomas Mulcair: I am going to try to continue what I was doing as a parliamentarian, which was to read a document, this ersatz resolution from the Liberal Party that reads as follows:

Be it further resolved that the Liberal Party of Canada rejects the GST, and more particularly, categorically rejects the imposition of the GST on first nations and their citizens throughout Canada, on the grounds that it is in violation of their aboriginal and treaty rights which are recognized and affirmed in the Constitution, and is inconsistent with the principle of self-government.

And I must say that you are absolutely right, because it ends completely up in the air with the word “and” in the French version.

Mr. Chairman, we are talking about a bill which is the logical conclusion of the demolition project undertaken by the Conservative Party four years ago. Motivated by an ideology which refutes the utility of any government intervention, they began to attack whole parts of our economy. They started by sabotaging the manufacturing and forest industries, particularly in Quebec and Ontario, but the forest industry in British Columbia and New Brunswick also suffered the torments of this policy. How did they go about this? Well, it wasn't difficult, Mr. Chairman. With the assistance of their henchmen in the Liberal Party, they proposed radical reductions in the taxes paid by the most profitable corporations. Why do I say “the most profitable corporations”? Well, it's very simple. If a company did not make any profit, it did not have to pay taxes. As a result, the Conservatives reduced the tax payable of the most profitable corporations by some \$60 billion.

It is important to remember that Mr. McCallum and other members of his political party encouraged them to do this even more quickly. I recall that when the Minister of Finance came into the House a year and a half ago, he said that he was reducing corporate taxation far more quickly than he would have dared to, thanks to the Liberals encouraging him to act even more quickly. If you want to understand our opposition to this proposal, that is where you have to start, because it marks the beginning of a long process that compromised whole sectors of our economy, particularly the manufacturing and forest industries.

How did they create the tax room necessary to provide a \$60 billion tax cut to the most profitable corporations? Well, they looted the Employment Insurance Fund; they took some \$57 billion out of it, egged on, once again, by their henchmen in the Liberal Party. Some would say that makes absolutely no difference; that \$57 billion was just notional; just government money being transferred into general government revenues, into the Consolidated Fund.

In fact, Mr. Chairman, there is a huge difference between the two. The monies in the Employment Insurance Fund had been paid by every single Canadian company, on behalf of every single one of their employees. Whatever your company's financial status—whether you are just breaking even, losing money or making money—you are a certified general accountant, so you know that a business owner has no choice: even if he loses his money, he has to contribute to the Employment Insurance Fund. All employees contribute to the same fund. Sixty billion dollars worth of tax room was created by stealing the money of corporations in Quebec, Ontario and across Canada, who were either losing or earning money and whose contributions were transferred to the government's general revenues. The result of that operation was to provide tax cuts to the most profitable corporations, particularly in the oil and banking sectors—corporations such as EnCana, which our colleagues from Alberta are well acquainted with, which received windfall profits—money that was totally unexpected and un hoped for and

which they had absolutely no need for either—amounting to several hundred million dollars. They would have made exactly the same investments.

● (2015)

That just goes to show the extent to which the Conservative ideology, encouraged every step of the way by the Liberals, has harmed the economy. It's just like in some countries, where they force people to pay their own executioner. In this case, it was the Liberal Party doing the Conservatives' dirty work. In addition, the companies that suffered most were helping the oil industry which, it is important to remember, did not apply the fundamental principles of sustainable development, such as cost internalization and the polluter-pay and user-pay principle.

So, the oil industry continues to produce, using the tax room created by the money stolen from companies that are already experiencing very tough times because of the high value of the Canadian dollar. The oil sector is really overheating, which in turn is fuelling the unprecedented rise in the Canadian dollar. It then becomes increasingly difficult to export our forest and manufacturing products.

Before the current crisis hit us—in other words, prior to the fall of 2008—we had already lost 450,000 jobs—in Quebec and Ontario alone—especially in the manufacturing and forest industries. That is the consequence. Ontario, which is grappling with financial difficulties of a magnitude never seen before—because of the choices made by Conservatives, supported by their big brothers here in Ottawa—is now coming cap in hand to ask the federal government to change its legislation. But what is behind all of this? The plan is to continue the most significant transformation of our tax system in the history of Canada—a transformation involving the transfer of corporate taxes to individuals in the amount of \$60 billion. And, by the greatest of coincidences, that just happens to be the exact amount of the deficit recorded this year. Rather than applying the principles of sustainable development, internalizing the cost of greenhouse gases and pollution caused by the oil sands, in particular—which is the fundamental principle of sustainable development—we are passing all of that on to future generations. But, it gets even worse: we are burdening the future generations with this deficit rather than internalizing the cost and creating a fund so that, at this critical time, we can at least build the infrastructure that will allow us to produce clean and renewable energy.

That is a vision for the future that we could have supported, Mr. Chairman, but they are totally incapable of that. Since the Liberals believe in nothing and have absolutely no principles of any kind, they are supporting, even encouraging, this steady erosion at every step in the process. That is why they have no choice but to support this kind of insane proposal, which will generate new taxes on heating oil in northern Ontario, for example. As if people on fixed income or the poor could afford to absorb this cost. That is what the first nations leaders have just been explaining. As was mentioned, once again, the large corporations are the only ones who will benefit from this. Once again, it is the people who will be footing the bill.

I know that you are a learned man, Mr. Chairman, and that you like to look at this type of material; so, if you're interested, have a look at the numbers produced by Statistics Canada on the average income of Canadians since the North American Free Trade Agreement was signed. NAFTA created enormous wealth in Canada, except for one slight problem: the gulf separating the richest from the poorest is widening. The gap between the two is growing ever larger. The fact is that the Canadian middle class earns less in 2009 than it earned when the North American Free Trade Agreement was first signed, despite a significant increase in wealth in Canada. How is that possible? Well, it's quite simple. Once again, all of our policies seek to benefit the richest members of society. And this is another example of that. Here we are helping business escape its tax responsibilities and piling them on ordinary Canadians instead.

● (2020)

That is the reality of this exercise, Mr. Chairman, and my comments provide the backdrop to our fierce opposition to Bill C-62. I would just like to conclude this brief introduction with the following comment: right from the beginning, we have been saying that Minister Monique Jérôme-Forget was right in stating that Quebec was entitled to be compensated. Like us, you heard the explanation given earlier: there is an inconsistency between the situation in Quebec, when it comes to tax collection and the other criteria that have been mentioned, and what is going to be required under this bill. It is quite clear that Quebec will never be compensated—unless, of course, it relinquishes its jurisdiction over tax collection. In my opinion, that is not likely to occur any time soon, but perhaps members of the Bloc know something that we don't know in that regard. We'll see.

The fact remains, Mr. Chairman, that we are vehemently opposed to this plan. We see it as the reflection of a society which is no longer the one we have been trying to build since World War II. Canada has always known, and successive governments always knew—despite the fact that, from time to time, some rather surprising individuals, shall we say, ended up being prime minister—that to give value to the number two country in the world, based on size, in order to add value, the government needed to have a comprehensive vision that would allow it to play a key role in developing the country. The government must have such a vision, a vision that will make it possible to develop the resources and wealth that we are creating, while ensuring that they are shared fairly. Governments have always understood that—until four years ago. The Conservatives do not understand—nor do the Liberals, it seems—that in order to give value to the second largest country in the world, with a population of barely 30 million, the government must have a vision.

Conservative ideologues claim that this means the government ends up choosing the winners. In English, they say: “You're choosing winners”. That is their simplistic way of saying that the government has no business being involved, that there is a perfectly free market out there which determines the trade-offs for us, so that we don't even have to think about them. The problem is that they have chosen their winner, and there is only one: the oil industry.

In the Netherlands after the Second World War—and this is extremely well documented—people saw the economy collapse because petrodollars were allowed in without any concern for balance. Now the balanced economy that we have been building in

Canada since World War II is being destabilized by the Conservatives, with the willing complicity of the Liberals.

Companies in the Beauce, family firms that have been making furniture for generations now find themselves forced to shut down because of the high value of the loony. The value of the loonie is artificially high because of a refusal to take the obvious steps—in other words, internalizing the cost of pollution and GHGs associated with the oil sands. They don't even have the good sense to say that developing a clean and renewable energy fund would be a good solution for the future. We continue to see companies that derive a living from forest products shut their doors, we continue to see manufacturers shut down, and we continue to see massive layoffs in companies across Quebec and Ontario, in particular, but also in other provinces.

Mr. Chairman, we find it inconceivable that anyone, in all good conscience, would want to continue this gradual erosion that is the result of the Conservative ideology in relation to our provincial economies. The provinces, often with a vision and assistance from the government, have patiently built businesses that are successful. In the last four years, however, they have been gradually snuffed out because the Conservatives have chosen a single winner, the oil industry, based on their ideology, the losers being Quebec and Ontario. Thus it is even more scandalous to see the Liberals supporting this process every step of the way, a process aimed at destabilizing a once well-balanced economy.

● (2025)

I invite those who are interested to read an article published Monday of last week—eight days ago, in other words—in *The Guardian*, a British newspaper. George Monbiot wrote a highly critical piece about Canada. It's very interesting. According to his analysis, we are in the process of sacrificing our economy on the altar of the oil sands. We aren't even smart enough to retain second and third oil sand processing jobs here in Canada. The recent Keystone project, one of the many pipelines to have been approved since the Conservatives took office, exports some 500,000 barrels a day, and here I am talking about crude. At the same time, we are exporting work for 18,000 people south of the border, because we have no vision.

We do not realize that we are drawers of water and hewers of wood, and that we are making exactly the same mistakes we made back in the days of Duplessis, when we exported logs to be processed somewhere else. We were exporting our ore for someone else to provide value added, and we were not even collecting one cent a ton. That is where we are now in Canada, in 2009. It's scandalous, Mr. Chairman.

For all those reasons, the NDP is opposed to this Conservative policy aimed at changing our tax system, as usual, to benefit the large corporations. In the history of Canada, this is the largest transfer of business fiscal capacity to individuals ever seen. We, at least, will be there to stand up and say loud and clear, at every step of the process, that this is unacceptable and that it is a betrayal of Canada and the best of everything it had. We are sabotaging the balanced economy we have succeeded in building since World War II.

• (2030)

[English]

Mr. Chairman, to summarize, the NDP is adamantly opposed to this continuation of the operation started four years ago by the Conservative Party to transfer the tax burden from corporations onto the backs of hard-working Canadians. Now, how have they done that? How has it happened that this is the continuation of that? As we heard from the first nations who were here tonight, and as we heard even from the Canadian Federation of Independent Business, it's quite obvious that the HST is a straight transfer of the tax obligations of corporations. Why do you think the Chamber of Commerce was in here saying that this is great for corporations? The tax money is still going to be collected; it's just not going to be collected from them anymore. It's going to be collected from individuals.

This has been four years that the Conservatives have been carrying out this policy of transferring the tax load from corporations onto the backs of citizens. The first and most important step they took was to provide tax reductions in the order of \$60 billion to Canada's richest corporations. Now, why do I say the richest corporations, Mr. Chairman? It's quite clear that if your company had not been making money, you hadn't paid any taxes and therefore you didn't profit in any way, shape, or form from a tax reduction. Only the companies that had been paying the bulk of those taxes got that money. And where were they? Well, they were in the oil patch and they were the banks.

You can't create that fiscal space overnight—\$60 billion. How did they find the fiscal room in Canada to provide that \$60 billion tax reduction for the corporations? It wasn't complicated. They pillaged; they looted the employment insurance fund. It was \$57 billion in there. They said afterwards that it's a notional amount; it's on paper. It's all government money and they're just taking it from there and sticking it into the general revenue fund of the government. It doesn't really change anything. Actually, it does, because there's a huge difference between who paid in and who had the money as it came out.

Every employer in Canada, whether they were making money, breaking even, or losing money, was obliged to pay into the employment insurance fund for every single one of their employees. That \$57 billion was there to even out the cyclical element of the employment market. We're at the bottom of that cycle right now. That money was needed.

To make matters worse, to add insult to injury, it's now being calculated that we're going to be \$19 billion short—that's with a "b"—given the current freeze on those contributions, as we come out of the recession. In other words, not only did employers whose companies might have been losing money see their contributions to the employment insurance fund pillaged, sent over to general revenue, and then turned into tax reductions for the richest corporations, which they couldn't benefit from, but they're again going to be taxed to the order of \$19 billion to re-inflate the employment insurance account, which is going to be left short by that amount. Those are the calculations that have been made, both by this committee and by the various ministries.

Mr. Chairman, that constituted the first step in the Liberal-Conservative march towards removing the tax burden of enterprises

and businesses in this country and putting it onto the backs of ordinary working Canadians. In the process they bled out 450,000 jobs from Ontario and Quebec. They had been lost. Those jobs I just described had been lost in the manufacturing and forestry sectors, just in Ontario and Quebec, prior to the current recession hitting in fall 2008, Mr. Chairman. That's the reality.

This is now the band-aid that the Liberals are helping the Conservatives put on the gaping wound they caused by bleeding out those 450,000 jobs. There's no way that Ontario could have avoided the tens of billions of dollars of shortfall they now have given the choices their big brothers in Ottawa made with the Conservatives. As they killed manufacturing and forestry in Ontario on the altar of the expediency of the oil sands, the tar sands, they created the situation we're in now. Instead of having some vision, including, for example, internalizing the environmental and greenhouse gas emission costs, internalizing a fund that could create at least something for future generations in the way of green renewables, they're continuing to take in the petro dollars from the States as they pump the raw product from the tar sands south—pumping jobs with it, by the way.

• (2035)

The Keystone pipeline is exporting 18,000 jobs south of the border, but they don't care. They're getting the dollars into Alberta quickly.

What has that been doing? It's been pushing the Canadian dollar artificially higher. If we had at least internalized the cost, it would have had a softening effect on those spikes of the Canadian dollar. But it was those high rates.... It was when the Canadian dollar actually went past the U.S. dollar that we saw manufacturing concerns in the Beauce and in Ontario—manufacturing concerns that were part of a balanced economy we had built up since the Second World War.

We had always understood that to give value to the second largest country in the world with only 30 million people required government intervention and vision. That vision is sorely lacking now. And that's not just on the Conservative side; we've always known that's been part of their ideology. What is the most galling now is that they're being aided by their henchmen in the Liberal Party, who help them every step of the way and encourage them on.

Now in Ontario the government is taxing ordinary Canadians again with a very regressive sales tax. Why is a sales tax more regressive than another tax? Why do we use that term? It's quite simple. If you have a retired couple on a fixed income who are trying to get by and you increase the cost of their heating oil by 8%, guess what? They can't find the money. They can't print the money. They are going to be hit with an increase in the cost of their heating oil.

It's always the people who are least able to afford it who are hit with this type of regressive tax. It is regressive because there is no curve to it, unlike an income tax, which is progressive, which increases....

Mr. Chair, I'm going to have to ask you to do something about decorum.

The Chair: Decorum outside the room or inside the room?

Mr. Thomas Mulcair: Mr. Chair, this is Parliament. You have an obligation to ensure some ability of this committee to function.

The Chair: Can we request that someone on the Liberal side see if we can get the noise reduced? We have another hour here.

Mr. Thomas Mulcair: That's good. It will take me another hour to explain it to the Liberals.

The Chair: We'll see if we can reduce the noise, but I'll ask you to continue.

Hon. John McCallum: The noise is pleasant compared with what we're hearing.

Some hon. members: Oh, oh!

Mr. Massimo Pacetti: Mr. Chair, perhaps we can take a recess for 45 minutes and come back to see if we can get the noise reduced at that point.

• (2040)

The Chair: We're not going to take a recess for 45 minutes.

Can I ask somebody on the Liberal side to see if they can get the noise reduced?

Hon. John McCallum: I don't think they'll want to reduce the noise. They're having a good time. It's Christmas.

The Chair: It is, as Mr. Mulcair pointed out, a parliamentary committee.

Mr. Thomas Mulcair: Mr. Chair, I'm making this a question of the privilege of this committee. We are working tonight. This is the finance committee of the Parliament of Canada. We can't work with what's going on out there. I would ask you to use your authority to ensure we're able to do our work as parliamentarians, which is what we're paid to do.

If some people in the Liberal Party are having a party out there, that's their business. We have work to do. This is a major tax grab of billions of dollars on the backs of hard-working Canadians. If the Liberals are taking their usual "let them eat cake" approach, that's a shame, but we want to do our jobs and we want to be able to do them properly.

Hon. John McCallum: Mr. Chair—

The Chair: Hold on, I think there's a fair point being made. I will ask someone on the Liberal side to ask them to keep their noise down.

Mr. McCallum.

Hon. John McCallum: Mr. Chair, I don't think any of us in this room are having the slightest trouble hearing Mr. Mulcair.

Mr. Ted Menzies: I can hear him.

Hon. John McCallum: I can hear every word he says, and I think we all can. I don't really see what the issue is.

Mr. Ted Menzies: Continue, please.

The Chair: Mr. Mulcair has asked...and I think it's a fair point actually. That is disruptive to the committee, frankly. This is a committee of the Parliament of Canada. This is a committee that is studying the HST bill.

I'm asking, again, whether there is somebody on the Liberal side who would request that they keep it down for an hour. We have an hour left at this committee.

Hon. John McKay (Scarborough—Guildwood, Lib.): Why would we do that?

Hon. John McCallum: I don't understand. We hear him.

The Chair: Mr. Menzies.

Mr. Ted Menzies: Someone just checked and apparently they're going to try to redirect the speaker so that it's not so loud.

The Chair: Is that sufficient, Mr. Mulcair?

Mr. Thomas Mulcair: I didn't understand your question, Mr. Chairman.

The Chair: They're going to redirect the speaker, so it will not be as loud in the committee room.

Mr. Thomas Mulcair: If they can do something of that nature...

We tend to forget. Unless I'm mistaken, I believe that—

An hon. member: [*Inaudible—Editor*]

The Chair: It's not accommodating Mr. Mulcair; it's accommodating the committee. It's a parliamentary committee. Members have a right to speak to motions. There's a motion on the floor; the member is speaking to it. But the issue is that there is noise from next door that is disrupting the committee. That's an issue.

Mr. Pacetti.

Mr. Massimo Pacetti: I don't want to leave the room. Because I'm very interested in what Mr. Mulcair wants to say, I haven't left the room. I'm not even sure who's out there, but the people who are out there are fully entitled to rent the space. I'm not about to go out there and try to disrupt whatever's going on there, just as I don't think they're trying to disrupt what's going on here.

So I would suggest that, because of my high interest level in hearing what Mr. Mulcair has to say, he continue until otherwise notified. Or we could suspend for 45 minutes and come back at 9:40.

The Chair: Mr. Mulcair, I don't know what you expect me to do, as the chair. What I'll do is ask the clerk to go and ask them to respect us for the next hour. I can't force the celebration going on next door...if they choose not to do that, but I will ask the clerk to go.

Mr. Thomas Mulcair: Unlike Mr. Pacetti, I actually know who's out there. He doesn't seem to know, but it's colleagues in the Liberal Party who are just outside that door and who are refusing to respect the sanctity of Parliament.

With respect, Mr. Chairman, your primary obligation is to ensure that the rights of parliamentarians are respected. Our right, as parliamentarians, is to be here tonight doing this work on this bill. I accept your invitation to allow Jean-François Pagé, our clerk, to go outside and to make the necessary representations, and we'll see if we're able to do our jobs. But I would request, given the extreme nature of what's being done out there, that you make sure you also protect the debating time that was set aside by the House of Commons for the discussion of this bill.

The Chair: According to the order from the House, at 9:43 p.m. I have to put questions on all the clauses and amendments before the committee, as per the motion that was voted upon.

Monsieur Paillé.

• (2045)

[Translation]

Mr. Daniel Paillé: Mr. Chairman, with your permission, I would like to make a comment.

Although I am not in the habit of defending my colleague to the left, that fact remains that this type of thing would never happen in other parliaments. Last week, at the Bloc Québécois' Christmas party, the Speaker of the House was in attendance. He said that he would attend all the Christmas parties. I presume he is on the other side. I believe you have an excellent interlocutor in the Speaker of the House, but if we enforce the rules of order in the House, it seems to me we should also show some respect for parliamentarians. We are not here to have fun. I know you may find it tiresome to listen to Mr. Mulcair but, I personally, prefer his comments to this kind of music.

[English]

The Chair: Okay. I welcome that suggestion. The clerk or I will go and ask them to reduce the noise, but Mr. Mulcair, I ask you to continue at this point with your discussion.

Mr. Thomas Mulcair: I literally can't hear you. I can't hear you.

Mr. Ted Menzies: The rest of us are wearing the translation devices that actually—

Mr. Thomas Mulcair: I never wear them. My ears are too sensitive.

The Chair: Order, order.

Ladies and gentlemen, let's keep our cool here. We're here for another hour.

Mr. Mulcair, do you want to continue, and the clerk will go over and ask them to reduce the noise?

Mr. Thomas Mulcair: I would prefer you protect the time. It wasn't 9:53 that was protected by the House of Commons; it was four hours of discussion and debate on this bill.

The Chair: No, it was four hours following the adoption of the second reading motion, so—

Mr. Thomas Mulcair: Mr. Chairman, you have an obligation to protect decorum and the ability of members of Parliament duly elected to do the jobs they were paid to do. Would you please take care of the music first, and we'll continue as soon as you've done that?

The Chair: Okay. I will suspend the meeting, and we'll ask the clerk to go and see if we can deal with the noise.

• (2045)

(Pause)

• (2105)

The Chair: I call the meeting back to order.

We were discussing whether clauses 2 to 44 should carry.

Mr. Mulcair, please continue.

Mr. Thomas Mulcair: Mr. Chairman, I would just like to have a ruling from you now that would confirm for us that the four hours set aside by the House of Commons will be respected, in the sense that it

was clearly the intent that we would have four hours of debate on our bill. We've just lost, from my count, 30 minutes of that time. I would just like your ruling on that, and I will not belabour the point. I just want your ruling.

The Chair: Thank you for raising that, Mr. Mulcair. I'll just read the motion:

...not more than four hours following the adoption of a second reading motion, any proceedings before the Committee to which the bill stands referred shall be interrupted....

The adoption of the second reading motion was at 5:43 p.m. Thus at 9:43 p.m., as the chair I have to follow this order, and in turn every question necessary for the disposal of the committee stage of the bill shall be put forthwith.

That's my ruling.

• (2115)

The Chair: Thank you, Mr. Mulcair.

We will go to Mr. Wallace, please.

Mr. Wallace.

Mr. Mike Wallace: I'm not obliged to talk now.

An hon. member: Let's vote.

Mr. Mike Wallace: Are you ready to vote?

I'm getting pressure from my colleagues, Mr. Chair, not to talk for another half an hour.

Mr. Ted Menzies: We were saying no more dancing.

The Chair: Order.

Mr. Mike Wallace: I do have information from the Retail Council of Canada in support of the HST; the Canadian Chamber of Commerce, which we heard about tonight; the Ontario Chamber of Commerce; the always conservative Fraser Institute; the Canadian Manufacturers & Exporters; C.D. Howe Institute; and the Tax Executives Institute. I don't have Jack Mintz's report with me, but I can go and get it if people want it. I have information from the editorial board of the *Financial Post*, the editorial board of the *The Globe and Mail*, the editorial board of the *Toronto Star*, and the Certified General Accountants Association of Canada, to say a few.

But I understand that people would like to move along and get voting on this, so I would like to call the question. It's my turn, so let's go to the vote on clauses 2 to 44.

The Chair: Seeing no further speakers—

Mr. Thomas Mulcair: Actually, I would like to speak, Mr. Chairman.

The Chair: Mr. Mulcair.

Mr. Thomas Mulcair: Mr. Chairman, I graciously accepted Mr. Wallace's request to make an intervention on this important subject. I had, of course, a great deal more to say about it, but—

Mr. Mike Wallace: I do have more if you'd like me to do it.

Mr. Thomas Mulcair: Of course I would like you to do it. I think everything the Conservatives have done to the economy for the past four years should be on the public record.

Mr. Mike Wallace: Put me back down there.

The Chair: The debate continues until there are no further members who wish to speak.

Mr. Wallace, you wish to speak.

Mr. Mike Wallace: Chair, let's start with the Fraser Institute and what they had to say about sales tax. I do appreciate Mr. Mulcair's staying on topic. I know in a previous Parliament, I was with a different committee, Mr. Chair, at which I spoke for four hours straight. Sometimes it's a little bit difficult to keep it up, but I think I can handle it.

So let me just read into the record, so that everybody knows about this, from the *Fraser Forum*, which is a magazine put out by the Fraser Institute, which comments on public policy issues across Canada, not just on taxes but on a number of issues from health care and so on. I'm sure we all get the magazine in our offices. But here is an article from September of this year. It's a very good article, and I'd like to make sure people understand what the article says. It is entitled "Smart Thinking on Sales Taxes: BC's new HST will provide significant benefits for the province", and here's the article:

This summer, British Columbia's Finance Minister Colin Hansen took a bold step in announcing that BC will harmonize its provincial sales tax...

They call it the PST in British Columbia; we call it the RST here in Ontario.

...with the federal goods and services tax (GST).

They're quoting and they have references from the British Columbia Ministry of Finance, 2009.

While sales tax harmonization is unlikely to produce warm fuzzy feelings for British Columbians...

—or NDPers—

...(or even most economists), it will make BC businesses more competitive, encourage investment, and provide significant and lasting economic benefits for the province. As of July 1, 2010, BC will replace its independent provincial sales tax with a single harmonized sales tax (HST) of 12%—a combination of the current 7% PST and 5% federal GST.

Like the GST, the new HST will be a "value-added" tax in that it will only apply to the final consumption of goods and services.

We heard earlier from witnesses what the difference is between an embedded PST—or, in the province of Ontario, RST—compared to a value-added tax, which is what the GST is and what the future HST will be.

Currently, the PST applies to both business inputs and final goods and services, meaning that BC businesses pay 7% more for business inputs than their competitors in provinces that have harmonized sales taxes or no sales tax at all.

So as they point out here, Alberta has no sales tax—and I know, Mr. Chairman, you're from that fine province of Alberta. We heard earlier that New Brunswick, Newfoundland, and Nova Scotia have already, about 12 years ago, harmonized their sales tax. The Quebec government harmonized to an extent; they changed their QST from an embedded sales tax to a value-added tax. It might be not completely harmonized in that the other provinces gave up the collection aspects.

I know in my own business, when I had my own business, you had to submit a PST report and a GST report. My business was small enough that I was involved with the day-to-day operation, and there would be a PST auditor from Ontario, and you could then get audited on the GST. It was two different groups doing basically the same

function, making sure the company or the business had collected and submitted the appropriate amounts of PST and GST that they should have been charging. That was always nerve-wracking, even though the businesses I worked for always followed the law. You know, we're all human and sometimes you make mistakes and don't...and so on.

So it was something where the actual work of providing services or a product to customers basically got interrupted because of these audits. It took time away from what I would say is the value-add that a business provides its customers in trying to fill their needs.

● (2120)

That is why this is an important piece for business, as we heard earlier tonight.

"This difference is not insignificant", this article goes on to say; "\$1.9 billion (or approximately 40%) of annual provincial sales tax revenue in BC comes from taxing business inputs." So that's tax on tax. It adds up to about \$1.9 billion.

Because the current provincial sales tax applies to business inputs, it significantly increases the cost of investing in machinery, equipment, and technology. Consider, for instance, a business that purchases a \$1 million machine that improves the productivity and wages of its workers, and makes the business more competitive. Under the current system, the firm must pay provincial sales taxes on the purchase of this equipment. This additional cost raises the real cost of investment and makes business development more expensive in British Columbia than in other jurisdictions.

Of course, there are other jurisdictions that have an embedded sales tax. It's not quite the same, but for those who have the value-add pass-through system of sales tax, it is certainly a competitive advantage. This is why it is important, from a manufacturing point of view, from a services point of view, from a business point of view, that we support the provinces' decision to harmonize their taxes.

We heard earlier, Mr. Chair, that this is just for business. I would challenge anybody to name one business in this country—or any country—that can run without employees, that has no employees. Name me one business. Businesses are people, Mr. Chair. It's about jobs. It's about wages. It's about benefits for the community. There is not one single business.

I had people in the pipe business in my office today who move oil or natural gas from the refinery to the marketplace across the country. It's basically a pipe that's buried under the ground. There are a lot more pipes buried under the ground than I knew of, but I know about it now. That business would not operate without people.

That's why the argument that this HST is just about savings for business.... It is about creating jobs. It's about supporting people who have invested in businesses to create wealth in this country and provide the standard of living that we all enjoy. It's a standard of living that generations past have tried to improve for the next generation and that I am trying to improve for my kids by supporting the HST in my province of Ontario.

The report goes on:

Fortunately, the new harmonized sales tax will exempt business inputs, thereby reducing costs and the tax penalty on new business investment. Thus, reducing taxes on new business investment will improve the incentives for [such investment].

Mr. Chair, the industry committee had a meeting today with the Canadian Chamber of Commerce. They were able to talk about a number of issues, including the importance of allowing the provinces to amalgamate their sales taxes so that there is a more competitive environment, not necessarily just among provinces, Mr. Chair, but across borders. It is not just across the U.S. border that we now need to compete. It's clear that we can't just rely on the U.S. customer as we may have in the past. We have to compete worldwide.

The Canadian chamber was there telling us two things. One was that we have to continue the process of improving our tax structure so that business can compete on that level. The other was to improve the incentives for investment, whether it is venture capital, or other direct investments from individuals, or from the stock market, or wherever businesses can get money. Our ability to be more competitive from a tax perspective will make a difference in those investments and support the creation of jobs here in Canada.

Past experience with sales tax harmonization in Canada provides evidence that harmonizing sales taxes can boost investment.

This is from a report from Smart in 2007. I think it was mentioned earlier by one of the people we had in front of us from the Canadian Manufacturers & Exporters. They talked about the Smart report. It was Michael Smart in 2007. Here it is.

• (2125)

If you want to look it up—I know my friend from the NDP will want to do that—it's called “Lessons in Harmony: What Experience in the Atlantic Provinces Shows About the Benefits of a Harmonized Sales Tax”, and it's on the C.D. Howe Institute website. It's another think tank.

I know Mr. Mulcair probably reads those reports every week. He gets them.

Mr. Thomas Mulcair: They're good fire starters.

Mr. Mike Wallace: Well at least you do something with them.

Mr. Smart is somebody you might want to look at. That was referenced earlier tonight.

Hon. John McKay: Don't repeat yourself, Mike.

Mr. Mike Wallace: I can start from the beginning if you wish, but I only have 15 more minutes.

The Chair: In French.

Mr. Mike Wallace: *Oui*. Some day I'd like to be able to do it in French, to be honest with you. I've been working on it, but I'm not very good so I'm not going to try tonight.

The Chair: Thank goodness for small mercies.

Mr. Mike Wallace: I'll continue:

In 1997 three Atlantic provinces (Newfoundland and Labrador, New Brunswick, and Nova Scotia) harmonized their previously independent provincial sales taxes with the federal GST. Professor Michael Smart of the University of Toronto...

—he wrote for C.D. Howe, but he is a professor at the University of Toronto, so you have to give him some credibility for that—

...examined the effects of the harmonization in Atlantic Canada and found that, after the 1997 reforms, per capita investment rose by more than 11% in the harmonized provinces compared to the non-harmonized provinces.

People have been asking us to prove that it works. Well, we have a report here showing that 12 years ago there was an 11% increase in investment. Investment in machinery increased by more than 12% above the level of investment that existed prior to the 1997 reforms. All that is included in Professor Smart's report.

Another report is quoted here. It says:

Harmonization will also reduce unproductive tax compliance costs for businesses.... Currently, the group of goods and services upon which BC's PST is applied (the tax base) differs from the tax base used for the GST. Differing tax bases, along with a host of different rules, force businesses that collect sales taxes to operate with two sets of sales records and two sets of compliance and reporting requirements. By simplifying the recording and reporting processes, harmonization is estimated to save BC businesses approximately \$150 million annually in tax compliance costs.

Unfortunately, British Columbians will likely be exposed to many faulty objections and misperceptions regarding the HST over the coming weeks and months by those seeking to derail this reform.

A common misperception is that harmonizing the provincial sales tax with the GST results in a shift of the tax burden from business to individuals. This stems from the fact that business inputs will be exempt from the HST while a whole host of goods and services will be added to the tax base. Indeed, the expansion of the tax base is the primary reason why harmonization can occur at the existing 7% PST rate in a revenue neutral fashion.

If you look at what happened in other provinces that harmonized—and I think it was mentioned by speakers earlier tonight—in Newfoundland and Labrador, if there had been a complete amalgamation of the rates it would have been 18%, but it's actually 15%. That's because the province decided to reduce the number at the time of the amalgamation of the GST with their provincial sales tax. So there are options, but those options are provincial decisions.

Since the last amalgamation of GST and PST we've reduced the GST from 7% to 5%. I think we've done our share in reducing the sales tax burden that exists on our value-added tax. There is an option for provinces that are looking at amalgamating, if that's a choice they would like to make. I think it's still a choice, because the implementation of the new HST won't occur until the summer of next year.

I've encouraged my local folks to talk to their provincial counterparts, who are going to be able to make the decision, to look at what exemptions they're offering. In my view, a better system would be to look at reducing the actual portion of the HST that the province is collecting. So reduce from the 8% that's there now to maybe 7% or even 6% in Ontario. I'm not sure that's going to happen. But that's my suggestion on the approach for people who are not excited about the HST.

•(2130)

It's a provincial decision. What we're doing is putting in a framework, treating all provinces equally. Twelve years ago provinces were able to amalgamate their sales taxes. There's no reason we wouldn't allow additional provinces to continue that process. It's their choice, and that's exactly what this bill does: it provides choice for those provinces to do so. We're hearing from Ontario and British Columbia, of course. Manitoba has thus far indicated it's not that interested. I haven't heard from Saskatchewan, but maybe it's decided. I think for them to be competitive they will all have to look at it eventually.

Fortunately, if you live in Alberta, there is no provincial sales tax, so it's very difficult for it to amalgamate something it doesn't have—we'll see what happens in the future.

The article goes on:

However, the tax shift argument ignores the fact that the provincial sales tax is embedded in the price of many of the goods and services that are currently exempt from the PST. Since business inputs (goods and services) are taxed, consumers pay higher prices, even if the final good or service is not taxed. In his study of the Atlantic provinces Professor Smart found that...consumer prices in the harmonizing provinces...fell after the 1997 reforms...

—which somewhat offset the imposition of the sales tax.

We heard that from officials and people from the Chamber of Commerce. They couldn't put their fingers on exact numbers, of course. There was a reference to the experience that Canadians on the east coast had. Professor Smart at the University of Toronto, on behalf of the C.D. Howe Institute, has indicated that savings were passed on, and “As a result, overall consumer prices in the harmonizing provinces actually fell after the 1997 reforms. In addition, the tax shift argument fails to recognize that the burden of all taxes ultimately falls on people”—which is true. Eventually most companies or all companies, whatever taxes they're paying, add it to the price of their goods and they pass it on to the next individual, whether it's an input to the next company or to their final consumer, “in the form of higher prices, lower wages, and/or reduced rates of return on investments”.

BC's harmonized plan does have one critical flaw, however:

This is B.C. I think it's fair. I want to read you what Mr. Smart has to say. He feels its date should have been sooner:

Delaying implementation until mid-2010 may cause some businesses to hold off on major capital purchases—the opposite of what is needed in the current economic environment.

I'd remind you that this article was published this past September, obviously when things were not great. This was probably written before that, it's a middle-of-the-recession piece. His comment was that the province should have moved on it more quickly and not waited.

In reality, when there's this kind of change, giving businesses an opportunity to adjust is probably the correct thing. The author does make the point that it's possible businesses would have waited to make their capital purchases. The argument could be made the other way, that some things may be taxed in the future, which has got people to purchase in advance or move things up—home purchases, those kinds of things. So I think there's a balance there.

He goes on:

While it could be moving more quickly, the BC government should be commended for its decision to implement a harmonized sales tax. Improving the investment climate, increasing the competitiveness of BC-made products, and reducing tax compliance costs with little or no effect on consumer prices is wise economic policy. And that wise policy will ultimately benefit British Columbians through higher rates of economic growth, more opportunities, and a higher standard of living.

Mr. Chair, that's the end of that particular article.

•(2135)

There are quite a few references and notes, but I have others that I would like to talk to you about. In the meantime, I would like to thank the Library of Parliament for the work and reporting they've done. There is an excellent chart at the back of their report. It talks about the RST versus the value-added tax. I wanted to point that piece out.

One group that I thought was interesting and that provided us with some valuable information was the Tax Executives Institute. We heard from this group during the review of our pre-budget consultations. Who are the tax executives? I think it's an important group. These are the people in relatively large companies who actually calculate the taxes, the tax experts within these organizations.

We have tax experts here from the ministry, and we appreciate the work they do. We work around here, but the vast majority of government work is done by its bureaucracy, and I want to thank them for that. They're here at 9:45 listening to politicians talking about stuff they already know. It's not quite there yet. I appreciate every time we have an opportunity to have you in front of us. I appreciate the answers. I may not always agree, but I'm sure they're factual. I have been wrong in the past and will be wrong again. But there is so much to know. Members of the committee can't know everything. Having you and your expertise and experience should give us comfort that there are people of talent looking after things for us.

Hon. John McKay: They're still working for you.

Mr. Mike Wallace: They are still working, unfortunately.

But here's what the Tax Executives Institute had to say:

Harmonization of Federal and Provincial Tax Bases and Administrative Systems

The federal government has undertaken several initiatives to encourage the provinces...

—and I want to underline it's “to encourage the provinces”. It's not forcing the provinces to do anything; it's “encouraging the provinces”, and that's what this act is about, right, John?

...to adopt tax policies that promote Canada's competitiveness and to approve the administrative efficiency of the provincial systems.

They don't say “of the federal system” but “of the provincial systems”. That applies to all provinces, including Quebec.

We commend the government for providing financial incentives to the provinces to eliminate their capital taxes... We urge the Standing Committee to consider additional incentives to the provinces in order to accelerate elimination of... provincial capital taxes and to promote additional investment in Canada.

They are clear in their submission—and I'm going to read a little more of it—that the role of government isn't to pick winners and losers, but to have a tax structure system to make us more competitive from a tax perspective compared to not only our internal competitors from province to province but internationally. And I think that's really where their focus was: to make sure that we can be the areas with the lowest taxes in North America, to encourage investment to come into Canada, not to go out of Canada, and to allow us to be competitive on a much more global stage.

As we know, there are other markets—including India or China, which the Prime Minister recently visited—that can be a double-edged sword if we're not ready for them. So from a tax perspective, we need to have our companies in a position to be competitive with those marketplaces so that we can take advantage of that new and growing middle class that's happening in both of those marketplaces and so that we can be competitive.

Now, we can't be competitive on everything, but the value that Canada can add in terms of the quality of companies that we have here and the types of services and products we provide, whether financial services or other types of development, health care and all those other areas, will be in high demand in those jurisdictions, and we need to be ready for those.

We also commend the federal agreement with Ontario whereby Ontario will conform its corporate income tax base to the federal corporate tax base and the federal government will assume administration of Ontario's corporate income tax system.

So they're saying in this that it's not just about sales tax—and I'll get there in a second—but it's also about the corporate tax system that we have been advocating for and improving. They're thanking us, but we should be thanking the provinces, which have moved to improve their corporate income tax system to try to be as competitive as possible.

Similar moves by other provinces would improve the overall efficiency of Canada's business tax structure.

We also recommend that the Standing Committee encourage the provincial governments to...review...their corporate income and sales tax policies and [effect] rate reductions and tax base changes to [enhance Canada's tax] competitiveness.

Mr. Chair, this is exactly what I was referring to earlier. When they talk about encouraging the province to review their sales tax policies and effect rate reductions, that is why I think we should be encouraging, through this bill that we have in front of us, and allowing provinces to amalgamate, absolutely, but, in addition to that, we should look at the results and the benefits that have happened in the Atlantic provinces. I like to use Newfoundland as an example, where they have made some changes to their rates on the sales tax side, which has made a difference.

I was at an annual meeting, as I said earlier, this past weekend. The speaker—

• (2140)

The Chair: Mr. Wallace, I'm sorry, but I—

Mr. Mike Wallace: Oh, geez. I had three more to go.

Mr. Ted Menzies: He was just getting to the good parts.

The Chair: Okay.

Just for the benefit of the committee, I'm going to read the order of the House, because the Order of the House is very specific. As members know, the committee must follow the Order of the House as worded:

not more than four hours following the adoption of the second reading motion,...

—which was at 5:43 p.m., and it's now 9:43 p.m.—

...any proceedings before the Committee to which the bill stands referred shall be interrupted,...

—as I'm doing now—

...if required for the purpose of this Order, and in turn every question necessary for the disposal of the committee stage of the bill shall be put forthwith and successively without further debate or amendment; a representative of the Committee may report the bill to the House by depositing the said report with the Clerk of the House, whereupon it shall be deemed to have been duly presented to the House, provided that if the bill is not reported from the Committee by 11:00 p. m. on the day of the adoption of the second reading motion, the bill shall immediately be deemed to have been reported from the Committee without amendment.

This means that, as the chair, I have to go immediately to put every question successively and without further debate or amendment. Therefore, shall clause 2 to—

• (2145)

Mr. Thomas Mulcair: I have a point of order.

The Chair: All right, Mr. Mulcair.

Mr. Thomas Mulcair: I'd like to get on the record that my parliamentary privilege has been affected by the inability of this committee to function. I won't go into the reasons now; they will be discussed tomorrow. If we had had the extra half hour, the modification proposed by the first nations could have been presented. This seriously affects my rights as a parliamentarian, and I will be raising it in the House tomorrow.

The Chair: Thank you, Mr. Mulcair.

Shall clauses 2 to 44 carry?

Mr. Thomas Mulcair: Don't you have to call them one by one? You just said you have to respect the order. If you have to respect the order, call them one by one.

[Translation]

I would ask for a recorded vote, Mr. Chairman.

[English]

The Chair: No.

Shall clauses 2 to 44 carry?

(Clauses 2 to 44 inclusive agreed to: yeas 10; nays 1)

The Chair: Shall the schedule carry?

[Translation]

Mr. Thomas Mulcair: I have a point of order, Mr. Chairman.

At the beginning of the evening, you explained to committee members that once the amendments had passed, we could table an amendment regarding the addition of a new schedule.

[English]

At the beginning of the evening, you told us that only when the clauses were adopted could we look at the amendment adding the request of the first nations with regard to a new schedule 11.

I'm willing to make the following offer and I would like you to entertain it. If, on the one hand, we're able to vote without debate on the amendment as proposed by the first nations, I will consider this a sufficient answer to my point of privilege for tomorrow. If, on the other hand, you insist that we don't have the ability even to vote on that three-line schedule, then I'll have no choice but to raise the point of privilege tomorrow.

The Chair: Mr. Mulcair, I appreciate the point of order, but the reality is, as I am advised and as I read this order of the House myself, I have no discretion as the chair.

Mr. Thomas Mulcair: With respect, I'm going to try to help you out here. I would like to make a friendly point to help you.

The Chair: If you wish to raise this as a question of privilege, you have every right to do so.

Mr. Thomas Mulcair: Of course I do. But I think we should avoid troubling the House with a point of privilege. My needs can be satisfied if you would only respect your own decision at the beginning of the meeting. You said at the beginning of the evening that once we had adopted the articles we could look at the amendment with regard to the schedules. You looked at me as you said this, because you knew that we wanted to make this amendment for the first nations. We still want to make it. We can avoid a lot of hassle tomorrow and avoid a point of privilege if you simply allow this amendment to be read—it's three lines long—and the vote to take place. If you do that, we've taken care of the problem.

The Chair: I'll hear Mr. Paillé on the same point of order.

[Translation]

Mr. Daniel Paillé: I will not quote my colleague to the left when he referred to slavish translations of documents in French written in his own working language, but I personally find it unacceptable that someone could even consider the idea of tabling an amendment written in English only. That shows contempt for my rights and I will never accept a slavish translation in French from his working language.

Mr. Thomas Mulcair: Out of a desire to assist my friend and colleague, Mr. Paillé, I would like to inform him that a document cannot be tabled in one language only. People will receive it in both languages.

[English]

The Chair: I've ruled on the point of order. It is an order of the House. The chair of the committee does not have discretion on this matter. That is my statement. It is an order of the House. I am following the order of the House. Committees, as outlined in the new book, are creatures of the House of Commons. So we shall proceed.

• (2150)

[Translation]

Mr. Thomas Mulcair: I would like a recorded vote, Mr. Chairman.

[English]

The Chair: Shall the schedule carry?

(Schedule agreed to: yeas 10; nays 1)

The Chair: Shall the short title carry?

(Clause 1 agreed to [See *Minutes of Proceedings*])

The Chair: Shall the title carry?

(Title agreed to [See *Minutes of Proceedings*])

The Chair: Shall the bill carry?

(Bill C-62 agreed to [See *Minutes of Proceedings*])

The Chair: Shall the chair report the bill to the House?

Some hon. members: Agreed.

An hon. member: No.

[See *Minutes of Proceedings*])

The Chair: Thank you, colleagues. *Merci beaucoup.*

The meeting is adjourned.

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