



CANADA

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OFFICIAL REPORT
(HANSARD)

Tuesday, November 24, 1998

Speaker: The Honourable Gilbert Parent

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HOUSE OF COMMONS

Tuesday, November 24, 1998

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

• (1005)

[*Translation*]

GOVERNMENT RESPONSE TO PETITIONS

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

* * *

[*English*]

COMMITTEES OF THE HOUSE

FINANCE

Mr. Maurizio Bevilacqua (Vaughan—King—Aurora, Lib.): Mr. Speaker, I have the honour to present, in both official languages, the ninth report of the Standing Committee on Finance.

* * *

PETITIONS

PROSTITUTION

Mr. Steve Mahoney (Mississauga West, Lib.): Mr. Speaker, I have two petitions. The first is signed by approximately 70 folks from my riding and the surrounding area, all of whom are members of the Mississauga Gospel Temple. The petition has to do with their concerns about prostitution. They pray that parliament pass a bill which would change section 213 of the Criminal Code to make prostitution a hybrid offence and enable these offences to be prosecuted as either a summary or an indictable offence.

SEXUAL OFFENCES

Mr. Steve Mahoney (Mississauga West, Lib.): Mr. Speaker, the second petition is signed by approximately 80 members of the Mississauga Gospel Temple and deals with a request to pass Bill

C-284 to ensure that the record of a sexual offence against a child for which a pardon has been given is disclosed to children's organizations when they perform a criminal record check on an individual applying for a position of trust involving children.

I am pleased to present both of these petitions on behalf of the congregation of the Mississauga Gospel Temple.

PROPERTY RIGHTS

Ms. Wendy Lill (Dartmouth, NDP): Mr. Speaker, I would like to present a petition on behalf of over 150 residents of my riding who live in a subdivision called Lancaster Ridge. The petition outlines the grave concerns they have regarding a longstanding dispute between the Gay family and the Department of National Defence concerning property known as Cannon Crescent which is situated on the Albro Lake Road.

• (1010)

This dispute has caused enormous problems for this community and the petitioners pray that the House of Commons will urge the Minister of National Defence to bring all parties together in this dispute with a view to finding a reasonable and equitable settlement.

* * *

[*Translation*]

QUESTIONS ON THE ORDER PAPER

Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, Question No. 141 will be answered today.

[*Text*]

Question No. 141—**Mr. John Duncan:**

Could the government indicate, for each of the fiscal years 1993-94 to 1997-98, in relation to the Pacific Rim National Park: (a) the cost, on an annual basis, of operating and maintaining the said park; (b) the moneys allocated to the park for regional and national costs; and (c) the revenues generated from parking fees?

Hon. Andrew Mitchell (Secretary of State (Parks), Lib.): (a) Figures on the cost of operating and maintaining Pacific Rim National Park Reserve on an annual basis for fiscal years 1993-94 to 1997-98 are presented in table 1.

(b) There have been no additional costs to the park for regional and national events—Oceans Day or Canada Day—other than staff time as the headquarters office supplies material for distribution. For a roll up of the salaries actually paid to all employees of the

Routine Proceedings

park, whether they worked part time or full time, see note (2) in table 1.

(c) Unlike many national parks, Pacific Rim National Park Reserve does not have gates to regulate visitation. Instead, park use fees are implemented via machines in the parking lots, which may result in some misunderstanding of the intent of the fees. This

fee contributes to the maintenance of facilities and services such as visitor centres, information centres, washrooms, information exhibits-materials, day use areas, picnic sites, surf guards, film programs, et cetera. If visitors have purchased the western Canada annual pass and it is displayed appropriately, they do not need to purchase a day use pass from the machine in the parking lots. See note (6) on table 1.

Table I: Pacific Rim National Park Reserve—Statement of Expenditures and Revenue (1993-94 to 1997-98)

Expenditures: Operation, Capital and Salaries ⁽¹⁾					
	1993-94	1994-95	1995-96	1996-97	1997-98
Operating and maintenance	\$697,790.68	\$797,674.35	\$925,046.92	\$994,099.85	\$1,210,343.32
Capital	\$999,444.59	\$1,312,298.85	\$1,176,638.09	\$1,382,578.80	\$970,737.29
Salaries ⁽²⁾	\$1,663,098.61	\$1,825,624.69	\$2,277,429.46	\$2,299,522.89	\$2,336,849.18
Total	\$3,360,333.88	\$3,935,597.89	\$4,379,114.47	\$4,676,201.54	\$4,517,929.29
Revenue ⁽³⁻⁴⁾					
	1993-94	1994-95	1995-96	1996-97	1997-98
Fees for					
Day use pass	N/A	\$330,000.00	\$366,277.62	\$301,591.25	\$373,073.01
Annual pass	N/A		\$12,788.98	\$27,055.43	\$36,214.44
Annual senior pass	N/A		\$1,566.16	\$1,918.44	\$2,070.41
Western region pass	N/A		\$17,702.76	\$28,434.85	\$22,051.66
Compliance	N/A		\$13,372.04	\$5,275.02	\$25,085.61
Strathcona Park Lodge	N/A		\$0.00	\$0.00	\$542.07
Bus pass (New 1997-98)	N/A		\$0.00	\$0.00	\$411.20
Green Point drive-in camping	N/A ⁽⁵⁾	\$224,000.00	\$261,517.92	\$261,959.40	\$278,831.03
Green Point walk-in camping	N/A		\$52,779.05	\$54,432.57	\$49,116.83
Heritage presentation	N/A	\$17,000.00	\$26,650.42	\$47,848.93	\$31,456.25
Sales of maps-video-books	N/A		\$8,657.44	\$13,318.77	\$18,336.65
West coast trail reservations	N/A	\$28,000.00	\$130,056.72	\$162,233.57	\$145,289.61
West coast trail hiking fees	N/A		\$353,465.12	\$400,383.21	\$423,147.25
Total Revenue		\$599,000.00	\$1,244,834.23	\$1,304,451.44	\$1,405,626.02

(1) Figures from year end FINCON, financial control system report;

(2) This is a roll up of the salaries actually paid to all employees of the park whether they worked part time or full time;

(3) Revenue figures for 1996, 1997, 1998 from FINCON, financial control system;

(4) Revenue figures for 1994-95 from the park files;

(5) Green Point campground fees collected for 1993-94—records not available: estimated at \$200,000;

(6) Unlike many national parks, Pacific Rim National Park Reserve does not have gates to regulate visitation. Instead park use fees are implemented via machines in the parking lots. Highway 4 is a through highway. As long as travellers do not turn off and park, i.e. to use park facilities, there is no charge. The park use fee contributes to the maintenance of facilities and services such as visitor centres, information centres, washrooms, information exhibits-materials, day use areas, picnic sites, surf guards, film programs, et cetera. If visitors have purchased the western Canada annual pass and it is displayed appropriately, they do not need to purchase a day use fee from the machine in the parking lots.

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Additional Notes of Explanation:

“N/A”: 1993-94—revenue was not collected in the park except for Green Point campground.

1994-95—the first year revenue was collected for day use, west coast trail usage, camping and attendance at events using the machines located in the parking lots.

Oceans Day is no cost to the park—only staff time.

Canada Day is no cost to the park—only staff time.

The revenue figures for Pacific Rim National Park Reserve are presented as part of table I. Computerized records for revenue were not available in the park from the financial control system, FINCON, for fiscal years 1993-94 and 1994-95, so park files were used to prepare the figures for those years.

[*Translation*]

Mr. Peter Adams: Mr. Speaker, I ask that the remaining questions be allowed to stand.

The Acting Speaker (Mr. McClelland): Is it agreed?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[*English*]

CANADA SMALL BUSINESS FINANCING ACT

Hon. Jim Peterson (for the Minister of Industry) moved that Bill C-53, an act to increase the availability of financing for the establishment, expansion, modernization and improvement of small businesses, be read the third time and passed.

Mr. Steve Mahoney (Mississauga West, Lib.): Mr. Speaker, I am pleased to lead off this debate on third reading of what we in the government believe is an extremely important piece of legislation which will help small businesses right across Canada, including farming operations and any business defined as a small business with revenues lower than \$5 million a year. It is not really that small a business. From my perspective and in the community that I come from \$5 million a year in productivity would be seen as a fairly successful business.

It is important that the government define small business. We recognize the significance of the small business community in terms of job creation, economic growth, exports, leading technology, new IT inventions and entrepreneurship. All of the aspects of life in this great democratic country that we live in are really encapsulated in the definition of small business.

If we think in terms of what our young people are going to do 10, 15 or 20 years down the road, many of them will have opportunities to start their own small business. Many of them will work within a small business atmosphere. It could be in the insurance industry, in real estate or in the automobile industry. Small business is like the river flowing downstream. It springs out of all of the major industries that exist in our country.

There have been many concerns raised recently by members of the automobile dealers' association, for example, and we would class many of them in the small business category. Whether or not they could benefit directly from the Small Business Loans Act may be questionable since their main requirements are in the area of high ticket inventory. They need to have their own financial arrangements in many cases with either the banks or their in-house financial institution. If we think of the spinoffs from an automobile dealer as an example, they can be in parts, add-ons and after market products that are available in the community for people who want to upgrade.

The same can be said of the housing industry. We may think that a developer in a community like Mississauga may not be classed under this definition as a small business.

• (1015)

Granted, they deal in hundreds of millions, at least tens of millions of dollars in gross revenue. However, spinoffs occur every time there is a development approved, every time there is a subdivision approved and every time a single home is built.

It is this government's response to the spinoffs of those businesses to make capital available through new leasing arrangements, through capital lending, through various access points within the Small Business Loans Act. That is probably the number two concern of small business in this country.

The number one concern would be human capital and the lack of properly skilled individuals. For instance, if someone talks in terms of the construction industry, they would be concerned about the lack of human capital available in the trades.

People today tend to think their sons and daughters should all become doctors or lawyers, or maybe even parliamentarians one day.

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I have a 23 year old at home who will be taking an apprenticeship job as an electrician. That is wonderful because he will probably save me from electrocuting myself somewhere down the road.

Being an electrician is a terrific opportunity for a young person. It could lead to the establishment of a small business or it could lead to that young person working within another small business with an entrepreneurial flare and an entrepreneurial spirit.

This bill, frankly, is designed to help those companies which will create those jobs.

We mouth platitudes ad nauseam in this place, particularly when it comes to our youth and our small businesses. However, no one can deny that the future of the workplace is very uncertain for a young person coming out of school, either leaving school before graduation or graduating from school.

If government has one responsibility, I would submit that it is to create an atmosphere that is positive for business to work in harmony with labour so that they can create the jobs and the value-added products that are needed to make this an even more successful economy.

We can do that in many ways. One way, I submit, is by providing an instrument such as a small business loan, a guarantee to the financial institutions.

We tend to indulge in the art of bank bashing with some regularity, but the reality is that 55% of the capital made available to small business comes from our main large banks. Why do they do it? They do it because it is an opportunity to put something back into the community and also because, in the case of the Small Business Loans Act, they have the guarantee of the Government of Canada.

The way it works is that somebody has a small business that they want to start up. There is criteria that must be met. There are business plans that must be filed and submitted.

Frankly, this is a process I find extremely helpful, having gone through it myself in the past. There are programs such as the former new ventures program that came out of the province of Ontario. Other provinces in Canada I am sure have had similar types of programs available to assist business.

In the case of the new ventures program, it was a top-up. It was a matching of \$15,000. It was not a lot of money, but maybe enough to put that business over the top in terms of its financial requirements. That \$15,000 had to be matched by the actual owner, or the applicant in this case.

The reason I bring this point up is that if someone was successful at completing the business plan required to qualify for a new ventures loan, if the person could actually get through it and still

wanted to go ahead, chances were they had a reasonable chance of success.

The same thing is true with the Small Business Loans Act. Bill C-53 simply improves that situation by making access to capital somewhat easier. It is important, in my view, that the word easier be taken in the proper context. Sometimes the best loan a small business can receive is the one it does not receive. Sometimes the small business needs help in terms of mentoring, which it can get from our Federal Business Development Bank. It may need assistance in consulting. These businesses do not necessarily need an influx of cash and the added burden of additional debt. I think it is extremely important that we look at the impact of additional debt when we are talking about the success of small business.

• (1020)

Bill C-53 is not designed to increase the burden of debt on small businesses. Instead it is designed to meet three basic objectives: to continue helping small young businesses access financing, to increase program accountability and to move the program toward cost recovery.

I want to take a moment to talk about each of these objectives.

With respect to continuing to help small business access capital, the new rules for leasing recognize that there is a rather non-traditional way of financing the purchase of heavy equipment, perhaps trucks, tractors, trailers or perhaps leasehold improvements in a new operation to take that business into the forefront. Perhaps an entire revamp of the business premises is required.

Banks, without the support of the Small Business Loans Act, without the support of the Government of Canada, would be loath to lend money for things like these because of the quickness of the depreciation once the asset is in place. That is a very difficult problem for small business.

In reality what small businesses have to do in many cases is put up their first born male child or their first born female child as collateral before the banks will entertain the thought of lending them the money. Actually there might be an advantage to that in some instances.

An hon. member: Some won't take them.

Mr. Steve Mahoney: Some will not take them my friend says.

But the fact is that at times the requirements are much too stringent and are simply not available. Generally speaking, people who start small businesses in many cases are also starting small families. In many cases they are young, energetic, full of enthusiasm and entrepreneurial spirit, but they have not built up an asset base. I think that is true in many different facets of small business.

It is a bit like the old accusation that is made against the banks, which I referred to earlier, that the minute it starts to rain they take away your umbrella. In a similar sense, to a small business

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applying for a loan, the bank might say that if they do not have enough collateral to ensure the bank can recover its money, if their ideas, efforts and hard work fail, then it will not lend the money. If the small business has enough, the banks will lend it to them, but if they do not have enough they probably do not need it. It is really a double-edged sword.

I am not a fan of government intervention on a large scale. I am not a person who believes that government can necessarily do it better. What we need to do is harness the creativity of Canadians to allow them to open doors that heretofore may not have been available to them.

I believe that by continuing to help small young business access capital, as point number one in this bill addresses, we will do that. We will say to Canadians that we are not here to give them a free ride. We are the government. They have to file their business plan for approval by the bank, the lending institution or the leasing company. It is not up to the federal government to approve these applications, it is up to the lender. The lender will have criteria that the business person must meet, and it is to their benefit to meet it.

If the business can qualify for the loan and the only problem is access to credit, access to collateral, then the government is willing to stand in and supply that credibility. However, the government is not willing to do that without any concern for the third point, and I will come back to the second one in a moment, which is cost recovery.

It is important that governments recognize that throwing money at a particular problem is not going to solve it. I have said in this place before, and I believe very strongly, that we should eliminate the word spending from government jargon and replace it with the word investing. The reason for that is that we are trying to tell people that we are here to invest in what they believe in. We are here to invest in their hard work and dedication as contributors to the overall economic good of the country, and to create jobs and all of those good things, but we are not just going to spend. We want to make sure we get that money back. It is a very reasonable approach to take.

• (1025)

Industry Canada has invested on a large business scale millions and millions of dollars in aerospace. In my riding we have AlliedSignal which is a multibillion dollar worldwide corporation. Why would a business like that need the help of government?

As an out and out grant, that is not available, and it should not be. But we will make an investment that is tied to a specific program. I will give the House an example that relates to small business in the sense of spinoffs with respect to the other businesses that would be created.

AlliedSignal has developed a new technology for de-icing that hopefully will take away from the environmentally damaging

de-icing liquid that is currently used. If this is successful it will lead to safer aviation, particularly in this country where we live with eight months of winter and four months of bad skating. We know the importance of de-icing aircraft.

AlliedSignal has invented this and the government has invested \$25 million to assist it in bringing the product to market, but we want it back. We want a share in the success of that program. Why should we not? The royal "we" in this case happens to be the shareholders of the corporation of the country of Canada, the taxpayers, and they deserve to see cost recovery in that instance.

The spinoffs from a company like AlliedSignal which developed this wonderful new technology, which received capital to invest on behalf of the Canadian taxpayer, will lead to jobs and greater safety in the aviation industry. It will also lead to smaller businesses which will provide products to AlliedSignal to develop the components that are necessary to put together this new technology.

Those small businesses, many of them with fewer than 50 employees, need assistance. They cannot rely on a fund from Industry Canada that talks in terms of investing \$5 million, \$10 million or \$25 million. They could not possibly handle that kind of debt load, but they can access through the Small Business Loans Act credit or cash to allow them to grow their business and provide the products necessary to a company like AlliedSignal, General Motors, Ford or any of the larger businesses.

There is a direct correlation between government, big business and small business and it makes sense for us to have a mechanism in place that will ensure that small businesses, which are the real engine of our economy, which are the main creators of jobs in Canada, have the ability to grow and to function.

The second point is accountability.

It is extremely important, if we are providing capital funds, or guarantees as opposed to funds, through banks, credit unions, leasing companies or whatever the lender, that the accountability rest right here in this place. It is my view that Bill C-53 will indeed provide that accountability to parliament. There will be annual reports.

I serve on the public accounts committee with members from both sides of the House and they will know that the auditor general is a hawk. The auditor general is someone who will not allow a program to simply run along without any accountability. The auditor general will do an analysis of virtually every department, of every program, of every division, of every aspect of this Canadian government. In my view the auditor general functions as the guardian for the Canadian people to ensure that no government regardless of its political stripe gets carried away in simply handing out taxpayer dollars. The one thing that we have to do when we talk about accountability is come back to the fundamental premise that has been established by this government under the leadership of the

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Minister of Finance and the Prime Minister, that we have to pay our way.

• (1030)

I know members get tired of hearing this, but it is a fact, it is the truth. We have eliminated the overdraft. We have eliminated the deficit, yes with some pain, yes with tremendous help and assistance by the Canadian people. But the reality is it has been done.

We cannot take all the credit nor should we try, but clearly it is the Prime Minister and the finance minister who are at the controls of the good ship Canada to ensure that we follow that particular fiscal route, and that is being done. This bill frankly fits into that as well.

There is another aspect that I think we tend to overlook at times and that is the volatility and the problems in Asia. Members will dismiss the crisis. I note this morning in the news that the Toronto stock exchange has shot up and everyone is excited. But we all know that tomorrow it can drop right down. Does that affect small businesses? They may not be publicly traded companies. In the case of companies that have lower than \$5 million a year in revenue I would suggest they are not. But they can be impacted. Many of their customers are publicly traded companies and they rely on the overall health of the global economy and the overall strength of the Canadian economy for their success.

At times we dismiss it. We tend to pretend this is just in the news. What is happening in the far east, what is happening around the world, some of the instability, some of the violence, some of the problems, the potential for war, all of this has the ability to restrict our ability as humankind to grow and to prosper.

Back in 1989 I led a trade mission on behalf of the hon. David Peterson to Great Britain. It was at a time leading up to the formation of a united Europe and the possibility of a single currency in that part of the world and increased opportunities for freer trade around the globe. There were 10 people in the entourage. We arranged meetings with these folks. At the time I had the distinct pleasure of being the small business advocate for the province of Ontario. My job and the job of the officials who were with me on the trip was to try to make deals and try to put people together. I should correct myself. It was not to make those deals but to put the people together in the same room, in the same part of the country within the businesses to see if there was a possibility of a deal being made.

The reason this was so exciting was the opportunity to use Great Britain, with a common language, a common type of government, an understanding and a comfort level that Canadians could enjoy. To use Great Britain as the launching pad for these small companies to move into the European market was very exciting.

There was one business from Richmond Hill, a broom manufacturer. People would say "Exporting Canadian brooms? Surely they make those in other parts of the world". The reality was that while they do, the quality of that product, the low cost of that product, the availability in terms of volume were such that the owner of that business was able to strike a deal to start exporting into the United Kingdom and ultimately into the rest of Europe. That was a small business, very much so. I think it was a two person operation. It would bring other people in to continue the manufacturing process as needed.

I say hello to the member from Parkdale this morning who also reminds me about the significance of women in small business. I know that member has worked diligently with women entrepreneurs. I believe it was the member from Parkdale who led a delegation of women to Washington, along with some members of our ministries, to talk about the potential for women in the area of entrepreneurship and the ability of women to come in with their energy and their new ideas to find ways to develop exportable markets.

• (1035)

The member knows better than I that the difficulty women have experienced is availability of capital. It has been a problem for many decades. Bill C-53 will help women entrepreneurs access capital through the mechanisms whether it be the banks or the credit unions. I note also that the member recently published a very extensive document on credit unions and their role in the small business market.

Credit unions really are an alternative to the banks if Canadians do not like the way they are being treated. Many do not. Many find the large banks are so bureaucratic. They are worse than government if that is possible. They create an atmosphere that is very frustrating. Their requirements are too stringent. There is little ability for someone who does not have the time because they are running a small business. They have employees to keep on track. They have payrolls to meet. They have sales to meet. They have equipment. They have EI to pay. Thank God they do. They pay EI for a good reason. It is to provide safety for their employees. It is to ensure that if there is a downturn and they have to lay those people off there is something there for them.

What is interesting is that members harp on what they call the EI surplus but they fail to go back to the Mulroney days when things were a little less stable. We ran a \$42 billion dollar deficit.

An hon. member: Oh, oh.

Mr. Steve Mahoney: I am not sure but the member used to be a Conservative, Social Credit and now Reform. The member would know from his vast experience in British Columbia that a program such as employment insurance is extremely important to all Canadians. It is important to the workers but it is also important to

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the employers. How could a small business survive if it did not have the insurance policy like employment insurance? How could its employees survive if it did not have that insurance policy?

I notice puzzled looks opposite. It has astounded me to no end that from day one the Reform Party has been unable to support this bill. What does it have against small businesses? It is a puzzle. The words do not match the actions in this case. I do not want to get into a rant. I promised myself that I am going to start leaving Reformers alone as much as I can. It is difficult but I am going to suck it up, try to be a good boy and not pick on them. We know what happens. Every time I talk in this place and give Reformers a hard time there is some guy in British Columbia who phones my office and rants and raves that I am such a meanspirited person. I really am not. I have this inability to put up with nonsense that comes from across.

I will get back to Bill C-53. I want to talk about the arguments the members opposite make all the time about our being a big nasty government and we invoke something that the Canadian people know as closure. Let me give those members the history of this bill and how we arrived here. Pay attention and take some notes Get your crayons out.

• (1040)

In November 1997 the Minister of Industry introduced Bill C-21 to extend the lending period of the Small Business Loans Act to one year until March 31 to allow sufficient time to conduct a comprehensive review. It would take into account three considerations paramount for its continuation.

Because we were here when that happened, I was very confident that this did not spell the end of the Small Business Loans Act but more likely the modernization of it, the cleaning up of it. Any program that has been in place as long as this one, which I believe is 37 years, should be looked at and reviewed not only by the auditor, which has happened, but also by this parliament.

The points I made earlier is that it must be relevant to the needs of small business, financially self-sustaining and it must have an adequate accountability framework. Those are the three sorts of legs of the stool that I pointed out earlier that are very important.

In December 1997, to follow the bouncing ball, the auditor general issued his report on the first audit of the SBLA in a decade. That is a long time. Frankly, I hope the auditor general does not wait 10 years to do it again. I think it is extremely important for Canadians to have confidence that it is working, that it makes sense, that it is accountable, that the cost recovery is there and that it is a successful program to help small business.

In that report he expressed concerns about the lack of a clear definition about expected results, areas for improvement in the management and delivery of the program and the adequate provi-

sion of information to parliament. These are again points that I have referred to in my dissertation this morning.

In February 1998 the Standing Committee on Public Accounts had the auditor general and Industry Canada appear before it. I was there and it was very enlightening and a good opportunity to have the auditor general hold us accountable, which needs to happen more often.

In March 1998 the program was extended, again through Bill C-21, by one year which allowed us to have the time to arrive at this stage, the third and final reading of the bill.

In May 1998 the Standing Committee on Public Accounts issued a report with 10 recommendations to focus on the issues the auditor general had expressed concern about.

I want to share with the House the consultation process. When closure comes in after a full year of debate, of committee work, of auditing by the auditor general, of debates in here, of introduction and first reading, second reading, referral to committee and back here for debate on third reading, if the government did not put an end to this we would simply be here forever in a gridlock and we would have no opportunity to put in place a bill that will help Canadians. No government, regardless of its political stripes, could tolerate that.

Who did we talk to? The Alberta treasury branch. How can the members of the Reform oppose this bill when I am absolutely confident that the members of the Alberta treasury branch had a lot to say about the formulation of this bill. We would have listened to them and taken into account their concerns and their advice.

The impact on small business in western Canada is painfully obvious to everybody except those members in the Reform Party who represent western Canada or parts of it.

We listened to the Alliance of Manufacturers and Exporters of Canada. This is extremely important because small business would rely on an alliance of manufacturers and exporters. They need the assistance of the provincial governments. They need programs like this to provide capital for them so they are able to export into the world marketplace.

There is no question that the Bank of Montreal is taking a lot of hits these days. Mr. Barrett and company are under a lot of pressure but he announced that they were prepared—the jury is still out obviously—to establish a new bank that would be dedicated to small business lending and funded with some \$40 billion in capital that would be made available. That is an initiative we should pursue. It is not a done deal.

• (1045)

There is the decision on whether or not the mergers are allowed to go ahead. I come from a riding that has a very substantial

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number of bank employees who are afraid for their jobs if the mergers go ahead and are afraid for their jobs if the mergers do not go ahead. It is a double-edged sword and we have look at it calmly and rationally.

We talked to the bank. We talked to Boreal Assurances Incorporated. We talked to Canada Trust on the role of trust companies as a lender in this particular situation. We talked with the Canadian Advanced Technology Association on the potential impact and the possibility for small business to work in advanced technology, in IT and all of that which is extremely important. We talked with the Canadian Bankers Association.

There are the chambers of commerce and the boards of trade. The Mississauga Board of Trade represents thousands of small businesses. In fact it is predominantly small businesses that make up chambers of commerce and boards of trade. Sometimes they take a hit because they are accused of being too right wing. That is a somewhat myopic viewpoint. The board of trade in my community takes on social issues. It looks at issues of concern to the municipality, to the province and to the federal government. It has an extensive review process in place. It is mostly small business people who volunteer their time to serve on boards of trade and chambers of commerce.

Young executive boards of trade exist in many communities. Young people have an opportunity to get involved in aspects of business and can volunteer to assist business, particularly small business.

The Canadian Federation of Independent Business is a group which I worked very closely with when I was at Queen's Park. At times it puts out reports that would make one wonder if they were totally representative of the viewpoint of all members of that association. In fairness, I say to Catherine Swift and others involved in that organization, they serve a tremendous purpose. They serve a purpose of having a link to government, an opportunity to reach out and survey the federation's members and find out how important something like Bill C-53 is in terms of a small business loan to that community. Is it something that is just government fluff or is it something that the business community is taking advantage of? I would suggest businesses are doing that.

The Canadian Finance and Leasing Association is a new twist. Before this bill businesses could not access with the protection and the backing of the Canadian government finance capital from leasing companies. It is a big part of business. It can at times be a little expensive. I would caution all small businesses to take a serious and close look at the rates they pay for leasing. There are real advantages.

One of them is in terms of leasing computers. In two or three years the hardware may be obsolete and certainly in two or three

months the software will be obsolete. A computer can be leased for two years and then returned and refurbished. There is a very active program in Canada to sell those refurbished computers and hardware abroad in markets that can use them. Then the small business can renew the lease and get up to date state of the art hardware. This is one of the few ways small businesses can ensure they are compatible with the marketplace in terms of competing with larger businesses.

Municipalities do that. The city of Brampton, for which I worked for some time as a consultant, has adopted a program through the Association of Municipalities of Ontario. It leases all of the computers. There are hundreds of them in a corporation the size of the city of Brampton. The city of Mississauga has a similar type of leasing arrangement. When the hardware is obsolete, it is turned back in. It gets brand new up to date state of the art equipment from the leasing company.

If for no other reason, this is a reason to support this bill, I say to members opposite. This is a reason to share with the small business community. This is a new window, a new frontier, a new opportunity where the government will give a guarantee that will back the leasing arrangement.

• (1050)

On the CIBC, once again we have talked to the banks and the Canadian Restaurant and Foodservices Association, which is extremely important. The cost of leasehold improvements for a restaurant can be very large. We could be talking hundreds of thousands of dollars. This bill will provide up to a quarter of a million dollars for such a project.

It is important to note that we are not talking about financing restaurants all over the country. We are talking about leasehold improvements that will add value. That is why we as a government wanted to hear from the Canadian Restaurant and Foodservices Association. We do not want to be the sole source of financing of leasehold improvements which include the cost of freezers, cookers, et cetera, but we want to be there to help.

The Canadian Taxpayers Federation should be near and dear to the hearts of Reformers so I will let them talk about those individuals.

I mentioned the great work done by the member for Parkdale—High Park in relation to her report on credit unions. Their role has expanded tremendously. Canadians should go to their credit unions. They are not customers. They are owners. They become shareholders and partners in credit unions. We should be using credit unions more.

GE Capital is one of the big leasing companies involved. The list goes on and on of the many financial institutions we have talked to.

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This bill is a classic. It shows the government has consulted. We extended the old bill to ensure the program would be safe and that it would carry on. We have not modified the end result. There is still a quarter of a million dollars available in terms of a loan. We will still guarantee 85% repayment on behalf of the borrower to the lender. The bill gives confidence to the lending institutions, the credit unions and leasing companies, all the organizations in the financial sector, that they will be able to support small business.

Make no mistake. This bill is not there to help lending institutions. This bill is there to help small businesses. It is there to help ensure their future. It is there to help ensure they will be able to compete in the incredibly competitive global economy. They will be able to manufacture and export their goods, create jobs and continue to make this economy one of the most vibrant in the entire world.

Mr. Jim Pankiw (Saskatoon—Humboldt, Ref.): Mr. Speaker, would you please confirm that I have the unanimous consent of the House to split my time with the hon. member for Calgary East.

The Acting Speaker (Mr. McClelland): The member for Saskatoon—Humboldt has requested the consent of the House to split his time with the member for Calgary East, which would be 20 minutes each with no questions or comments. Is there unanimous consent?

Some hon. members: Agreed.

Mr. Jim Pankiw: Mr. Speaker, I am pleased to speak to Bill C-53, the Canada small business financing act at third reading. It is clear that the government's passage of this bill has been driven by its need to have the regulations in place by December 1. That is why the bill was rushed through committee, faulty regulations and all. That is why the Liberals moved time allocation and limited debate at report stage and third reading.

This bill has many faults which Reform MPs were willing to help correct. The principled amendments concerning the regulatory process that we brought forward will not be dealt with. Efforts to stop the program from expanding into the volunteer sector will not be given due consideration.

The government has shown a willingness and is all too eager to ram through legislation at the expense of reasoned debate. Its rationale seems to be that there is no need to hear what anyone else has to say, that it knows what is best and pass the legislation as is. It is typical Liberal arrogance.

I wonder if the irony of this situation is not lost on Liberal members of this House. After all they were the ones who cried foul every time the Progressive Conservatives used closure during their nine year reign of error. To date, after five years the Liberals have

used this procedural hammer twice as often as their Conservative counterparts ever did. I never thought I would see the day when the Conservatives would look more democratic than the Liberals, but there it is. Another example of the Liberals saying and doing one thing in opposition and then doing quite another once in power.

• (1055)

Indeed the Liberal government has entirely failed this House. By moving time allocation it has once again shown its utter contempt for the democratic process. It has once again moved to limit debate and consultation. In doing so the Liberals have failed Canadians once again.

In relation to Canadian small business, the government has also failed miserably. Within this legislation which will replace the Small Business Loans Act, the Liberals are using a band-aid approach when what is really needed is major surgery.

According to the Canadian Federation of Independent Business and the auditor general, access to reasonable financing is an impediment to growth in the small business sector. The other major obstacle is high taxes and this government's irresponsible approach to economic planning.

What the Canadian Federation of Independent Business and every small business owner will also tell us is that entrepreneurs need access to equity, not more debt. Let me see if I can make this any clearer for the Liberal members of this House even though they are usually not prepared to listen anyway.

Let us say that a Canadian wishes to open a small business. The problem is, like many other hardworking Canadians, they do not have the capital resources to do so. If they do manage to open a business on their limited resources, tax and spend Liberal governments will ensure that it is not a profitable venture.

The point I am trying to make is that in addition to killing jobs, taxes also kill business ventures. High taxes reduce the opportunity for existing small businesses to expand. High taxes kill individuals' dreams to open up a business. High taxes, not access to debt, are the problem.

What do the Liberals offer as a solution? One would think they would offer to cut personal income taxes so that individuals would have access to more of their own capital equity. One would also think that the government would cut payroll taxes such as employment insurance or CPP. A reasonable person might also believe that a government interested in stimulating growth in small and medium size enterprises would cut capital gains taxes. But no, rather than tackling the fundamental economic problems inherent in this economy, Liberals instead choose to apply a taxpayer guaranteed loans program, the result of which is to skewer the playing field in the marketplace.

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What is the legitimate role for government? The first thing that should be done is to determine whether there is a legitimate market failure. In that regard the performance of this government is abysmal.

What has the government done to quantify the degree to which access to financing for small business is a problem? How extensively has the government reviewed the performance of Canadian banks in this respect?

Instead of answering these questions, instead of being proactive and demonstrating leadership, what do we see from this Liberal government? We see it tinkering with yet another fundamentally flawed government program. Despite the fact that the government has not quantified the problem of access to financing by small business, we can safely assume that a problem does exist.

Improved growth of small business would clearly have a beneficial effect on the economy, lower unemployment, more disposable income, et cetera. How do we achieve this? Again we need to ask ourselves what are the obstacles which truly inhibit the growth of small business?

Once again, in case the Liberal and NDP members of this House missed it, the obstacles to growth are excessive employment insurance premiums, high levels of taxation and a banking system that lacks competition. It is also a regulatory burden that hinders the growth of small business. The obstacles to growth are not a lack of government programs or a bureaucracy that is too small. Unfortunately this Liberal government has been unable to recognize this very simple fact.

Instead of taking measures that would clearly have a positive impact on every small business owner in Canada, the government is more preoccupied with changing the name of the Small Business Loans Act to the Canada small business financing act.

The fundamental flaw with this Liberal government is that it does not understand the most basic economic principle. A dollar left in the hands of a consumer, investor, entrepreneur or taxpayer is far more productive than that same dollar sent off to Ottawa to be dealt with in the hands of a lobbyist, a bureaucrat or a politician. I rather doubt that the Liberals and their socialist NDP allies will ever figure that out.

• (1100)

I also want to comment on how the government has shoved the bill through the House so rapidly. It has had due process, introduction, second reading, clause by clause, report stage and now third reading. However the Liberals do not care what knowledgeable criticisms there are. They just want to get the bill passed so that they meet the December 1 deadline to have the regulations published in time. The government needs the regulations in place by January 1, 1999, so that the banking industry can have the requisite 90 days to implement changes.

The government never really cared what stakeholders and opposition parties had to say on the bill. The only thing that mattered to the industry minister was getting it passed to meet his own deadlines. In fact witnesses that appeared before the committee explained the inherent flaw in the approach the government was taking. They explained the distorting effects that government interference in the marketplace has on the economy. They explained that the proper approach was to cut taxes and reduce the regulatory burden on business. The minister was not present to hear any of that. During all the debate on the bill he has not been here once either. The significance of that should not be lost.

The regulations were just as hastily conceived as the legislation. Indeed we saw proof of that in committee three weeks ago when it came to life that the draft regulations were flawed. That is pretty much par for the course when it comes to the legislative agenda of the government.

The government needs to think about its approach to the economy and to small business in general. The bill does nothing to improve the economy or to reduce the burden placed on small business by government. As such the bill is fundamentally flawed.

In closing I urge my colleagues on both sides of the House to take time to consider the flaws in the legislation carefully before voting to support it at third reading.

Mr. Deepak Obhrai (Calgary East, Ref.): Mr. Speaker, we have been asking the government to keep its hands off the UI premium. My colleagues on the other side seem to be getting a little worried about it and have started dreaming about premiums. All of a sudden they started mentioning Mr. Premium. That is a good sign.

I listened to my colleagues on the other side. Before discussing the reasons we oppose Bill C-53, I heard my colleague on the other side talk about the business plan, how small businesses are creating jobs and leasehold improvements. Another member talked about helping women entrepreneurs. I agree with it. That is right.

I commend the member who referred to the business women's delegation. Women play a very important role in businesses, but she is not the only one. Across the country there are organizations working to ensure that women have access to capital and become entrepreneurs.

From my own personal experience, I have been in business as a small entrepreneur with my wife for the last 16 years. My wife has been the backbone. She is a woman entrepreneur. I have supported her wholeheartedly. She has made a tremendous success. From one store she eventually expanded to four stores.

As well, I have been involved in international investments. Talk about a business plan and talk about leasehold improvements are nothing new to me. I have dealt with banks. I have dealt with

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business plans. My experiences in accounting also gives me insight into reading balance sheets and how to present a proper business plan.

In reality we have had small business financing for many years in the same act that is now before us. All my colleagues on the other side, and I hope my colleagues in the NDP, know that there are still problems with accessing financing. They hear from their constituents, from small businesses. They still cannot access financing, which would tend to indicate that the approach the government is taking by creating the Small Business Loans Act is somewhat flawed. The government may think of a program to assist small businesses, provided the risk factor is carried by all equally, so in principle I would agree that there should be a mechanism for that.

• (1105)

We have another attempt by my colleagues on the other side, by the government, to look good and to feel good. Time after time I have heard in the speeches made by my friends on the other side that they are the supporters of small business. They are relying on this little program and calling themselves the great supporters of small business. Let me say that small businesses do not see it that way.

The Liberals keep standing up and saying the Reform Party is anti-business and that the Reform Party is not a supporter of small business. I was a little amazed when my colleague from the NDP said that a couple of days ago. I tell him that we are for small business. We have had experiences like many of his colleagues and supporters have had. We understand the mechanism of small business, but we do not feel that the bill is the solution.

There are two reasons for that. First let us talk about the banks. If a program like this one is implemented and given to the banks or private organizations, to a degree they will do a better job than it being given to a bureaucracy. Giving this program to the banks is fine.

Where the problem comes and where most Canadians and most small business people have difficulty is that the banks have a monopoly. The banks have been protected in the past. They have been given all the tools to make them a strong partner in the economy. They have become very strong partners in the economy. They are so strong that today the majority of Canadians now see banking as a vital service, putting them next to utilities.

Because the banks have been protected so much and have become a vital service to Canadians, they also carry a social responsibility. They also carry a burden to ensure that in return for getting the protection they have achieved they have to address the concerns of Canadians, of small businesses.

Today I will be meeting with the senior vice-president of Toronto-Dominion Bank in charge of small businesses who will

explain what his bank is doing. I have met with the CIBC small business vice-president who indicated what they were doing.

My friend on the other side alluded to the fact that the Bank of Montreal and the Royal Bank have come up with a plan to create a small business bank. I am a supporter of the small business bank. It is an extremely good idea. It is an excellent idea. I am a little sad that it has come forward just because they are putting a case for merger. They should have done this before. These are good initiatives.

Where is the responsibility of the banks? I have mentioned to the banks the areas where I feel they have not addressed the needs of small businesses. Examples are rapid change of their managers, high cost of doing business and extremely stringent rules for collateral. At some stage it has become ridiculous, where even I was told by one loans officer that if he had the opportunity he would also mortgage my dog. The banks carry responsibility in addressing this issue.

• (1110)

If a small businessman walks into a bank, I am not saying the banker should blindly give him a loan. Banks have a responsibility, as does the small businessman, to ensure that the business plan is sound. Perhaps the banker could sit down and show some compassion and work with the individual to ensure that his idea becomes successful. Bankers should help such people and not sit in their chairs saying yes or no.

The Federal Business Development Bank has small business weeks which target small businesses and students. It provides a very successful initiative for them. Students come to those banks by themselves; the government does not send them.

Government wants to be business friendly and comes up with this program so that it can tell Canadians that it is the friend of small business. That is fine. If government wants to do that, it is its prerogative.

In reality the problem is that the climate for successful entrepreneurship, for the success of a business in Canada, is becoming more and more difficult. Why is it becoming more difficult? What do small businesses face? Let me speak from experience. They face the high cost of EI, the severely high cost of CPP and government bureaucracy which has now started charging user fees.

Let me give an example. I received a letter a couple of years ago from the government when it introduced a \$20 fee for the registration of corporations. I sent in my \$20. It was the first time the government said it had to recover the cost. It was the usual rationale for user fees, a tax on the other side.

The letter was from the government agency thanking me for my cheque. If I wanted a receipt, I had to write to them and a receipt would be sent. Why should I write? They have already written me

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one letter. I needed to write a letter back to tell them that I needed a receipt. Then they would write back and send me a receipt.

Let us talk about the tax burden on a small business. As every small business that leases property knows, first we pay property tax which is part and parcel of the leasing of property. The landlords tack it on to the businesses.

Then we have what is called a business tax. Small businesses pay property tax, business tax, user fees, high cost of fuel and other high costs. Then our friends opposite introduced the GST despite the fact that they said they did not want to do it. The GST came with a tremendous amount of bureaucracy and paperwork attached to it. It is another huge burden to small business.

Now the government talks about harmonization, harmonization which we understand the people in the Atlantic provinces are not happy with. We do not know what my friends opposite will come up with next. They may come up with some new idea to take the money from small businesses. We will keep an eye on them and not allow them to take the EI surplus.

• (1115)

We will be fighting on that. Time after time Canadians have told us. Canadians are also constituents of government members and hopefully they are telling them that as well. We are going to make sure Canadians know if the government tries to go after the EI fund.

This legislation brought in by the government has a lot of flaws. It is not well thought out. If it wants to help small businesses there is a way. First, create the climate to help by reducing taxes, allowing families to come up with ideas, to work and to get the reward for their thinking.

People in small business do not put in a nine to five day. When we take all the time put in, owners of small businesses are probably earning \$3 to \$4 an hour so that they can realize their dreams and hopes.

The government trots in and says no, the owner has to do this and that. He or she has to pay this tax or that tax. Hopes, dreams and hard work go down. That climate is what the government should be creating, not introducing a bill like this.

The banks looked at it and said "We will also look nice. If there is a default we will get our money from the government, the taxpayers. What is the problem?" They do not take the risk. It is not important for them. Come on in, fill out the paper. Who cares?

Of course they are supposed to follow criteria but they have been guaranteed, guaranteed of making money. What is wrong with the banks? Why should they address them? Where is their social

conscience? In the meantime we have given banks the tools to be stronger. We have given them the monopoly.

This two way approach is what small businesses are looking for. That is why I am having difficulty supporting this bill.

[*Translation*]

Mrs. Francine Lalonde (Mercier, BQ): Mr. Speaker, I have been listening patiently to all the speeches since the beginning of the debate, and I must say that I am disappointed. As you know, the Bloc Quebecois supported the principle of this legislation and tried to have some amendments passed. Not only did the government party not bother to consider these amendments, it did not even take into account the work conducted by one of its own departments.

I listened to the comments made by our colleagues from the Reform Party, who were against the bill at the beginning, and I read their amendments, with which I disagree. They made many interesting remarks, but there is one fundamental thing I cannot accept.

They contend that, as flawed as it may be, such a bill is essential but that, with lower EI and pension contributions, small and medium size businesses would no longer need government guarantees to secure equipment, rental and leasehold improvement loans. But these are two completely different matters.

The Small Business Loans Act, which was passed back in 1961—no party can therefore claim it as theirs—has served Canadians well.

• (1120)

In preparation for this morning's fascinating meeting, I read three brochures, including one from Industry Canada.

When I was young, my first job was in the field of economic history. It is most interesting to note how much this program has been used by successive governments to stimulate the economy after hard times. That is normal.

Governments are not the ones that create employment, but it is true that they can make it either easier or harder for businesses to create jobs. Governments—and by this I mean all governments—are always faced with the challenge of deciding which types of incentive programs would best help the private sector, companies, banks or other lenders, to create jobs. That is what I want to address. I shall try to be equal to the challenge of explaining to the two or three people listening in Canada a bit of what is going on here.

An hon. member: Not in Canada, now?

Mrs. Francine Lalonde: Yes, because television goes everywhere.

This program was used, particularly during the 1981-82 crisis when we had a very marked increase in interest rates, coupled with

a slowing economy. In Quebec, within the space of one year, 200,000 jobs were lost, the highest number in both absolute and relative terms of all the provinces.

Then in 1980, some reforms were tried. Finally, in 1983, the program was liberalized in order to help small and medium size businesses get off the ground, or improve their situation. And what was the result of these reforms? Two years later we could see that there had been some success, but that it was time to impose restrictions because there might have been some abuses of the system. Restrictions were therefore imposed, starting in 1985. I could have gone further back in time, but I have stayed with the relatively recent past.

From 1985 to 1993, no changes were made. Why did we make them in 1993? Because the economy plunged once again in 1990-91. So, this program was again used to stimulate and promote job creation by the establishment of small businesses.

Here again, the government played with the parameters of the program. In two years, the loans tripled. Naturally this was not noticed at the start, but it was later on. The federal treasury had to provide guarantees to clear up the debts resulting from various problems and bankruptcies. In the early years, when the program was starting up, these negative consequences were not apparent.

I would point out that this type of program cannot be frozen forever. It must be regularly submitted to parliament and regularly evaluated against approved indicators.

It seems to me that after this experience, there should necessarily be a consideration, which should not just examine the recovery of costs, but also the effects on employment, effects that could be called macroeconomic. There could be times when it is appropriate to stimulate the economy by promoting job creation in the knowledge that an increased number of bankruptcies will follow. On the whole, it is better to have small business people moving the economy than staying at home collecting employment insurance.

• (1125)

This is that sort of program. I think it is with this sort of consideration in mind that we parliamentarians should have pushed and should push for continued analysis of the effects, not only in terms of the recovery of costs—the auditor general wants that and that is understandable—but also the effects on job creation. Let us ask them about the real effects and about the effects on the economy.

The program worked and needed reviewing because, in 1993, the machine was opened up further and then in 1995 it was closed down somewhat. Nobody knew exactly where it was all leading. So, when the auditor general sounded the alarm, not only did he recognize the importance of the legislation, because of the great need of small and medium size businesses for credit, particularly

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for start-up and expansion, but he also said that the program had to be tightly run, that unscrupulous individuals could not be allowed to take advantage of the system and stick taxpayers with the bill.

But it is not just the auditor general who is calling for a review, because the Canadian Federation of Independent Business, which, as we know and should point out, represents over 90,000 small businesses throughout Canada—the very active Quebec branch of this federation represents over 16,000 small businesses—was also heard from. At the time of the review early in the year, the president of the Quebec branch said that 29% of SMB owners consulted in 1997 cited the availability of credit as one of their most pressing needs or concerns. That is almost one third.

The president concluded as follows “This means that lending institutions still have some way to go to meet SMBs’ needs”. She added that the amount of credit available had increased for the group, but that these so-called gains had benefited primarily businesses with 20 or more employees. This means that businesses with fewer than 20 employees are still in dire need of credit.

This press conference was held in English and I will quote from it in that language:

[English]

“Economic growth is compromised when businesses do not have access to a sufficient financial lifeline. The fallout hurts everyone”.

[Translation]

This is what she said.

As for the Canadian Federation of Independent Business, it insists on the glaring need for credit. It stresses that some small and medium size businesses do not even dare go to lending institutions, because they know these institutions are not always receptive to their needs.

Surely, there are members here who have had entrepreneurs, both men and women, come to them because they have major credit problems and do not dare go to lending institutions, because they do not want to tarnish their reputation. They are hesitant.

• (1130)

The entrepreneurs who start a business do not all have easy and free access to advice that they can follow with confidence. Starting up a business is no easy thing. The business world is merciless. If one is not big and do not have support, one’s application may be turned down flat. Alternatively, they will take one’s shirt by demanding collateral such as one’s house, one’s pension fund, everything one owns.

It is only normal that Mrs. Swift would ask for improvements to financing for very small businesses, which are the emerging businesses and which are responsible for economic renewal in

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several communities. Naturally she adds that governments must be concerned about the effect of the various payroll taxes, especially on small and medium size businesses, which are often in service and non-capital-intensive sectors.

The Canadian federation knows it needs a program, a sound law on loans to small businesses. There is an interesting letter from the Canadian federation, calling for loans, written to the Minister of State for Small Business in 1993. I mentioned that the strings were loosened a bit in 1993.

The federation said “The federation expressed its concern about one point early on. The modified program may likely encourage financial institutions to simply shift the figures to another column, in other words, to move the highest risk accounts into the government guaranteed loans folder”.

Like my colleagues, I have heard them a number of times. They want a program available to businesses most in need of it—specifically for them, they say—but one that is neither a subsidy nor a gift—a program that permits businesses to develop at reasonable cost.

Another passage dates from 1994. It was shortly after the November 29, 1994 election. The federation wrote to the Minister of Industry that “According to international statistics on this type of program, no more than 5% of the total number of term loans to small businesses should be given under this program”. So the target is businesses that would not otherwise have access to credit.

The federation added “When this percentage is exceeded, it is because the banks are manipulating things considerably by including in the program loans that do not require a government guarantee. The program as designed at the moment is overly generous to the banks, which draw maximum benefit from it, because they try to appear to support small business at taxpayers’ expense”.

● (1135)

I stress, and I will probably do it again since the learning process is based on repetition, that it is not a coincidence that the Bloc Québécois proposed that a clause be added to the bill dealing with small and medium size businesses that would not otherwise have access to credit. We could have seen, in the regulations, what this meant.

If we do not try somehow to target businesses that would not otherwise have access to financing by helping them in any way that we can, we may create a situation where banks could conceivably grant loans that are more risky, without really meeting the needs of new and growing small businesses.

The Canadian Federation of Independent Business made representations on the bill itself. However, to follow the outline I made

for my speech, I must go on to say that there was a need for a reform. That reform was dictated by two considerations. The first one was to correct the magnitude of the flaws in the legislation as amended in 1993 and again in 1995, or at least to see whether it was possible to better ensure cost recovery for the Department of Industry and to control spending. This is what I call the accounting component, which is looked at by the auditor general.

But there was also an obligation to see under what conditions we could ensure that small and medium size businesses with credit needs have access to financing. These two considerations had to be dealt with together.

This is where the disappointment occurred. The disappointment is the bill. It is, of course, a new version of the SBLA and the general framework is still the same. In a financial package I look at with young entrepreneurs—and I am sure members come to the same conclusion when they do it—we look for a small business loan, because such a loan is needed for buying or renting equipment. This is one component of the financial package.

I regret that it was not improved, that the government concentrated only on cost recovery and did not concern itself with the second component, except through a pilot project that I supported but whose success I am not sure of. Since we will certainly be in this House for some months still, we will have an opportunity to raise this issue again.

Instead of being a new version of the Small Business Loans Act, this bill is called, and I quote:

An Act to increase the availability of financing—

That caught my attention when I read the bill. Great, I said, they are going to meet needs. It goes on:

—for the establishment, expansion, modernization and improvement of small businesses.

It says “small businesses” not “small and medium size businesses”.

The problem, and it is a big one, is that there is no provision for this in the bill. This is quite a problem. The minister may have had good intentions, but they are not borne out anywhere in the bill. Yes, availability should be improved, but how? We are told by officials that the funds available will be largely the same, \$15 billion over a five-year period.

So we find ourselves with a bill that is supposed to be a reform, but that is really, given all the consultations, a big to-do about nothing. If the Small Business Loans Act were left essentially intact, we could at least be sure that SMBs that needed financing would have access to it. But I am not sure that those most in need of financing will qualify.

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• (1140)

I am not sure that others who do not need such loans will be excluded. I am not sure of this, because the bill, to my knowledge, contains no provisions for such exclusion.

There are other very tiresome aspects to the bill. Of these really quite unacceptable aspects, the main one is that the minister, or the department, has removed from the body of the bill the criteria for identifying eligible lenders. A few indicators remain, but the type of loan is not mentioned.

The contract as it were that used to be in the legislation has been removed from the bill. Right now, we cannot tell. In fact, since regulations depend on him, the minister could come out and say that, from now on, under the Small Business Financing Act, loans on equipment are excluded. And, legally, there is nothing we could do about it.

Of course, when the members across the way hear opposition members suggest that this is illogical, that it makes no sense, that the core message of any legislation ought to be stated in the body of the act, and not in its regulations, they respond by saying any odd thing.

They should consider this suggestion on the face of it, so that the department is not left with all the power. I have nothing against this minister in particular. I knew the human resources development minister fairly well, and if he knew anything at all about what was going on in his department, that in itself was something. This apparently is an advantage of this government from coast to coast. I rather see it as a disadvantage.

While regulations used to be included in the act, they no longer are. I want to tell the House what impact this has had at committee. First of all, I would say it was a major source of embarrassment for the parliamentary secretary; bank officials who declined to testify until they had had a chance to take a look at the draft regulations.

Then they showed up in a panic, saying "Look, if passed as they stand, these regulations will preclude lending to such and such small business category". A franchiser came and told us "This would spell the end of our line of business".

As members can see, the new draft regulations caused a great deal of trouble. We also found ourselves in a rather embarrassing situation as parliamentarians. We suspended our proceedings and asked the department to go back to the drawing board. But instead of slowing things down, things happened fast.

We in Parliament found ourselves faced with a *fait accompli*. Representatives of banks and franchise holders—and not of small and medium size businesses—met with department officials. We parliamentarians got a letter stating that the bank representatives

were satisfied with the assurances they had received. It is not reassuring to parliamentarians to see a bill where the most important part, called for by the Canadian Federation of Independent Business, is not in the bill itself but in the regulations. For me, this is the most significant problem with the bill. It is even rather surprising to see such a thing happening with a piece of legislation.

There are two types of legislation we pass. In a former life, I worked a lot on legislative texts such as labour codes.

• (1145)

A labour code is the type of text where every word, every comma, every colon, counts because it affects the hiring or laying-off of an individual, determines an entitlement or a non-entitlement. The text of the law itself must be substantial and detailed. That is the type of legislation I am accustomed to. But the latitude being taken with the law and with what has to be done in this case is unacceptable.

Some legal experts may feel offended, but I have no bone to pick with them.

The type of law we are dealing with here is a form of governmental decree announcing policies that do not always reflect the utmost of care, the utmost of concern for democracy. In reality, even if the policies are hard to read, citizens' rights are covered. What kind of small and medium size business can say that it is entitled to a loan under the act? This is not possible, because it is not stated that capital or equipment loans are included. This kind of information can be found in the regulations.

I moved an amendment in committee, and it was of course swept aside. "Just an opposition member trying to stir up trouble".

There is another clause I want to address, one that I see as favourable and one we supported, while trying to get an addition made to it. It is the one which states that the minister may establish a pilot project to guarantee loans to the voluntary sector and capital leases.

If this is done as a pilot project to see where the difficulties and advantages lie, I believe this is good. I would have liked to see a third element brought in, about capital funding.

I am in favour of the fact that the voluntary sector, what is called in Quebec and elsewhere the sector of the social economy, is included in those able to benefit from this legislation. I think, moreover, that there will be fewer problems with this sector than with the small and medium size businesses in sectors where the risk is higher.

This sector of the social economy, a growth sector for some time now, has some highly competent and eloquent spokespersons in Quebec. This sector is part of the market economy, and therefore

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financially autonomous, but its goal is not to generate profits but to create employment and deliver services.

A typical example of this is a work co-operative. A work co-operative is designed to be part of the market economy, to produce and sell products. The money it receives goes to salaries and business development, not to profit. The job co-operative sector is a growing one, and we have seen some of these co-operatives, these different types of businesses, come through the crisis and provide their workers with a very different environment.

● (1150)

This does not mean there is no authority in these co-operatives, but that the workers themselves own the business. Therefore, it is in their interest to make it a successful venture and to share the duties and responsibilities accordingly. It is their security, their business. There are also housing co-operatives, whose members are co-owners.

There are other types of socioeconomic businesses that can provide services. For example, there are co-operatives or non-profit organizations that provide services to the elderly.

Funeral co-operatives have recently been developing very quickly in Quebec. This is a steady business. In fact, it is growing, given our demographic realities. Funeral co-operatives help fight the invasion of American multinational companies in the funeral service sector.

We agree with having borrowers from the voluntary sector—as mentioned in the bill—or in the social economy, as we would say in Quebec, be part of the pilot project that could eventually make them eligible under the new Small Business Loans Act.

Why was working capital included? When I read the background document prepared by the Department of Industry, I realized that, after 1983, there was very strong pressure to include in the act the authority to guarantee the working capital of a business. I can understand.

I introduced this amendment attaching a condition that I saw in a board of management regulation because, in this life and my former life, I have seen all too often businesses that had everything they needed for success run out of money. I have seen business owners borrow from a brother-in-law, a sister-in-law, and so on, and find themselves unable to survive the two or three months before money came in from sales to businesses or individuals when they had to pay their suppliers. I am sorry this amendment met the same fate as the others.

Finally, there is one last provision I would like to mention even though it is not in the legislation either. In this regard, parliamentarians must renew their attack in committee and elsewhere. I am talking about the provision that does not require the examina-

tion of the application of the law take job creation and macroeconomics into account. In other words, up to now, there has been interest only in cost recovery, in expenditure control but no interest in the effect on the economy of the businesses created, even if they are bankrupt within two years. Every effort must be made to prevent them from going bankrupt after two years, because there has been too much pain, too much sweat, too much effort, too much investment and too much everything. But even if they do go bankrupt after two years, even if we have lost \$50,000, was it still not amply worth the effort in economic terms? It seems to me we must introduce this approach in the analysis of the new law. I add one final concern.

The minister plans a review within a year, and then not for another five years. As I read the history of the SBLA last night, I said to myself we could be facing another recession in a year or a year and a half. This Parliament or this government will want to use this legislation again, as it has done in the past, in a counter-cyclical fashion in order to stimulate a weak economy. When things are tough, are the bankers prepared to make it easier to obtain credit, as would be a reasonable thing to do economically or macroeconomically? No. They do not do that, they do the opposite. They limit credit and make it harder to obtain.

● (1155)

Hence the importance of a loan guaranteed by the government, which says that, even if the banks tend to be tight fisted at present, that is not what is needed. The economy still needs help to recover.

In this part of the bill, therefore, I think that the minister and the department ignored their own experience. Although it is well drafted, the bill may well have to be reviewed further before the anticipated date of 2004.

The front page of the last issue of *The Economist*, an extremely serious and not at all left-leaning publication—I imagine that some of my colleagues must delve into it from time to time—featured a balloon showing the rise in stock markets. For some time now, *The Economist* has been saying that the greatest short-term risk is not Asia, but the United States, whose inflated stock markets could take the same dive, with serious consequences.

Canada was not mentioned. As members know, *The Economist* is a British publication, but it is interesting to hear these experts draw comparisons with the situation that led to the 1929 stock market crash. I do not wish to scare anyone, just to say that the minister was unwise not to provide for a more periodic review of the legislation, given its past effect in counteracting cycles, even if the purse strings subsequently had to be tightened each time.

The Bloc Québécois is in favour of the bill because it nonetheless gives SMBs access to loan guarantees that they would otherwise have greater difficulty obtaining. But this is not a good enough reason for changing the title of the bill which, I repeat, used

to be the Small Business Loans Act. The new short title is the Canada Small Business Financing Act. The Small Business Loans Act was much more to my liking.

[*English*]

Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP): Mr. Speaker, I appreciate being recognized for this important third reading debate of Bill C-53, an act to increase the availability of financing for the establishment, expansion, modernization and improvement of small businesses.

I wish to spend a moment or two elaborating on the purpose of this legislation. This bill replaces the Small Business Loans Act in order to reform the small business program. The purpose of the program is to increase the availability of financing for the establishment, expansion, modernization and improvement of businesses with gross annual revenues of up to \$5 million by allocating between the minister and lenders portions of eligible losses incurred by lenders in relation to loans up to \$250,000 to such businesses for those purposes.

The key elements in this legislation include the following. It provides for the continuing operation of the program, subject to a comprehensive program review every five years. It limits the minister's aggregate contingent liability to \$1.5 billion for each of these five year periods. It authorizes the minister to conduct compliance audits and examinations. It authorizes the establishment and operation of pilot projects to determine whether the program should be extended to include loans to the voluntary sector, and involving capital leases. Finally, it reforms the offence and punishment provisions.

● (1200)

That is the summary of the major thrust of this legislation, but let us acknowledge the environment in which it is introduced.

All of us in this House are well aware of the fact that if we are interested and concerned about the employment situation in the country we have to acknowledge that most of the jobs that have been developed in our country over the last number of years have been developed by the small business community. Certainly the vast number of jobs that will be developed in Canada in the foreseeable future will be developed by the small business community.

In 1996-97, a year for which we have good data, small business created more than 80% of all new jobs. If we look at the last two or three years, a significant number of new businesses and new jobs included people who we would generally refer to as self-employed; people who have been unable to find a job with a firm, a

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government organization or a non-profit group who have gone out and created a new enterprise.

This legislation acknowledges this reality in terms of the development of employment opportunities in our country coming largely as a result of the initiative of small and medium enterprises in Canada.

It is also acknowledged that most of the businesses that were operating in this country in 1989 were still operating in 1996. The idea of many businesses starting and then ending is a trend that is shifting greatly.

Recent surveys by the Business Development Bank of Canada have indicated that small business operators work between 50 and 70 hours a week on average. Most work evenings in one capacity or another related to their business. They inevitably work either on Saturday or Sunday, or both. Almost half said that they take less than seven days of vacation each year.

We are talking about Canadians who work very hard to make Canada work. These are the people who spend an extraordinary amount of their energy, time and talent making the Canadian economy tick, making the economy of Canada grow, and in the process providing employment opportunities not only for themselves and in many cases for members of their family on a full or part time basis, but for others as well.

One of the most successful programs that I have seen in my time as a member of parliament has revolved around the community futures program. This program is a federal initiative that provides capital for communities which is administered and managed by local individuals in terms of really offering micro credit to people who have good business plans that are brought forward. I am proud to say that in the city of Kamloops and the surrounding area hundreds and hundreds of new enterprises have started at least partly, if not largely, because of this community futures program.

Another important aspect of the program is that people who are presenting collecting employment insurance can make the case to a local board that they have a great business idea. If it is approved by the board they are able to not only start a new business, perhaps even borrowing up to \$50,000 or \$60,000, but they are able to continue collecting employment insurance for a period of time while the business gets started. I do not overemphasize this. This has resulted in hundreds of new jobs and hundreds of new businesses being developed in this part of Canada. It is a tremendous success. The success is due in part to the program being there and the credit that is offered, but it is also due to the people who have managed the program and who have very seriously reached out to the business community, particularly the newly emerging business community, to provide support.

● (1205)

I set myself aside from some of the previous speakers who said that government has no role in business. That is absolutely not true.

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The fact that we have the Bank Act which encourages banks to do certain things, and I think that they need to do a lot more, is obviously an indication of how government can involve itself in business. The amount of support that we have for research and development in this country, some of the most lucrative tax credits for firms that are interested in research and development, and programs like community futures are means by which governments can provide an environment for businesses to grow, to expand the economy and to create employment opportunities.

I am pleased to say that we will be supporting this legislation. We think it is a continuation of a relatively good program and it comes at a rather opportune time.

I had a lot of advice on this legislation, in a sense inadvertently. On the weekend I was invited to a Grey Cup gathering. It was a tremendous game. It was one of the best Grey Cup games I have ever seen. People were asking what was happening in the nation's capital. I explained that we were going to be discussing Bill C-53, the small business financing act. Immediately the whole room lit up. I asked people what their relationship was with business.

It was interesting because every single person in the gathering owned, operated or was a major employee of a small business. I recorded a handful of those businesses in anticipation of today's presentation. They included the following: a small insurance company, a ski resort, a snowboard-rollerblade store, a hair salon/barber shop combination, a nine hole golf course, a landscaping-snowplowing operation, a horse training and horse boarding operation, and a fur trapper. This person traps animals for eight months of the year, obviously for their fur.

One was a rather interesting entrepreneur who had started a mining development company. However, he is not mining in Canada, he is mining old Aztec mines in Central America. The Aztecs and the Spanish developed these mines hundreds of years ago. He went into the jungle and found these locations and is now re-mining the old mines. It is an interesting initiative.

One person is running a firm that is into geographic information systems and mapping. Another is running a small gift shop. Two run restaurants. One runs a pub and a grill, and one runs a tattoo parlour and suntanning salon. I could go on. These were all people very interested in small business financing. They all had very interesting stories to tell about the problems and the hurdles and the difficulties that confront young, newly emerging businesses today.

Fundamental was the access to capital. This was crucial. I think everyone indicated that they had experienced a problem in terms of accessing adequate capital, particularly working capital. They were pleased that some of these changes were being made, but they pointed out that this was certainly only a step in the right direction, that there was much more to do.

In an effort to identify what more has to be done, I think we should consider the MacKay report recommendations in terms of the future of financial institutions. I think we can say that most Canadians believe that our financial institutions could be doing more, particularly to support the small and medium size business sector.

The United States has the community reinvestment act which requires banks to provide capital support to businesses in the areas where they have branches and where people make deposits. In other words, if people are going to put their money into a bank in community *x*, there is an obligation on behalf of the bank to support business enterprises in that area.

We do not have that in Canada. I suspect that we would find in many cases branches where all sorts of people are depositors, but very little small business investment is taking place. I think at least the theory behind the community reinvestment act of the United States that compels banks to invest in those areas where they have branches, particularly in terms of supporting the small business sector, makes a lot of sense.

• (1210)

Let me share with members a number of things the MacKay report recommends. It recommends that the government should undertake a substantial program of information collection and analysis to ensure that there is adequate information relating into the financing needs of small and medium size businesses for effective public policy development.

To that end, the report suggests that Statistics Canada should collect data on the supply of debt and equity financing to small and medium size enterprises, including, in particular, coverage of knowledge based industries, aboriginal enterprises and other sectors or subsectors determined from time to time to be of particular public interest.

The data question program should cover all regulated and unregulated private and public sector financial institutions engaged in significant loan, lease, equity investment or security activity in the small business market.

Details of the information collection program, which should be comprehensive, should be determined by Statistics Canada in consultation with data providers, potential users in the community and representatives of Industry Canada.

The MacKay report says a number of things which I will get to in a moment, but I want to say something about the banks.

We have once again heard today that the profits of one of the major banks in Canada are at historic highs. There are incredible profit margins. I know the banks are complaining that times are tough and they are not doing as well as they could be, but I think that whining falls on deaf ears when people are reminded once again that profit levels are at historic highs.

Setting aside the discussion around the size of the profits, the point is that banks from day one have operated in a privileged business environment, a protected business environment. Can we think of another free market player which has been protected from any foreign competition in its sector?

Imagine if the Canadian forest industry had laws which said that no foreign companies could invest in the forest sector, or no foreign companies could invest in some other sector. That would create a privileged environment for a Canadian investor or a Canadian business.

The banks have done that since day one. They have operated under the Bank Act in a relatively privileged business environment. As a result, the banks have done incredibly well. One of the strong things we can say about the Canadian banking system is that it is recognized as a strong, stable banking system and is very profitable in terms of its shareholders and investors.

Setting that aside, I think most Canadians would say that because of the privileged business environment in which the banks have found themselves since day one there goes with that some social responsibility. It is almost like a banking utility. A protected group of businesses ought to feel some responsibility to do something more than simply make a profit in Canada. There should be some feeling that they have an obligation to assist in the development of the Canadian economy beyond the bottom line consideration.

If we think of the banks as business utilities, I think it is fair to say that they should be doing a lot more. I am pleased to say that the MacKay report seems to agree.

The MacKay task force suggests that Industry Canada should assume responsibility for co-ordinating an annual survey of the attitudes of small and medium enterprises to examine the availability of financing from the perspective of small business. This is something that Industry Canada should do.

The task force also says that Industry Canada should conduct and publish periodic benchmark surveys of small business users, including knowledge based firms, to provide a comprehensive benchmark picture of the financing they require and the source of financing upon which they rely as the various markets evolve.

The task force goes on to say that the government should urge depositing institutions, particularly the banks, to find new and creative ways to address the problem in small business financing created by the frequent turnover of business account managers, including the establishment of career paths and compensation incentives that would provide long term, meaningful careers for community based small and medium enterprise account managers.

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What they are basically saying is that since so much of the financing of small business is done by the banks, the banks should be particularly sensitive in terms of their employment and career path development to ensure that when a person comes into a community to develop the small business lending portfolio, that person stays for a while and gets to know the community, the business and the changing marketplace, as opposed to simply popping in for a few months and then moving on to another position.

The report also suggests that Canadian financial institutions should be prepared to make credit available to higher risk borrowers with more innovative financing packages and appropriate pricing.

• (1215)

What they are getting at is a knowledge based economy. This requires a whole new mindset in approaching financing. The old asset based financing, when people were able to have all sorts of guarantees for loans, is not necessarily available for the knowledge based economy like with the young entrepreneur who walks in with a baseball cap on sideways and wearing a creative T-shirt and is the creative force in that business because of the human capital that individual brings to that business.

Imagine when that young entrepreneur walks into the bank. The banker is sitting there in his three piece suit. He sees this young guy sitting across from him in a T-shirt and with a baseball cap on backwards. He wants to get financing to start a knowledge business. This person is going to have a tough time. That is the way of the future. This is one of the major cutting edges in entrepreneurial change that is taking place in Canada. Our lending institutions need to be more supportive of that, as the MacKay report recommended.

It suggests that a medium enterprise group should be established within Industry Canada to undertake continuing research on financing this sector, particularly the knowledge based sector, and this group could oversee the key user surveys and analyse the data collected by Statistics Canada and report annually not only to the industry committee but also to the House of Commons on the state of small business financing. It is fair to say that if we talk to anyone in the small business sector they would agree that financing is a crucial issue in terms of their success. This is where the government could play a role in providing more access to capital.

The MacKay task force makes a very good point that there are a whole set of initiatives the government should take to ensure that adequate financing is available to those entrepreneurs who are moving in the direction of the emerging economies.

This legislation moves into two rather interesting areas. It moves into the area where we are going to do some pilot projects. One is to extend the program guarantees to cover capital leasing. Increasingly in the world of franchising the whole issue of leasing equipment

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often results with ownership of the proprietor at the end of the lease and has never been possible. Under this legislation it will be. It also includes the voluntary sector. This is critical. This pilot study will have major implications in providing a whole group of people access to capital who right now have difficult a time.

I want to identify the work done by the Digby Network which is an association of 17 organizations involved in community economic development. The community economic development organizations play a crucial role in helping small enterprises, particularly at the grassroots level, at the entry level. These are people who are new to the world of business and who are starting new enterprises. They do not have the basic knowledge of a business plan. They do not know what the funding opportunities are. Under these community economic development structures they can find this information.

This legislation is a step in the right direction. Over the next couple of years it will be interesting to watch how these the two pilot projects develop. There are many sectors yet that have to be addressed in order to provide the support and nurturing the small business sector in Canada deserves.

Hon. Jim Peterson (Secretary of State (International Financial Institutions), Lib.): Mr. Speaker, I was pleased to listen to the constructive presentation by the hon. member opposite. He brings to this debate a long record of having worked on behalf of not only his constituents but also small business across this country. He has made a number of very important recommendations. A lot of them are based on the MacKay report.

I would like to ask the member a question on the problem where we do not have a continuity of bank managers. Customers are not dealing with the same person all the time and the individual cannot get to know their character, history, background or potential. They cannot assess whether they are capable of carrying out the business plan they put before them.

● (1220)

How does the member feel the banks could go about changing this? Would it mean paying much more at the branch level? Does government have a role in terms of achieving the goal the hon. member has adumbrated for us?

Mr. Nelson Riis: Madam Speaker, I appreciate the comments by the secretary of state for finance indicating what I assume he agrees is a problem probably in all financial institutions, particularly the banks on which the small business sector depends so much in terms of access to capital.

There are two things that can be done. One is for the banks to show some sensitivity in this area. I know they are promising the

creation of a small business bank and so on if the mergers are approved. This is a pretty desperate sop at this eleventh hour but we appreciate at least that they are saying the right things.

If they were serious about supporting that small business sector, which they say they are, they would be putting more resources into creating a more stable environment in terms of working with that sector, in terms of paying people adequately so that they stay in a community, that they develop the necessary expertise and understanding, that they are able to visit some of the more creative business opportunities as opposed to simply sitting in their offices and waiting for people to bring in their business plans.

I also want to acknowledge what I think is a changed mandate for the business bank of Canada. In the past this bank used to do much more in terms of advising people in terms of business opportunity, advising individuals on how to proceed in business as opposed to simply providing the traditional banking function. That is still done to a certain extent in the various branches but I think this is one area where the government can move.

Second is the area of community economic development organizations. There are all sorts of models across the country and spinoffs of what I would describe as a small business incubator centre, a place where individuals can go who are perhaps new to the business world.

Let us face it, during this period of downsizing and during these periods of massive layoffs a lot of people are entering the world of business who never had any intention of doing so. They had been a whatever in a large corporation or they had been a government employee and can no longer find employment in those sectors. They cannot find a job in the traditional economy and so they are, if you like, almost forced into being a business person. They are forced into opening up a home based business or a small business, a self-employed initiative whether it is a consultant or whatever.

Often there is a role where government can assist those people who are newly emerging entrepreneurs, who perhaps lack some of the crucial skills, certainly lack some of the critical background in terms of technology development and so on and can be assisted in a variety of ways.

I want to mention one thing about the EI surplus as mentioned by the previous speaker. If there is one thing the EI surplus could be put toward that I think most people would support it would be retraining people who presently have lost their job, retraining into areas that would enable them to open up an enterprise or enable them to be more marketable in the job market. I would like to see some of these EI funds, after the benefits have been increased, put into more training and skilling of people who need to be upgraded,

as we all do, in order to play a rightful role in the knowledge based economy of the 21st century.

Mr. Jim Jones (Markham, PC): Madam Speaker, I rise today to speak on Bill C-53, an act to increase the availability of financing for the establishment, expansion, modernization and improvement of small businesses.

For the purpose of brevity, this bill seeks to replace the Small Business Loans Act with a new Canadian small business financing act. In essence, parliament will be guaranteeing that the principles of the success story known as the Small Business Loans Act will continue into the next millennium.

Since 1961 the Small Business Loans Act, implemented by the Progressive Conservative government of John Diefenbaker, has helped over half a million Canadian businesses. In the 37 years that have followed parliament has shown its resolve to assist small business by continually updating and innovating the act to ensure that it remains responsive to the needs of Canada's small and medium size enterprises.

• (1225)

By and large, this duty has been discharged with commitment and diligence.

Since its inception, the SBLA has experienced a successful repayment rate in excess of 94% of all loans. When we consider that during this period the program has guaranteed loans worth \$22 billion, the numbers become all the more impressive.

In 1997-98 SBLA borrowers reported that they would create 74,600 new jobs. This is even more significant when we understand that over 50% of all loans made under the provisions of the act would never have been made under conventional lending practices.

This is easy to believe when we note a 1996 study entitled "Economic Impacts of the SBLA". The study found that approximately 45% of the borrowers in this sample were companies less than a year old. In comparison, only 5% of non-SBLA loans went to start up firms.

Much has already been done to facilitate the work of this House as well as the industry committee when it begins its in-depth examination of Bill C-53. To date a comprehensive review of the financing needs of small business has been completed with special emphasis on economic impact studies, compliance and default studies, stakeholder consultations, cost benefit analysis and future evaluations, and capital leasing studies.

As well, our hon. colleagues in the other place finished their committee work, a review of the Small Business Loans Act.

I am very pleased that an issue I raised at second reading and with the department has been addressed, specifically the treatment of non-arm's length transactions under the new Canadian small

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business financing act. At that time I spoke about a clause in Industry Canada's review of the SBLA. Specifically in the booklet entitled "Meeting the Changing Needs" on page 27 there is a reference to asset transfers. Included in this is a reference to non-arm's length transfers of assets of going concerns.

The issue I raised was that the sale of a business from a parent to a child was specifically itemized as being excluded from the CSBFA guaranteed loan. This needed to be reviewed, and for a very good reason. We no longer live in a time when the purchase of family businesses is financed by long apprenticeships; that is to say, children working at below market value with the understanding that some day the businesses will be theirs.

Instead, the inherent value of small businesses represents the equivalent of an RRSP to many business owners. This provision would have resulted in children being unable to secure the proper financing. Then what would have happened? I suggest parents who are facing the insecurity of retirement would have been forced to look at selling their businesses to a non-relative who would not know the ins and outs of that business but who would have access to the Canadian small business financing loans guarantees, a possibility that would have been inconsistent with Canada's reputation as a fair, small business-friendly nation.

At a time when high taxes and a lack of opportunity is leading to brain drain and breaking down the family unit, we do not need to make this situation worse with punitive anti-family legislation.

For that reason I am pleased that the industry department reversed this decision and saw fit to withdraw this provision.

The other contentious provisions of Bill C-53 would have seen leasehold improvements removed as a valuated asset for financing purposes. This would have had a huge negative impact on several industries but especially the restaurant industry. This is an industry that has suffered particular difficulties accessing financing over the years. Once again the process works and this provision was successfully removed.

I have spoken thus far about the positive outcomes of the efforts of my colleagues on the industry committee. I think we have accomplished much as a committee in an exceptionally co-operative manner. The reason for that is very clear. We trust one another and the process that allows us to make changes to legislation.

In light of this I feel I must comment on the decision by the government to invoke closure on debate for the ninth time in this parliament. Sixteen amendments to Bill C-53 were listed on the order paper. Some may have more merit than others. However, through the course of parliamentary debate members of the House may have come to appreciate the motions put forward by others. Unfortunately we will never know. If the government has a

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problem with the process perhaps it should undertake to reform it. The censoring of members should only be undertaken as a last resort.

• (1230)

Many provisions of the SBLA have remained unchanged. The loans loss ratio remains at 85% of the cost of claims for loans in default. This is same rate it has been since 1995. Lenders remain responsible for the remainder. The Liberal government reinstated this ratio in 1995 after the Conservative government reduced the risk to lenders in 1993. The Conservative government did this to encourage greater financial sector participation in the SBLA.

When a government sets up a program like the SBLA, which guarantees loans for small business, it does so for one very obvious reason. Without such an act, loans would be labelled too high risk by lenders and they simply would not be given. Therefore I have to question the judgment used by the government when it increases the risk to lenders. At the risk of attributing motives, this appears to be an instance where good politics took precedent over good policy.

I say that because since the Liberals did this, studies have shown that SME lender dissatisfaction has been steadily increasing. Rather than point fingers at the lenders or the borrowers the legislation should instead be focusing on improving the environment for both.

A few other program parameters have not changed but should be noted. The maximum loan size remains at \$250,000. My colleagues in the Reform Party have been actively working to lower this figure to \$100,000. However, while the average loan is still well under the \$100,000 threshold, there are numerous examples of situations where that figure is just not enough.

I have heard from many individuals in the tourism and restaurant industries. They face large equipment and infrastructure costs before they are able to open for business. Therefore the Progressive Conservative Party is pleased to see the \$250,000 threshold remain.

The percentage of the cost of eligible capital assets accepted for financing remains at 90%. This is a reasonable figure and there is no need to review it.

If there is a shortcoming in the bill, it lies in its failure to come to grips with the issue of the lack of access to the SBLA that currently exists for knowledge based industries. The minister raised hopes when he asked for a report on whether the SBLA should be expanded to target knowledge based industries. When the answer came back that something definitely needed to be done unfortunately he chose to ignore it.

Knowledge based industries are among the most dynamic job producing companies in Canada today. The problem lies in the fact

that their major assets are intellectual and thus are not capable of being financed under current criteria. In the past the Minister of Industry has indicated his willingness to encourage the development of knowledge based industries. My party stands ready to assist, although it is possible that we have missed an opportunity to use Bill C-53 toward this end.

I turn my attention to the specific changes that will come about when Bill C-53 is implemented. First is the mandatory program review provision. This will mean the end of current provisions that require an automatic ending of lending authority if a new bill is not passed, as we saw last year with Bill C-21. While we are still a little short on the details of what would constitute this review process, it appears to be a good idea in general terms.

Under the current system the government is in a situation in which it must present a bill to parliament in order to keep the program alive. The bill could potentially contain clauses the government of the day would like to slip through while at the same time keep the opposition handcuffed by inherent time constraints.

• (1235)

With this in mind, the review process is a better way to deal fairly with any necessary changes. Under the proposed process the review would see data collected over a five year period prior to the review used to give parliamentarians and policy makers the tools needed to evaluate where changes need to be considered.

At the end of the five year period currently designated as March 31, 2004, the minister would have 12 months in which to cause a comprehensive review. At this point we are not prepared to comment on the reasonableness of these time constraints and we look forward to reviewing them at committee stage.

There is a new component to the act that Bill C-53 proposes, that is the idea of pilot projects both for capital leasing and for the voluntary sector. Capital leasing has been an ever growing and popular financing option for SMEs. This type of lease ensures that the lessee will own the equipment at the end of the lease. A provision of this nature seems to protect the interests of taxpayers, as the equipment would become an asset of the company at the end of the lease.

A revealing analysis of the financing realities of the SME sector was brought to light in the conference board study published last fall entitled "What is new in debt financing for small and medium size enterprises".

The study highlights two major findings. First, the size of the business debt financing market targeted at SMEs continues to be misunderstood usually because analyses limit their review to term loans and lines of credit provided by the large deposit taking institutions. In the process they capture only about half the financing provided to SMEs. Sources of SME funding are much broader. One of the main conclusions of the report is that SMEs are

being funded by a wide variety of providers of financial services using various innovative products, services and delivery channels.

The second major conference board finding was that while the total business debt financing market has grown, increasing 7% over the last two years to \$271 billion, growth has been relatively even. The bulk of the growth has come from specialized finance companies that experience a 31% increase in total business debt financing. The study identifies the specialized finance institutions as heavily represented in the financing and leasing industries. At present the leasing industry does not approve leasing for firms under two years old that are seeking less than \$100,000. This typically excludes a majority of present SBLA borrowers.

The other proposed pilot project deals with the voluntary sector. The document "Securing our Future Together" made a commitment to reviewing federal small business programs with a view to extending their mandate to the voluntary sector. This program raises many questions. In fact in recent hearings concerning this issue witnesses generally were opposed to extending provisions of the SBLA to the voluntary sector. Some of the reasons cited included cost as well as instability of revenues.

These are legitimate concerns. I am also concerned that we are about to put in place a program which would allow non-profit or voluntary organizations to unfairly compete with other business interests. If Bill C-53 is passed, it will be incumbent upon all MPs to monitor any negative impact this pilot project might have on businesses in their ridings.

Cost recovery is a worthy goal in the Canadian Small Business Financing Act. Toward the achievement of that, Bill C-53 seeks to allow the government the ability to restrict access to program loans or guarantees. I would caution that any legislation covering this area must be generous in scope with allowance for various contingencies. We already have a heavily regulated financial services sector. If any abuse of process is suspected, other avenues may exist to achieve compliance.

The next area I wish to address is that of the proposed accountability framework. This proposal by Price Waterhouse will access the CSBFA over the next five years. Several criteria will be used including the visibility of the program to potential borrowers, its impact on creating and maintaining jobs, and the performance of the borrowers.

The auditor general in his report, "Management of the Small Business Loans Program", pointed out that claim audit procedures needed to be strengthened. This is an area that will have to be dealt with, with great sensitivity to the viability of the program as a whole.

• (1240)

I remind the House that the reason this act exists is due to the unidentifiable fact that a program exists. The problem was the

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unwillingness of banks to lend to SMEs. Any attempt to change the program so as to put greater compliance demands on lending institutions will only result in fewer small businesses getting the financing they desperately need.

I am not opposing the provision at this time. I am suggesting that we tread carefully. As I have indicated throughout my address today, my party is supportive of Bill C-53 and much of its intent. However there is an issue that needs to be raised in the interest of full disclosure.

When the comprehensive review was undertaken one of the issues to be reviewed was the issue of personal guarantees and whether or not they should remain in effect. In the end personal guarantees were deemed to be a necessary component and thus they were retained.

The PC Party has no problem with this. When we were in government and performed a review of the SBLA we did not remove the personal guarantee either. However there is a difference. Perhaps members across the way will want to brace themselves, as I am going to discuss the entire discredited Liberal red book of 1993. In that fictional collection of whimsical vote getting prose on page 49, for those keeping score at home, a commitment was made to remove personal guarantees from the act.

I realize this was just an election promise much like eliminating the GST or tearing up the free trade agreement. The new leader of our party has certainly seen this in the past. He saw the willingness of Liberals to promise anything to get elected, and they turned around and increased the gasoline tax anyway. Some of the hon. members across the way will remember this incident.

I reiterate that my party has no problem with the personal guarantee being retained. We just wish the Liberals had recognized its importance before they started making wild promises to voters which they knew they could not possibly keep.

In conclusion, my party is pleased with Bill C-53 and the work of the industry committee in making it a better piece of legislation. All members of the committee deserve special commendation for their co-operative approach in making necessary changes to the bill. Out of this process we now have a small business loans tool which will stand up to any comparable legislation in the world.

Mr. Lynn Myers (Waterloo—Wellington, Lib.): Mr. Speaker, I will be sharing my time with the member for Scarborough East.

It is a pleasure to rise in the House today to debate this important matter, and I do so on behalf of the residents of Waterloo—Wellington.

I note at the outset that the proposed Canada Small Business Financing Act builds on the proven success of the previous loan guarantee program which has a 37 year history of meeting the

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needs of small business. It introduces features that will continue to guarantee stable access to financing for one of Canada's most dynamic growth sectors.

I also note at the outset that the Standing Committee on Industry did an excellent job and excellent work on Bill C-53. Committee members have been conscientious and helpful in improving the legislation and the regulations. I think that is important to note. They understood the needs of stakeholders and the bill is stronger for their scrutiny and their attention.

We are all aware that the legislative and regulatory process is evolving. The bill is one of the first to have the proposed legislation and regulations before a committee at the same time. That too is important to note. It is worth noting that we have all learned some important lessons from this process. We still need to work on improving that process to meet the expectations of parliament. In particular, we have to make sure we consult affected stakeholders about regulatory changes well before a bill is considered in committee. Members of the Standing Committee on Industry were sensitive to this issue and we need to thank them for their assistance in this matter.

This raises a second point about regulations under the new process. It is an issue that came up in committee and it is one to which I would like to draw the attention of members of the House. This legislative initiative reflects a new way of drafting legislation. The details of the administration of the program are now to be found in the regulations. Members have expressed some concerns about how this may impact on the scrutiny of the program. Nevertheless the government has responded to their concerns by agreeing to table all regulations.

● (1245)

The amendments adopted by the committee require that every proposed regulation be laid before both houses of parliament before it is made. They also require that the regulations be referred to the appropriate committee of each house.

The intent of these amendments is to impose an obligation on the government to notify parliament of proposed regulations and ensure these are brought to the attention of the appropriate committees. If they choose to do so, committees would then have an opportunity to schedule time to study the proposed regulations and to provide comments.

Although this notice requirement would not delay the making and coming into force of the regulations in accordance with the established regulatory process, where the proposed regulations are republished in the *Canada Gazette*, the committee's comments as well as those of other interested stakeholders made during the prepublication period would be taken into consideration.

I will now turn to another example of this government's openness and willingness to consult stakeholders. I refer to the bill's provisions for pilot projects in capital leasing and the voluntary sector, and the greater involvement of parliamentary committees.

I reiterate what the minister said and the promise that he made when introducing the bill. He said then that he intended to call on the advice of hon. members through the Standing Committee on Industry to help in designing the pilot projects.

Capital leasing is a rapidly growing form of financing for small business, but our consultations indicated that the leasing industry generally does not approve leasing for firms under two years old and which require financing of less than \$100,000. Similarly, our consultations indicated that a number of voluntary groups would find the loan guarantee program useful, given that these groups are also an integral part of the economy and the labour market.

The pilot projects would determine the feasibility of extending the program to the capital leasing market and the voluntary groups. I believe that the input of committee members will be most important in devising sound pilot projects.

This is above and beyond the notification of the committee in respect of any proposed regulations for bringing in the pilots provided for in subparagraph 13(5). In essence we hope to benefit from the committee's expertise at both stages, program design and examining regulations.

I have just mentioned that this bill embodies provisions for greater accountability to parliament in regulatory matters. In calling for greater committee involvement in designing the pilots, I hope that hon. members will also see this correctly as a response to members' desires to be involved earlier in the policy development process.

I would like to conclude with a brief overview of the main strengths of the proposed Canada small business financing act. Most significantly, this bill meets the needs of small business, the entrepreneurs who are the driving spirit behind nearly 80% of new jobs in this country. They are the young small firms recognized and targeted by the bill's loan guarantee provisions. Bill C-53 offers them continuing stable access to financing even as the financial services industry is restructuring, access that a large majority would not have without this program.

The bill offers taxpayers the reassurance that the loan guarantee program will continue to move toward cost recovery. It is delivered by private sector professionals, not bureaucrats. It uses private sector money, not taxpayers' dollars.

Under the revised program, parliament will release more accurate information and performance measurements by which to judge the program's effectiveness. The new five-year review provision

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gives parliament a closer and more active role in scrutinizing the program. That is very important.

Canada's 2.5 million small businesses and self-employed entrepreneurs can flourish and grow in an encouraging environment. That environment is exactly what Bill C-53 will continue to provide, and rightfully so.

Our women and men in small business need to see that the federal government values and encourages their willingness to take risks. It is our small businesses after all that devise new products and services, and create jobs by their hard work. This bill recognizes and supports their contribution to Canada's prosperity. Their financing needs are exactly what this bill recognizes.

The bill before the House is a product of informed review by financial and audit experts, of widespread consultations with borrowers and lenders, and of exhaustive examination by members of this House. It meets the demonstrated requirements of small business people, large and small lenders, and taxpayers.

• (1250)

On all accounts it is a very sensible and integrated set of improvements to an already strong and creative program. Therefore I would urge all members in this House to support the passage of Bill C-53, the Canada small business financing act. It is an important piece of legislation and is deserving of our support.

Mr. John McKay (Scarborough East, Lib.): Mr. Speaker, I appreciate the enthusiastic support of certain members of the House on this important matter. There is quite a number of very enthusiastic members in the House, at least on this side.

I wanted to speak to this bill from the perspective of a member of the national Liberal caucus task force on the future of financial services. We spent some eight months canvassing and listening to Canadians on this issue. We heard from 150 witnesses in seven different cities.

At the beginning of the day and at the end of the day the issue Canadians spoke to us about most was that of access to capital. After all strangely enough it is their money. Canadians want to use it as they see fit, subject to prudent lending principles.

Bill C-53 is about access to capital, a loan guarantee program which will fill a gap where private lending is reluctant to go.

Let me concede that the task force got somewhat hijacked by the proposed mergers. I would say that the banks proposing the mergers did themselves no service when they tried to jump the gun with their proposals. I would suggest that the biggest reason Canadians are leery about the proposals is their sense of discomfort with respect to access to capital. Canadians intuitively feel that

when four banks become two banks it will reduce their access to capital on a competitive basis.

That is what this bill is all about. It allows small business access to start up capital and financing which is fair, equitable and competitive.

In our analysis we looked at the competitive environment. In chapter 3, titled Access to Capital for Small Business, our analysis was as follows. The existence of adequate competition in the financial services sector is vitally important to ensuring SMEs have adequate access to financing at affordable rates. Small businesses are highly dependent on the chartered banks for financing. This dependence has been increasing over the last few years.

The conference board has shown that domestic chartered banks held 50.3% of the SME financing in 1996 compared to 48.4% in 1994. In addition they held 72% of the outstanding commercial loans to SMEs in 1996, up from 66%. There is a significant linkage between SMEs and chartered banks.

Then we looked at the gaps. While the overall situation in SME lending markets has improved in absolute numbers, and I stress absolute numbers, over the past few years due to the development of innovative products and general growth in the volume of demand for financing, the proportion of SME financing to total business financing by the chartered banks actually declined by about a full percentage point.

Testimony to the industry committee over the past few years from bank representatives indicates that the loan loss ratios of SMEs is lower, if not the same, to large businesses.

We then turned to government involvement. The Small Business Loans Act was one of those issues. We said that one of the principal programs is the Small Business Loans Act. The SBLA has been focused particularly on assisting young, small and new business in accessing financing through private lenders. The SBLA is currently being revised and will continue to be a vital participant in small business lending. I emphasize it will continue to be a vital participant.

We did identify one notable gap and that is the absence of support for working capital financing which this bill does not address. I think it appropriately does not address this because access to that kind of financing premises an involvement on the part of the government which in our view is inappropriate.

• (1255)

The quarter ending December 31, 1995, which was the earliest date that the Canadian Bankers Association supplied any lending statistics to the industry committee, reported lending to small and medium size business at \$45.4 billion. Lending to large businesses at that time amounted to \$123.7 billion, making SME lending

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account for 26.8% of the total loans. This is a significant portfolio and is of great significance to Canadians.

As I said, we have noted the gap in working capital. We encourage governments to consider other ways of accessing this particular financing need.

One idea is being circulated by the Canadian Community Reinvestment Coalition and is relatively simple. A scoring report card would be developed whereby lending activity would be assessed by geographic area; by numbers and volume of loans in assessment areas; the numbers and volume of loans to low and moderate income loans; small business; farmers and community development loans. Banks and other lenders would have a score card and would be assessed annually on their performance.

This idea originated in the United States. While translating American experience here has some limitations, it is an idea that merits consideration on the part of the government and indeed on the part of all members of parliament.

May I say that initially the U.S. banks resisted fiercely this kind of report card, but now they embrace it with enthusiasm. They see it as a promotional tool they never had before and a way to access loans they have never been able to access before.

Incidentally, when the Bank of Montreal took over the Harris Bank of Chicago, the Harris Bank had one of the poorest records in the United States on this issue. It now has one of the best. In speaking to representatives of that bank and other large banks, I am encouraged to see that none of them vigorously oppose the report card concept. They do have concerns about what goes into the report card and how it is initially scored, but as an overall idea they are not resistant to it.

I am a believer in the concept that government should not be unduly involved in the financing of the lives of Canadians. The attraction of this idea is that it would not involve direct government participation. However, I am knowledgeable enough and after having had 22 years of law experience, there is a role to be played by government to come alongside Canadian entrepreneurs. This bill addresses that need.

Ultimately one would wish that the private financial market would step in. The indication from the United States is that their experience in this particular area is that those in the private financing market like to poke into these areas and to access places where they have been very reluctant to go. They want to show that they are involved in their communities. In the interim, there is this need for continuing government involvement.

I would like to again leave the House with what I consider to be the benefits of this bill. Most significantly, this bill meets the needs

of small business, the entrepreneurs who are the driving spirit behind nearly 80% of new jobs. They are the young, small firms recognized and targeted by the bill's loan guarantee provisions.

Bill C-53 offers them continuing stable access to financing even as the financial services industry is in the throes of restructuring. We have heard how that the status quo cannot remain the same. We all agree. The question is how.

The bill offers taxpayers the assurance that the loan guarantee program will continue to move toward cost recovery. It is delivered by private sector professionals, not bureaucrats. It uses private sector money, not taxpayers' dollars.

Under the revised program parliament will release more accurate information and performance measurements by which to judge the program's effectiveness. I would suggest that the proposal being floated by the coalition is in fact one of those report card concepts that needs to be worked into the analysis of whether the private financial sector is in fact accessing these areas. The new five year review provision gives parliament a closer and more active role in scrutinizing the program.

Canada's 2.5 million small businesses and self-employed entrepreneurs can flourish and grow in an encouraging environment.

• (1300)

Our women and men in small business need to see that the federal government values and encourages their willingness to take risk.

The bill before the House is a product of an informed review by financial and audit experts, widespread consultations with borrowers and lenders and extensive examination by the House and its members.

On all accounts it is a sensible and integrated set of improvements to an already strong and creative program. I urge all members to support the bill.

Hon. Jim Peterson (Secretary of State (International Financial Institutions), Lib.): Mr. Speaker, I think all of us owe the member for Scarborough East our thanks for a very eloquent and content charged presentation.

I have two questions for the very diligent and eloquent member for Scarborough East. In his experience did any of the other parties in the House of Commons undertake the type of detailed and consultative process for dealing with the issue of the future of Canada's financial institution?

I know the hon. member has done considerable work on the issue of coercive tied selling within the context of financial institutions. Would he care to elaborate on his conclusions?

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Mr. John McKay: Mr. Speaker, as far as I am aware no other caucus has undertaken any review of the financial services sector and has tried to piggy-back on some of the work of our caucus.

This was a very extensive consultation. As I indicated in my main speech, we did it through 7 different cities with 150 witnesses. We did all this on our own budgets and on time outside of the House and outside of our committee responsibilities.

I have to commend the members who participated in that task force because I think it made a very useful contribution to the dialogue.

With respect to the second question on tied selling, the report is divided into two parts. The first part deals with mergers. The process of the dialogue has been hijacked by the merger discussions.

The second part of the report deals with a number of contributions by a variety of members on issues such as bank governance, competitiveness, community credit unions, et cetera. My contribution was in the area of tied selling. I appreciated the responsiveness by the Secretary of State for Financial Institutions in looking into that area and making amendments to section 459 of the Bank Act so that the area of coercive tied selling is something Canadians can be somewhat comforted about.

In my paper my argument is essentially that when a Canadian has a complaint about coercive tied selling there be a reverse onus. This would mean that the person is presumed to be correct in his legitimate complaint and then the bank has the onus to say that the individual was not coercively tied sold.

Cross-selling is of benefit to all of us. We get benefits in rates and in terms and conditions. However, coercive tied selling is an area that we need to continue to monitor.

My argument is that we need to look at the issue of a Canadian financial ombudsman and whether it is an appropriate area for the government to go into. This is also an area of jurisdiction for a Canadian financial services ombudsman. The idea of a reverse onus would level the playing field and allow all of us to feel comfort that as an unequally resourced Canadian we can deal with the overly resourced financial institution.

Mr. Werner Schmidt (Kelowna, Ref.): Mr. Speaker, I am thrilled that the hon. member knows so much about financial institutions.

• (1305)

I will ask him a very simple question about the office of the superintendent of financial institutions. Is he convinced there is a sufficient number of personnel in the office of the superintendent of financial institution? Is the superintendent exercising the kind of

monitoring and control he ought to in cases of coercive tied selling? Can they be reversed? Is there the clout in the office of the superintendent of financial institutions?

Mr. John McKay: Mr. Speaker, I thank the hon. member for his questions.

My reference was to a Canadian financial services ombudsman which is a differently mandated concept from OSFI. The office of the superintendent is directly responsible for the soundness of financial institutions. It does not necessarily directly involve itself in complaints between consumers of financial services and those who lend in the financial services. They are different offices and different concepts.

I encourage all hon. members to urge the government to consider the concept of a Canadian financial services ombudsman so Canadians can have some meaningful recourse when they find themselves aggrieved by financial service providers.

[*Translation*]

Mr. Rahim Jaffer (Edmonton—Strathcona, Ref.): Mr. Speaker, I will be sharing my time with my hon. colleague from Calgary Northeast.

I would now like to recap the key elements of Bill C-53. According to the purpose of the existing Small Business Loans Act, which will be maintained with Bill C-53, the government, and therefore the taxpaying public, take on more risk than private lenders. Even with the changes proposed in Bill C-53, the government will still cover 85% of any defaulted loan.

We must ask ourselves two important questions. Does the Minister of Industry think it reasonable to use tax dollars in such a risky manner? And why should taxpayers take more risk than the banks?

It is widely understood in economic circles that government intervention leads to a misallocation of resources. The intervention by the government maintained by Bill C-53 will remove important market forces from the lending process and will lead to the funding of less viable business ventures, which will do nothing to foster a healthy economy.

Clause 5 of Bill C-53 illustrates the government's indifference to the fact that it is playing politics with the paycheques of Canadian people. This clause refers to the minister's liability should a loan not be repaid. However, it is clear that the liability is that of Canadian taxpayers.

As for risk, which is a key element in the proper functioning of a free market, eliminating it creates a moral hazard, in that lending institutions will be less inclined, despite the provisions for due diligence contained in Bill C-53, to evaluate the long term viability of a business venture. This situation will lend itself to the financing

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of unsustainable market ventures and, under this regime, it is the taxpayers who will inevitably be the losers. This is supported by the government's own statistics, which show that the default rate under the SBLA is 5.6%, compared to 0.8% in the private sector.

The impact of small business on the Canadian economy is substantial, and Reformers have always supported the needs of small business. However, the debate on Bill C-53 is not about whether small business is valuable, but about whether small businesses can get access to financing without government intervention.

• (1310)

I would like to point out that the importance of small and medium size businesses in the Canadian economy must not be under-estimated. The question we need to ask ourselves is the following: Is it possible to use deregulation in Canada to create a framework that will provide this financing in a more efficient way?

I believe the answer is yes, and that is why I cannot support this bill.

[*English*]

What we have heard from all sides has been interesting during the course of the debate on Bill C-53. Members from all parties have said how much they care about small business. In summarizing their comments on Bill C-53, my colleagues outlined how important small business is to this economy and how important it is to them as members of the House. Many of those members actually were small business people prior to becoming involved with the House. No matter where members stand in the House, no one is against small business.

The fact remains that we all have different views as to how to support small business and as to what should be done in providing that support. As I outlined in my brief address, the suggestion of members opposite has always been to implement various programs in order to intervene in the economy which can cause an unfortunate obscurity in the economy. Members on this side of the House have always argued that we should leave the business of business to the business people. I am sure the solutions will be found.

Government members have a responsibility to create a framework for a positive business environment. That is what many of us from this side of the House have argued. We have said that Bill C-53 is a sort of band-aid solution for the problem of small business financing. We have encouraged members opposite to look at the fundamental problems in relation to access to financing for small business and to look at ways to reduce taxes and other burdens on small business as opposed to implementing other government programs that will only add more paperwork and put taxpayers and small business people at risk in the sense of liability. This is the basis of our argument. It is the basis of what this side of the House has been offering as a suggestion. It is an alternative

approach to what we believe has been a flawed direction on behalf of the government.

I commend all members of the House on their input as to how to help small business. Let us really look at ways to reduce the burden on small business. Let us reduce taxes. That is one of the reasons my colleagues and I oppose Bill C-53.

Mr. Art Hanger (Calgary Northeast, Ref.): Mr. Speaker, I thank my colleague from Edmonton—Strathcona for sharing his time with me. I appreciate his comments and I agree with them for the most part. I make it absolutely clear that I am also opposed to this bill. I do not know if my colleagues across the way would really understand that or if they suspected anything different but that is the case. There is good reason for that.

All this bill does is put a band-aid on the problem. It seems the Liberal government is good at putting band-aids on what could be and should be considered as systemic problems, and those solutions really do not hold up.

There is no question that all businesses need capital, they need cash. They need equity investment. There are presently certain inhibitors to the cashflow process. Those who have cash should be able to create a situation in which small businesses could flourish more than they do.

• (1315)

What they do not need is for the government to drive them into more debt when it does not have to, and too often that is the case. I can cite example after example in and around the region where I came from in Alberta with government interference. A lot of that so-called easy money seems to go to friends of the Liberal government. The playing field is not even when it comes to government distribution of money to the small businesses to help them develop. I find it reprehensible for the most part.

Why is it that the government turns to debt to solve cash shortages? It wants businesses to do the same thing. It is like most Liberal initiatives. Bill C-53 addresses only the symptoms of the problem. Canadian small businesses do not need more access to debt. They need more access to equity. They need more access to customers with money and they need the government to leave them alone.

It is not government that creates small businesses or all that much employment. It is the small businesses that create employment for the most part. They do not need more debt.

We say that until the systemic problems associated with excessive taxation are addressed small business will continue to struggle for more available cash. We recognize the concerns of small business owners. We know they need more disposable cash and I have had many come to me in my riding. Members across the way undoubtedly have had the same experience. They are just so much short of operating capital. Their businesses are close to being very

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viable. It is just that they need to get over that hump. So many of them fail because they do not have access to the cash they need. I am not saying that every business will be a viable one but there are many that are and just do not have the cash they need.

We strongly feel, though, that the way to address these concerns is through lowering the tax burden on individual Canadians as well as businesses. More money in the hands of customers, the wage earners, means more money spent on and at Canadian businesses. More money in the hands of businesses means stronger businesses, more jobs for Canadians and more opportunities for new business ventures as well as expansion.

I think we have seen some examples of some profitable businesses over this last bump up in the economy where businesses have expanded in a substantial way just through their own initiatives. It certainly was not as a result of the government. It was their own initiatives.

Addressing a short term cash crunch through more government loan programs will only exacerbate the existing problem. Bill C-53 does nothing to address the underlying causes of small business troubles. It deals merely with the symptoms of larger economic problems which are the responsibility of the government. The government should be creating an atmosphere for business to thrive in.

Unfortunately this bill not only skirts the real issues facing small business it actually creates more of the same problems which led to small business failures in the first place. I have seen government intervention in Alberta where it encouraged farmers to invest money into expanded operations. It would even lend money. It almost threw it in their faces to expand value added businesses that were in a way on shaky ground because there was no telling what the commodity markets were going to do. It was not a natural process of expansion.

The banks were also involved and then the crunch came. Millions of dollars were invested. What happened? The farmers lost their equity. They lost their new business ventures plus the land. That has happened in far too many cases because of government involvement in lending money or pushing it on them. There were some who of course jumped at it. Instead of letting the normal flow of business take its own course, this is what happens. As a result we end up with many failures, far above what it should be.

• (1320)

The other case at hand when we come to government throwing capital to small businesses is who pays when a venture collapses. It is the taxpayers of course. It falls on their shoulders. The tax situation in this country is unbearable. The responsibility lies across the way here. I do not have to tell you that, Mr. Speaker. You are a small businessman and would know full well what expansion would mean. I am sure that when you expanded your business you went to the government to get more capital. It is a foolish thing. There are many entrepreneurs that do not need to do that.

I think the government should be addressing the economic problems. There are ways it can do that. I am urging the government to implement substantive systemic change that will address the underlying causes of business failures, freeing up for instance capital gains. Get rid of the capital gains tax and there would be more capital to actually invest. I do not think that is a bad idea. I think it is something that should be addressed in a substantial way.

There are trade barriers between provinces and from one region to the other that should be removed. What does that cost the business community every year? If I remember correctly, it is somewhere between \$5 billion to \$6 billion. Let us work toward eliminating some of the trade barriers.

There is high taxation. Money placed in the hands of a wage earner is more profitable than in some government bureaucrat's hand. That would be money spent and it would assist the business community in establishing a firm base. There are payroll taxes and employment insurance both from the business community and the wage earner.

We have a surplus right now. The Minister of Finance cannot wait to get his hands on it. Really it is money that should be placed in the hands of the wage earner and the businessman. What would they do with that money? I know exactly what they would do with it. The wage earner would spend it. The businessman would look at it and say "here is an opportunity for me to buy another machine and employ two or three more people". That is what would happen. But on the other side, it is gone. It is going to disappear.

Mr. Sarkis Assadourian (Brampton Centre, Lib.): Mr. Speaker, I have followed with careful consideration the hon. member's speech. I found the speech by my colleague from Scarborough much more logical.

There are a few points I want to bring to the member's attention. He opposed the policies of this government for the last five years. That is fair game. But he has to admit the record is that we have the lowest inflation ever over the last 10 to 15 years; 1.4 million new jobs were created; the lowest interest rate in 25 years; from \$42.5 billion we now have zero deficit; it is the first time ever we have had a surplus and we are paying down the debt; higher disposable income for Canadians; four times in a row we have cut EI.

Why does the hon. member not speak about this record? He chooses to be negative, negative, negative.

Mr. Art Hanger: Mr. Speaker, it has become more than clear about the situation as far as the economy is concerned. It certainly was not as a result of this government's action. The hon. member should not pat himself on the back for something he had nothing to do with.

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• (1325)

Employment insurance is a tax cutting into the wages of employees and beating up on employers. How was the deficit reduced? Was it with the austere program this Liberal government put forward? No. It was an increase in the economy that, in spite of what this government has done, allowed more revenues to come into the coffers. That is how the books were balanced.

If the government were truly interested in creating a level playing field for businesses it would attack the more significant problems. It is not willing to do that.

Trade barriers should come down. There should be some tax relief. Where is the tax relief? There is none. The Liberal government has increased payroll taxes through bracket creep by \$3,500 for a family of four. That is disgraceful. It is money taken out of their pockets.

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP): Mr. Speaker, the hon. member talks about tax cuts with the surplus that we have.

The surplus was accumulated on the backs of those people in this country who can least afford it. Now we have a record number of children in poverty. We have record numbers of people who pay into EI and who cannot collect it because of the changes in the rules.

Would the member not agree that the surplus is really money that was confiscated from employees and, I am sure they will argue employers as well, and that money should go back to the employees? When they could not find work or when they were displaced from the work force, they at least had EI to fall back on while they were looking for other work.

Mr. Art Hanger: Mr. Speaker, I thank the member for that question. I certainly agree with him regarding employment insurance.

Much of the deficit reduction has been on the backs of individuals and the provinces. Look at the social commitment the Liberal government has in plain terms. It has betrayed the taxpayer and has cut back on transfer payments to the provinces. Really, looking at the situation plain and simple, it betrayed the social contract. There were health care cuts to the point where there are line-ups in the hospitals and where there is a serious technology gap in our hospitals as far as treatment is concerned.

I agree with the hon member that the money taken in this regard should go back to the wage earner and to the businessman.

Ms. Elinor Caplan (Parliamentary Secretary to Minister of Health, Lib.): Mr. Speaker, I am pleased to have the opportunity to

rise in the debate today to discuss Bill C-53, the Canada Small Business Financing Act.

I speak today on behalf of my constituents in the riding of Thornhill, the businesses of Markham, Vaughan and Concord, the many small and medium size businesses that have taken advantage of the long history of small business loans in Canada and those that will be looking in the future to this kind of assistance.

I also speak today on behalf of the residents of Thornhill who, over the next numbers of years, will want to start businesses of their own and who will need a helping hand.

Bill C-53 deserves, and I expect to see, the unanimous support of the House because it is a bill to help small business.

• (1330)

When we talk about the climate in Canada in which small business can and should flourish, we have to look at what exists today. We have heard a lot about the climate that is needed for small business and business development.

I am proud to say that as a result of the policies of the government we have low inflation. Inflation in Canada is among the lowest in the world. We have low interest rates. As a result of prudent fiscal management and the balanced budget, we have not only low interest rates and low inflation. We also have the lowest payroll taxes in the western world.

As well we have a very high quality workforce. People in Canada are well educated. The work they perform is considered among the best in the world. We know Canada is a good place in which to start a business and to invest.

What is missing? Too often small entrepreneurs who are just getting started and may not have anyone to support and finance them may not know how to go about getting the support and capital they need. Access to capital, particularly for small and medium size businesses, and particularly for new businesses, is still a key component of creating jobs in Canada and creating the kind of climate where young entrepreneurs will flourish and succeed.

Often it is the young entrepreneur who is the individual with a good idea, the individual with expertise in one area. However there may be a number of areas where the person needs help and support.

When I looked over some of the research surrounding the bill I found interesting that in the last three years some 70% to 80% of all new jobs in Canada were created in the small business sector. It was not only the small business sector. It was in new job start-ups. It was entrepreneurs with good ideas, making it happen, creating jobs not only for themselves but often for others in the community. Small businesses have contributed enormously to prosperity and job creation.

Small and medium size businesses are a very important component. Some would say they are the anchor for our national economy. They make a crucial contribution to our collective economic well-being. This is one reason I expect to see overwhelming and unanimous support for this endeavour by the Liberal government. I believe everyone on all sides of the House recognizes that we must do our part as a national government in helping small business secure the dollars they need to succeed.

We know there are 2.5 million small businesses in Canada which include many self-employed individuals. If we were to do a scan of my riding we would find that in Markham, Vaughan and Concord many of the businesses that are working very hard to succeed would fall into the category of small and medium size businesses.

The Small Business Loans Act has been serving Canada's small business community since 1961. Bill C-53 that is before parliament today improves upon the existing Small Business Loans Act. The existing act has been an effective tool for small businesses accessing financing over the last 37 years. That is why I was surprised by some of the rhetoric I have heard from the other side of the House.

I stand in the House as an advocate of small business, as an advocate of job creation, as an advocate of a strong economy, and as an advocate of government playing its important and rightful role in ensuring that small business has all the tools it needs to succeed in this great country.

• (1335)

Bill C-53 was designed to meet three objectives to continue helping small businesses, young businesses, that need access to financing. Since this act is supported by taxpayers there is an important need for increased program accountability. Accountability, openness and transparency are values to which the government has committed itself. Bill C-53 is another important step in ensuring appropriate accountability of a government program designed to assist small businesses.

As well, this program is moving toward cost recovery, which is appropriate. As those businesses succeed, and we all hope they will, it is important that we have the resources and that they are available to help the next young generation of entrepreneurs trying to succeed in making their mark and helping Canada to maintain its leadership in the world when it comes to knowledge based and communication industries.

Bill C-53 contains no changes to the basic program parameters. However it meets the program long term viability and cost effectiveness requirements. It will provide greater stability, which I believe will better meet the needs of small business. Stability is a very important word for business. Recently we saw unexpected volatility in currency and in trading markets. We are all concerned and should be concerned about that.

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That is why the bill is important. That is also why it is important to have sound and consistent public policy so that the business sector, and particularly the small business sector in this case which is so vital to Canada's economy, will have some sense of confidence in terms of what will be in place for the foreseeable future.

Last year Canada's small business loans program helped some 30,000 small businesses across the country to access nearly \$2 billion in financing from Canadian lending institutions. Without this program many of the small businesses among those 30,000 may not have been able to secure financing without a guarantee from the Government of Canada. Too often major lenders do not respond as we all wish they would.

Back in the early 1970s I had my own small business which I was financing out of my household account. It seemed appropriate after having been in business for six months to go to the bank and say "I am quite successful. I do not need a big loan; \$500 will do. I own my own car so I have some security, but that is all I have". I also had a list of clients and thought any bank would judge me a good risk. I was young. I was an entrepreneur. I needed a little help.

Mr. Hec Clouthier: You are still young.

Ms. Elinor Caplan: I hear my colleague. I still feel young although a little older and wiser.

As I was saying, I had a car that was worth about \$4,000 as security. The bank said to me "You will need your husband to guarantee this loan for you". I think things have changed since those days in the early 1970s. However, I am not so sure they have changed enough to help young entrepreneurs or older workers who are starting businesses later in life and may not have a pile of money either to put into their business or put up as security. Or, they may be people like I who resented being asked to have my spouse as a co-signator. I felt I had the stature and the ability not only to look after my own business but to have a relationship as an individual with a lending institution.

• (1340)

While I admit that times have changed, it took me two years before I was able to secure a loan from a lending institution. By that time I was very grateful for my tenacity. I was sorry I did not know about this program. I now know it was in place then. I was so busy growing my business that I did not have the energy to keep fighting lending institutions.

Therefore I ended up financing my business out of my household accounts. I was fortunate to be able to do that. Many people starting businesses today should not have to juggle worrying about putting food on the table for their families and financing their businesses. Businesses with timely and appropriate access to capital are set up

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in a way that creates jobs for Canadians and contributes to their communities.

The story I told relates directly to why I am supportive of Bill C-53 which results from a comprehensive program and policy review conducted over the past year in private as well as with public consultations with stakeholders. It took into account the recommendations of the auditor general and the work of the Standing Committee on Public Accounts of which I was a member last year.

I will refer to the basic parameters of Bill C-53. It is important for business people or Canadians watching this debate to understand the types of things the government is doing to assist small business. Under the provisions of the act loans may be made by approved lenders for up to a 10 year term. Businesses will be able to borrow up to \$250,000. We also know that there will be a one time up front 2% registration fee for lenders which can be charged to borrowers. In addition, lenders must pay an annual administration fee of 1.25%.

Bill C-53 is also a step forward in streamlining, improving and stabilizing the existing Small Business Loans Act. The key provision I wanted to point out is that the bill will provide authority for the Department of Industry to conduct audits to ensure compliance with the act and regulations. That is part of the accountability mechanisms I spoke about earlier.

For the first time it provides the authority to create limited pilot programs on a cost recovery basis on capital leasing and lending to the voluntary sector. That is a very important part of the bill. Organizations in the voluntary sector sometimes have difficulty in accessing the capital they need.

Today with computerization there is a need to upgrade systems, especially as we face the year 2000. As has come to be known, the Y2K problem is putting many public and private sector organizations in the situation where it is in everyone's interest for them to ensure they are Y2K compliant, that their computer systems are compatible, and that they have dealt with the problem posed by the year 2000 for all of us.

• (1345)

I believe that Bill C-53 will provide an opportunity that is extremely important for small business and entrepreneurs, as well as voluntary, not for profit agencies.

A very important provision of this bill is that there will be a program performance review tabled in parliament every five years which will be available for committee consultation. Rather than the sunset provision of the past, where automatically a program is sunsetted unless we keep it alive, this provision allows us to say that this is a good program. It has proved itself. It has been in place for 37 years. We have had it in place since 1961. It is now 1998.

What we want to know now is, will this program on a continuing basis remain effective and relevant? If we can look at it every five years we will be able to make recommendations for change. This gives security to the business community. It gives stability.

Canada's small business financing act will provide an even more effective mechanism for government and financial institutions to share the risk of lending to small businesses. That shared risk is really what the essence of this program is all about. The federal government says to the major lending institutions in this country "We want you to do your part. We want you to support small, growing businesses like the ones in Markham, Vaughan, Concord and others in the great riding of Thornhill". The federal government is saying "We want you to support those businesses. That is the way we grow jobs".

Yes, it is important to have low inflation rates. Yes, it is important to have unemployment coming down. Yes, it is important to have low interest rates. Yes, it is very important to have strong fiscal management, a balanced budget and the kind of climate in which business can grow and flourish. But it is also very important for those small and emerging new businesses to have access to the capital they need.

While we are saying to the lending institutions that we want them to do their part, this Liberal government with Bill C-53 is saying that we are committed to doing our part. We are prepared to share the risk. That is what this bill is about. I support it on behalf of the riding of Thornhill and the many people who will benefit from this bill. I hope that all members of the House will join me in supporting this important and worthwhile initiative.

Mr. Ted White (North Vancouver, Ref.): Mr. Speaker, I would like to make a comment with respect to the speech that was just made. The Liberal government claims that it has had to force closure on this bill because it is so interested in helping business that it actually has to take away our right to speak on the bill. But I think government members are just paying lip service to this whole process. As long as they do not actually physically have to do something to help business, it is very easy for them to give away other people's money.

There is a group from British Columbia here in Ottawa this week from the forest industry. It is a broadly based group of unions and businesses which is trying to meet with the Minister of Foreign Affairs and the Minister of Labour to ask for help in countering a Greenpeace attack on the British Columbia forest industry. It is eco-terrorism. Greenpeace are boarding vessels in Los Angeles. They are chaining themselves to the doors of Home Depots in the United States. This is a more broadly based group than one could find. It is desperately trying to meet with the government to ask for help, internationally, to save businesses and jobs in British Columbia and the government will not meet with them.

The government has done everything it can to fob them off, to make excuses and to cancel meetings. It has been impossible for a broadly based group of business interests and union interests to meet with the government.

• (1350)

If the Liberals are so concerned about small business, why do they not actually do something physically and go into a meeting with this group to discuss its concerns and to see what the government can actually do? We have made many suggestions about how government can help businesses by getting out of their lives, by cutting their taxes and by cutting down on regulations. Here is a role for government play.

In international aspects of trade, the government has a role and this government is refusing to fulfil its role.

I would ask the parliamentary secretary why the government is refusing to meet with the delegation from B.C.

Ms. Elinor Caplan: Mr. Speaker, I would point out to the member opposite that we are in this House today discussing a bill that is going to, I believe, improve the climate for small businesses and entrepreneurs in this country.

This government cares about small businesses and does everything it can to support them. I want the member to know that Canada has low inflation and that our unemployment rates are coming down. We know they are still too high and the way to deal with that is by encouraging small business development. We have low interest rates. We have payroll taxes that are amongst the lowest in the western world.

Because we have balanced our budget and have a good international reputation, small businesses are flourishing and will continue to flourish. If the member would put his mind to the bill that is before the House today and support it we could resolve many of the problems that are before us. Instead, what I have heard is too much rhetoric and not enough support for important, good government programs.

Ms. Angela Vautour (Beauséjour—Petitcodiac, NDP): Mr. Speaker, the member just said that this government cares about small business.

I come from a region where unemployment is very high. I know the importance of making sure that small and medium size businesses are not only going to be created but that they are going to survive.

Through changes to employment insurance, \$927 million has been taken out of the New Brunswick economy. We have the HST of 15% on electricity, heating fuel and children's clothing. We have toll highways that have already been paid for by both the federal and provincial governments, but they are going to cost thousands

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and thousands of dollars for the same small and medium size businesses that this member is saying the government cares so much about.

[*Translation*]

Members should take a look at the communities, which have been deprived of \$927 million. That money was removed from rural communities where the unemployment rate was very high, where people received unemployment insurance benefits. Small businesses in these communities are not only suffering, they are closing.

The hon. member just said that her government is doing everything it can to help small and medium size businesses. How can she reconcile that statement with the fact that employers in New Brunswick have all these burdens to contend with?

[*English*]

Ms. Elinor Caplan: Mr. Speaker, as I said before in this House, some 30,000 businesses across the country have access to this program. We know that businesses in New Brunswick have access to this program. Without this program businesses in New Brunswick, British Columbia and provinces from coast to coast to coast would not have the same access to capital that they need to start and to flourish. Whether it be in New Brunswick or anywhere else, without this program we would not have the same strong, viable small business community.

Bill C-53 is very important to the people of New Brunswick. It is also very important to entrepreneurs across the country. There are many issues facing businesses across this great country and access to capital is one of the most important.

She must be aware that in the province of New Brunswick young entrepreneurs and small businesses need help and assistance, and Bill C-53 is designed to do just that. I know she will support it.

• (1355)

Mr. Grant Hill (Macleod, Ref.): Mr. Speaker, I am sure the parliamentary secretary missed the question from my colleague because she did not answer it, so I will rephrase it in a way that she can understand it.

The individuals who are here from the B.C. forestry industry cannot meet with government officials. They have tried everything they can.

Why will government officials not meet with these individuals? Is it because they are too far away from B.C.? Is it because there are too many Reform Party MPs from B.C.? Is it because B.C. is not important to this government? Why will the government not meet with forestry people from B.C. on an issue specifically related to small business? Why will they not meet?

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Mr. Walt Lastewka: Mr. Speaker, I rise on a point of order. I believe we are talking about the Canada small business financing act. The Reform Party has complained that it has not had time—

The Speaker: The parliamentary secretary has the opportunity to answer or not to answer. That is her prerogative. I see her on her feet. She has about 40 seconds.

Ms. Elinor Caplan: Mr. Speaker, I did respond appropriately to the member's colleague when I informed him that the matter before the House at this time is Bill C-53. There are other appropriate times for members to ask other questions. As I look at the clock I note that in about 20 minutes that time will arrive.

At this time my question for Reform members is, why are they not addressing themselves to the issues in Bill C-53 which are very important to small business? We on this side of the House know how important it is for the federal government to do its part and for this bill to be passed as expeditiously as possible to help small business in Canada.

Small businesses know where we stand. We want to know where the Reform Party stands.

STATEMENTS BY MEMBERS

[English]

CANADIAN FOOTBALL

Mr. Bryon Wilfert (Oak Ridges, Lib.): Mr. Speaker, I would like to comment on the great cultural institution of Canadian football. On Sunday we were treated to one of the best matches in a long time, the Grey Cup. The cup was donated by a former Governor General of Canada. It recognizes the supremacy of Canadian football in Canada.

At a time when we have the Americanization of the National Hockey League, the Americanization of basketball and other institutions, football is truly a Canadian game. It is about time that we took notice of the fact that this is an affordable form of entertainment for families in Canada. It does not have the big salaries of the NHL or the national basketball league. It is truly a Canadian game with Canadian rules.

I was very proud that Mr. Don Carmichael from my riding of Oak Ridges participated as one of the officials. I would like to—

The Speaker: The hon. member for St. Albert.

* * *

CANADIAN FARMERS

Mr. John Williams (St. Albert, Ref.): Mr. Speaker, there is a crisis in our country that requires immediate attention by the

minister of agriculture. The price of a finished hog is \$25 less than the cost of the food to produce the hog, never mind the overhead, interest payments and fuel charges that a farmer also has to pay. If this trend continues for a few more months many farmers are going to be wiped out.

The minister of agriculture has a responsibility to ensure that Canadian farmers, who are the most efficient producers in the world, are not victims of global subsidization policies. The Government of Canada has an obligation to ensure that these farmers, some of whom are my neighbours and friends, will not be driven from their farms and their livelihoods.

If they are the most efficient in the world, why are they among the first to lose everything?

* * *

MINING

Mr. Brent St. Denis (Algoma—Manitoulin, Lib.): Mr. Speaker, the Canadian mining industry is a major creator and user of advanced technology for the global resource industry. Mining companies spend over \$100 million a year on research and development and over 85% of the mining workforce uses advanced technology from electronics and advanced materials to geomatics and telecommunications. The primary metals industry is the most intensive user of the 10 leading technologies in the marketplace.

With the use of high technology and a highly skilled workforce, between 1986 and 1996 labour productivity increased by 48% in mining and by 37% in the smelting and refining industries. That compares with about 16% in the entire Canadian economy.

• (1400)

I call on members of the House to salute mining day on Parliament Hill and the achievements of this high technology industry.

* * *

[Translation]

CANADIAN MINING INDUSTRY

Mr. Guy St-Julien (Abitibi—Baie-James—Nunavik, Lib.): Mr. Speaker, the mining industry plays a vital role in the Canadian economy. It provides direct employment to 368,000 Canadians, many of whom live in rural or remote communities.

In 1997, this high tech, knowledge-based industry injected \$26.2 billion in the Canadian economy, or 3.8% of the GDP.

The mining industry also has an important impact on several downstream sectors, including manufacturing, finance, transportation and services.

Today is mining day on the Hill, an annual event sponsored by the Mining Association of Canada and the Mining Works for Canada campaign, where decision makers from the industry and the federal government get together to exchange views on issues of common interest. This year's theme is international competitiveness.

I urge all members of this House to recognize the Canadian mining industry.

* * *

QUEBEC ELECTION CAMPAIGN

Mr. Robert Bertrand (Pontiac—Gatineau—Labelle, Lib.): Mr. Speaker, less than a week before the people of Quebec make a crucial decision concerning the future of Quebec and of Canada, the PQ definitely seems to have decided to go for a referendum, while the Liberal Party has chosen to stand for economic growth and job creation.

On November 30, Quebecers must vote for the Liberal Party in order to ensure political stability in coming years.

The Liberal victory on November 30 will put Quebec back to work to improve quality of life for Quebecers.

On November 30, I will be voting Liberal.

* * *

[English]

ABORIGINAL AFFAIRS

Mr. Mike Scott (Skeena, Ref.): Mr. Speaker, a long time ago in a place far away political leaders decided that people should be divided and segregated so that some lived under one set of laws and the rest lived under another very different set of laws.

The world condemned the decision. The world said it was wrong to divide people on the basis of skin colour, ethnicity and language. The world said such state sponsored segregation was unacceptable and if we engage in it we do not have democracy.

Now, years later, the federal government gives us the Nisga'a treaty in British Columbia which proposes exactly the same segregationist ideas. The Nisga'a government is given supreme law making authority in at least 14 different areas, laws that will take precedence over federal and provincial laws but which will apply only to Nisga'a people. If you are not Nisga'a you cannot participate in this government even if you live in a Nisga'a community, are married to a Nisga'a person and have Nisga'a children.

All Canadians should be deeply concerned because this government proposes to sign similar agreements right across Canada that will entrench segregation as a major—

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The Speaker: The hon. member for Ottawa—Vanier.

* * *

STEPHANIE BOLSTER

Mr. Mauril Bélanger (Ottawa—Vanier, Lib.): Mr. Speaker, it is my pleasure to congratulate a very deserving constituent of mine. Ms. Stephanie Bolster was awarded the Governor General's Literary Award in poetry for her book *White Stone: The Alice Poems*.

I offer the jury's citation for her work: "*White Stone: The Alice Poems* was judged the best book of poetry in 1998 for as many reasons as there are poems in this wonderful sequence, but due primarily to Stephanie Bolster's ability to depict the emotional life of Alice Liddell as girl and woman in brilliant narrative juxtapositions. She uses her lyrical powers to present Alice the creation and Alice the person in a cultural context that, on one level, re-examines cognition and dissociation and on another liberates the poetic sequence from the monotony of story and closure".

I congratulate Ms. Bolster for her creativity and contribution to Canadian culture.

* * *

[Translation]

WORLD FINANCIAL MARKET

Mr. Stéphan Tremblay (Lac-Saint-Jean, BQ): Mr. Speaker, we are witnessing the rise of a new philosophy in world financial markets.

After the Mexican financial crisis in 1995, the Asian crisis, whose effects we are still feeling, the problems in Russia and the turbulence in Latin America, a new trend is developing.

It is now clear to us, as it was already to George Soros, the most prolific speculator in the world, and to hard-line free trade economists, that we must attempt to control large-scale movements of capital within the global economy. That having been said, although everyone has identified the problem, different solutions are being recommended.

One solution that could be tried is that of professor James Tobin, winner of the Nobel prize for economics, who suggests a small tax on currency transactions to reduce runaway speculation. The Bloc Québécois agrees with the principle of such a tax, as shown by our support for Motion M-239 introduced by our New Democratic Party colleague.

It is high time that parliamentarians had a better understanding of these economic phenomena so that we can moderate their negative impact and avoid a financial crisis.

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• (1405)

FIREARMS LEGISLATION

Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.): Mr. Speaker, hundreds of thousands of Quebecers opposed to gun registration are not being represented by their MP. When these people asked the Liberal and Bloc Quebecois members to support them, they were met with a refusal. The only people speaking out on their behalf are Reform Party members. It is Reformers who are defending the provinces' jurisdiction over property.

With four provinces fighting against this federal interference in provincial matters, Bloc Quebecois members are silent. They are cosyng up to the centralist Liberals. They have sold out.

The Speaker: "Sold out" is pushing the limit. The hon. member for Brome—Missisquoi has the floor.

* * *

ELECTION CAMPAIGN IN QUEBEC

Mr. Denis Paradis (Brome—Missisquoi, Lib.): Mr. Speaker, the PQ is offering Quebec a program based essentially on the holding of a referendum leading to Quebec's separation from the rest of Canada.

On November 30, I will reject this option because I believe that Quebec can and must take its place within the Canadian federation.

Next Monday, the choice will be simple: the Liberal Party, to ensure economic growth, or the PQ, which is keeping open its option of separation for Quebec.

That is the real issue of the upcoming Quebec election. Our choice will be clear on November 30. In Brome—Missisquoi we will be voting Liberal.

* * *

[English]

FISHERIES

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP): Mr. Speaker, three weeks ago on Cape Sable Island, Nova Scotia I attended a funeral of a 26 year old fisherman who committed suicide because he could not make a living from the fisheries sufficient to support his family.

This is the fifth suicide in southwest Nova in the last six months and it coincides with a rash of suicides in small coastal communities on Vancouver Island. The government and the Department of Fisheries and Oceans have been warned repeatedly that their policies of individual transferable quotas and corporate concentration of the resource have to be addressed.

If the destructive policies are not modified the hope and dignity of coastal communities, fishermen and plant workers will be lost.

When will the government stop punishing these people and begin to listen to their concerns? The suicide note of the latest victim summarizes the situation many fishermen find themselves in today. It simply said that if the government would not allow him to provide for his children maybe God can.

* * *

[Translation]

ELECTION CAMPAIGN IN QUEBEC

Mrs. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Mr. Speaker, in 1980, Quebec clearly rejected the PQ option of breaking up Canada. In 1995, for the second time, Quebecers rejected the option of separating Quebec from the rest of Canada. In 1998, the PQ is once again offering the option of preparing another referendum on Quebec's independence.

[English]

The Péquistes need to learn that no means no.

[Translation]

Quebeckers understand that the PQ understands nothing. Quebec understands that the choice on November 30 is clear and obvious. We must once again speak out in favour of keeping our country unified and strong. Quebec also understands that it must assume its leadership role and help to make Canada an ever better federation.

On November 30, I will be voting Liberal, because I believe in Canada's future. Quebec must be able to deal—

The Speaker: The hon. member for St. John's East.

* * *

[English]

CHILD POVERTY

Mr. Norman Doyle (St. John's East, PC): Mr. Speaker, in 1989 the House of Commons passed a resolution that our nation should strive to eliminate child poverty by 2000.

However, between 1989 and 1995 the number of poor children in the nation increased by 58%, resulting in more than 1.5 million children living in poverty. In my province of Newfoundland some 38,000 children live in families that are below the official poverty line and many of these children go to school hungry each morning. In other words, the problem has become worse since that 1989 resolution.

I call on the Government of Canada to significantly increase the Canada child tax benefit in the upcoming budget and to generally support initiatives by the Canadian School Boards Association to deal with the issue of hungry children in our schools.

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• (1410)

[English]

The budget is in surplus. The time for talk is over and the time for action on child poverty is right now.

* * *

GERALD VANDEZANDE

Mr. Derek Lee (Scarborough—Rouge River, Lib.): Mr. Speaker, Citizens for Public Justice is celebrating 35 years of strong non-partisan advocacy in policy development and reform on behalf of many in our society who would not otherwise have such a strong voice. Today I want to pay tribute to the volunteer leadership of in that organization.

Mr. Vandezande is a constituent whose commitment and dedication has played a major role in the pursuit of public justice during his 35 years of service. He has attended many political gatherings and waited patiently outside meeting rooms to twist the arms of MPs, MLAs and ministers on social policy issues. His accomplishments also include extensive writing on social, political and economic issues for many publications. He has provoked thought and encouraged society to challenge the status quo and fight for those in need. Gerald Vandezande will continue to passionately voice these messages of CPJ even in retirement.

On behalf of our constituents I congratulate him and wish both him and CPJ well in all future endeavours.

* * *

[Translation]

MINISTER OF CANADIAN HERITAGE

Mrs. Suzanne Tremblay (Rimouski—Mitis, BQ): Mr. Speaker, "If silliness were sold by the metre, there is no doubt the Minister of Heritage would have become a billionaire a long time ago". This comment was made on Sunday, in *Le Soleil*, by journalist Jean-Simon Gagné.

Mr. Gagné came to this conclusion after hearing about the following anecdote. The minister visited an elementary school in a poor neighborhood of Ottawa. As is her custom, she boasted about her country, saying: "Canada is the best country in the world. It is a rich country where people are happy and wealthy. Everything there is to be found in huge quantities—wheat, oil, gold, uranium, maple syrup, potash and even one quarter of the world's freshwater reserves. Canada is a paradise".

A young schoolgirl from Ottawa sitting at the back of the class stood up and asked the minister "How do we get to Canada?"

LIM GUAN ENG

Hon. Sheila Finestone (Mount Royal, Lib.): Mr. Speaker, Lim Guan Eng is a member of the opposition party of the Malaysian parliament, a prisoner of conscience who is now in jail and a victim of a miscarriage of justice. He has been wrongly incarcerated for stating that double standards were applied in a statutory rape case involving a prominent state chief minister and a 15 year old school girl. Mr. Lim was jailed for sedition and publishing false news because he used the term "victim imprisoned" in reference to the rape victim.

Today we welcome his father, parliamentary leader of the opposition in Malaysia, Mr. Lim Kit Siang. It is important for all parliamentarians and all citizens to note that both these men remind us of the precious freedom of expression that we are privileged to enjoy in Canada and underscore the importance of people of courage who speak out and speak up for justice, freedom, democracy and human rights.

Our message, Mr. Lim, is to wish your son's early freedom and return to his family, his three children and to the Malaysian parliament. Good luck, Mr. Lim, in your venture.

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ABORIGINAL AFFAIRS

Mr. Myron Thompson (Wild Rose, Ref.): Mr. Speaker, I take this opportunity to read a small article that appeared in Friday's *Ottawa Citizen* for the minister of Indian affairs:

As many as 25% of Canada's 500 Indian bands are broke enough that the federal government will have to either intervene or take over financial management this year, Indian affairs managers said yesterday. The bands have made little headway in recent years to dig out from debt loads that are causing federal officials grave concern even as aboriginals strive toward self-government. The trend, blamed on mismanagement by both federal officials and Indian leaders, has continued for the past five years. The problem has been like a revolving door: a dozen indebted bands straighten out their finances each year as another 12 sink into the red.

When will the minister finally listen to her own officials and close that revolving door of mismanagement? The grassroots people are suffering and deserve accountability. I challenge her to be the first minister of Indian affairs to do the right thing, not the political thing, and clean up this mess before we go from a bad situation to an impossible one.

* * *

HAMED SALOOJEWE

Mr. Gary Pillitteri (Niagara Falls, Lib.): Mr. Speaker, today I am bringing to this House's attention the good work carried out by the general manager of the Niagara Citizens Advisory Committee, a non-profit organization that runs programs for ex-offenders and youths at risks.

Oral Questions

Hamed Saloojewe came to Canada with his family 22 years ago from his native South Africa where as a boy of 10 he started to work against apartheid in the offices of Nelson Mandela. Hamed believes that by living in a segregated society he learned to appreciate Canada's freedom more than the average citizen.

• (1415)

Today Hamed is continuing his work within our community with actual results. Individuals are being reinstated as productive members of our society. Youths that may otherwise not have had a chance are steered in the right direction.

The work carried out by Hamed shows us that by working within our communities, we can prevent crime and render our streets and homes safe while providing new beginnings for people who need it.

Question period may be our only avenue to get to the bottom or to the top of this matter. I ask again, for whom was Staff Sergeant Stewart supposed to take the fall?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the hon. Leader of the Opposition will have the answer from the commission.

Mr. Preston Manning (Leader of the Opposition, Ref.): Mr. Speaker, the Prime Minister is running away from this question. He is trying to hide exactly like the solicitor general.

Staff Sergeant Hugh Stewart, a senior Mountie, is being set up as a fall guy. This is confirmed in at least two affidavits filed with the commission. It has never been contradicted by anyone in the government.

I ask again, for whom was Staff Sergeant Stewart going to take the fall? Was it Eddie Goldenberg? Was it Peter Donolo? Was it Mr. Pelletier? Or was it the Prime Minister himself?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the officer himself said this morning that his one hope is to be in front of the commission and to give exactly all the facts of the problems when he was there.

Let the officer go in front of the commission to explain what happened. This is exactly what we want. It is exactly what the law of parliament asks the board to look into. As quickly as possible we will have satisfaction.

Miss Deborah Grey (Edmonton North, Ref.): Mr. Speaker, it is the Prime Minister that we want investigated. An independent judicial inquiry—

Some hon. members: Oh, oh.

The Speaker: I would ask all of you, my colleagues, to be very judicious in your choice of words.

Miss Deborah Grey: It looks like we hit a weak spot. Mr. Speaker, a judicial inquiry can investigate the Prime Minister. The public complaints commission cannot. An independent judicial inquiry can get to the bottom of the Prime Minister's involvement in this. The public complaints commission cannot. An independent judicial inquiry can force the Prime Minister to produce documents. The public complaints commission cannot.

• (1420)

Will the Prime Minister please stand up and admit that these are the real reasons he does not want to have an independent inquiry?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the commission that exists has been making inquiries with everybody in the government and it was given all the documents that it asked for. There is absolutely nothing to hide. We want the commission to look at every document it wants as soon as possible and we will have the results of the inquiry.

ORAL QUESTION PERIOD

[English]

APEC INQUIRY

Mr. Preston Manning (Leader of the Opposition, Ref.): Mr. Speaker, Canadians are still waiting to find out why their Prime Minister sacrificed Canadians' freedom of speech in order to protect a foreign dictator from embarrassment. While the former solicitor general may be gone, he left behind a question on this matter which deserves an answer.

When the former solicitor general said that a senior Mountie named Hugh Stewart would take the fall, what did he mean?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, we will know as soon as the commission looks into the matter. That is why there is a commission. It has been set by this parliament. The members have been named for five years. They have the mandate to look into this matter. There was a complaint filed with them. They are doing exactly what the Parliament of Canada has asked them to do.

I want everybody to wait for the commission to give us its report. I want the commission to ask all the questions of anybody who it wants to interview.

Mr. Preston Manning (Leader of the Opposition, Ref.): Mr. Speaker, the public complaints commission is not going to get to the bottom or to the top of this particular matter.

Remarks of the former solicitor general have undermined the commission. The chair of the commission is under investigation. Lawyers for the students want the commission quashed, as do lawyers for the RCMP who are being paid by the government.

Oral Questions

I know that the opposition has nothing else to complain about. Keep asking these questions and you will still have the same answers. Let the law of the land apply in this case.

Miss Deborah Grey (Edmonton North, Ref.): Mr. Speaker, that answer is exactly the answer that the former solicitor general gave every day and we know what happened to him.

The Prime Minister knows that if he is subpoenaed to go to the public complaints commission, he can refuse to answer any question that he just does not want to answer. That is different than a court, a judicial inquiry where a judge can order the Prime Minister to tell the truth.

If the Prime Minister really has nothing to hide like he just said, why does he not call a real inquiry headed up by a real judge? What is he so afraid of?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, a commission and inquiry can be set up and not have a judge. There have been inquiries by people who were not judges. This commission has the right to ask any question of any witness it wants.

I said yesterday what my involvement was in that and the long answer was none. I cannot add more than that. I had a job to do that day. I had to preside over a meeting and that was my preoccupation. I have absolutely nothing to hide. I want the Canadian public to have the whole answer as soon as possible.

[Translation]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, now that the solicitor general has resigned, we have to move on to the real problems.

All observers agree that the main point of the whole affair is the present commission of inquiry into the events at the APEC summit.

Does the Prime Minister realize that the present inquiry is as discredited as the former solicitor general was, and that if the Prime Minister really wants to clean up his image, it is his duty to put into place an independent commission of inquiry?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, that is what we have: a commission of inquiry under the authority of an act of Parliament.

A complaint was lodged. I could not even ask them to stop. They are totally independent. It is their duty to do what is dictated by a law of this Parliament, and they want to do their work. They are resuming hearings tomorrow.

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, what needs to be clarified is not just the actions taken by the RCMP, but also the actions and orders of the Prime Minister's entourage, and of the Prime Minister himself.

Yesterday the Prime Minister told us he did not want to start back at square one. But is the real danger not going back to square one, but ending up there?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the real problem is that the opposition refuses to recognize the truth.

The opposition does not want the commission to do its job, because they know very well that, when the commission has finished its work, they will have nothing to say, because the police did a good job. If not, the commission will report on this.

We have told them that all of the documents they want to look at, and all of the people they want to hear in Parliament, are available to them. They can interview them all and get them to testify if they want.

Mr. Richard Marceau (Charlesbourg, BQ): Mr. Speaker, what concerns us in the APEC affair is not only the problem of the police, it is primarily the problem of the Prime Minister.

Does the Prime Minister not understand that the RCMP public complaints commission is far too narrow a context for what needs to be investigated, because at issue, in addition to the role of the RCMP, is the role of the Prime Minister's office and of the Prime Minister himself?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, this is exactly what we have been saying since the start. We have told them they can ask anyone in my office to testify.

● (1425)

This is why Mr. Pelletier and Mr. Carle have offered to testify, and anyone the commission wants to send for will testify. So what is their complaint? We have offered to provide all the documents and to let them interview or send for anyone from the public service or from my office.

Mr. Richard Marceau (Charlesbourg, BQ): Mr. Speaker, what the Prime Minister does not understand is that we do not want to know who pepper-sprayed the demonstrators, but who issued the order to do so and where it came from.

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I am not worried. I did not give it. I have said that in the House and I repeat it. The commission will look at the work of the police and whether or not they acted properly. Yesterday, the officer in question said he was keen to testify, because it was about time his version of the matter was heard.

* * *

[English]

FARM INCOME

Mr. Dick Proctor (Palliser, NDP): Mr. Speaker, my question is also for the Prime Minister.

Oral Questions

I am sure the Prime Minister would agree that we are facing a growing crisis in this country. I refer of course to the farm income crisis. We have been saying this for months. So have farmers and the farm media. Even Canada's so-called national newspaper says that half of the grain farmers on the prairies are now on the brink.

Will Canadian farmers have to face this crisis on their own or is this government going to provide some help now?

Mr. Joe McGuire (Parliamentary Secretary to Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, the hon. member is a member of the Standing Committee on Agriculture and Agri-Food. That committee is holding hearings on farm income which will be given to the minister. He knows the minister held a national meeting with farm organizations on November 12. He knows that the deputy ministers of agriculture have been meeting with their counterparts in the provinces. The advisory committee on farm income safety nets has reported to the minister as he requested before the end of November. Progress is being made. The minister has talked to his cabinet colleagues. Within a short period of time, an announcement will be forthcoming.

Mr. Dick Proctor (Palliser, NDP): Mr. Speaker, as we know, this Prime Minister rarely admits anything without first being backed into a corner. After much prodding, the government now agrees that farmers are in dire straits.

When an ice storm hit Ontario and Quebec, the government helped out. When the Red River flooded, the government helped out. Now western Canadians are facing disaster. When will the Prime Minister step up to the plate and announce a disaster relief plan?

Mr. Joe McGuire (Parliamentary Secretary to Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, as I stated in my first answer, everything that can be done is being done to address the farm income crisis.

The minister and the government know there is a crisis. They are well aware of what is happening in the farming communities, especially in hogs and grains. In due course, a program will be announced.

* * *

VETERANS AFFAIRS

Mrs. Elsie Wayne (Saint John, PC): Mr. Speaker, the Minister of Veterans Affairs has stated that he considers the hunger strike by the merchant navy men to be a disgrace and a blackmail of the Canadian government. This has hurt those merchant navy men terribly.

I know we all make statements that we wish we had not made. In this case, I would ask that the minister retract his comments and that he sit down with these brave men to discuss their concerns very soon.

Hon. Fred Mifflin (Minister of Veterans Affairs and Secretary of State (Atlantic Canada Opportunities Agency), Lib.): Mr. Speaker, I think the hon. member knows because it was set up through her office, she is assisting these veterans on their hunger strike, that I will be meeting with them tomorrow.

Mrs. Elsie Wayne (Saint John, PC): Mr. Speaker, if it was sent to my office, I did not receive it but I did hear about it through the merchant navy men.

I want to remind the Minister of Veterans Affairs that in the past five years the Department of Veterans Affairs has had a total of over \$475 million in lapsed unused funds.

Once again, knowing the money is there, will the minister sit with these veterans tomorrow with an open mind and seriously discuss the issue of benefits and compensation?

• (1430)

Hon. Fred Mifflin (Minister of Veterans Affairs and Secretary of State (Atlantic Canada Opportunities Agency), Lib.): Mr. Speaker, the member has been asking for a meeting. I will say to her again that I have met with these veterans on two occasions. I met with them this morning and I will meet with them again tomorrow.

* * *

APEC INQUIRY

Mr. John Reynolds (West Vancouver—Sunshine Coast, Ref.): Mr. Speaker, the Prime Minister knows that the public complaints commission can only investigate the role of the police in the APEC affair. It cannot investigate the role the PMO played in APEC. It cannot investigate the role of the PMO pressure on the CBC to get rid of Terry Milewski.

Why will the Prime Minister not call an independent judicial inquiry to clear up the role of the PMO in the whole APEC affair?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I know the commission has already interviewed many people working in the public service concerning this matter. Every department, including PCO and the Department of Foreign Affairs, has collaborated with members of the commission and has given it all the information and documents it wanted.

It is not true that the commission cannot investigate it. We have offered to help it and we will keep offering all the help it needs.

Mr. John Reynolds (West Vancouver—Sunshine Coast, Ref.): Mr. Speaker, the Prime Minister stands in the House, as his former solicitor general did, day after day talking about the public complaints commission and what it can do.

Oral Questions

If he read the act he would see that it can only investigate the police. If he went back to the speeches when that bill was brought to the House, he would see that the member sitting next to him spoke against the bill in the House for that reason.

Why will the Prime Minister not read the act and find out that the commission can only investigate the police? Everybody will co-operate if they know that nothing can be done to them, except for the police, under this commission.

Why will the Prime Minister not call an independent judicial inquiry?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the frame of reference is extremely wide. At this time the commission is interviewing everybody in every department who had anything to do with this meeting in Vancouver a year ago. Let the commission do its work.

[Translation]

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, the only reason the Prime Minister is defending the commission of inquiry on the peppergate scandal as vigorously as he did his former solicitor general is because it is the only thing left that can protect him from embarrassing accusations that could be made against him.

Will the Prime Minister admit that having a commission of inquiry on police ethics instead of a real judicial inquiry is a lot more convenient for him and for his office?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, no, because this commission exists under the laws of parliament. A complaint was made to the commission, and the commission itself, without receiving any instructions from anybody in government, decided to conduct an inquiry. That commission has the authority to question and to call before it any witnesses it wants concerning what happened in Vancouver a year ago.

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, everybody knows the role of that commission is to investigate the actions of the police. It is a commission on police ethics. It does not have the mandate to go to the Prime Minister's office, and that is what we are interested in.

Will the Prime Minister not admit that he gave the commission a role and a mandate that it cannot fulfil because it does not have the authority to go to his office and to question him on his involvement in this matter?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the commission has the authority to call any witness it wishes to hear. It is its decision. The commission's lawyers started questioning people several weeks ago, and all the documentation they asked for has been handed over to them. They have absolutely no restrictions on their inquiry, and they can question anybody they want in the government.

[English]

HEPATITIS C

Mr. Grant Hill (MacLeod, Ref.): Mr. Speaker, yesterday Premier Harris kept his word. He promised to compensate all the poor victims of hepatitis C and he did that.

The position of the health minister across the way was to attack Premier Harris. Did Premier Harris, in this minister's view, do the wrong thing yesterday by looking after all the victims of hepatitis C?

• (1435)

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, the government has kept its word. It has acted out of principle. It has extended with other provinces an offer to dissolve litigation when we felt there was some argument as to fault and in relation to everybody else who contracted hepatitis C through the blood system.

We have offered assistance in making sure they get the care they need without paying money out of their pockets; research to help us find treatment and a cure for this disease, much needed research; trace back programs to find people at risk so they can get treatment; and \$125 million over—

The Speaker: The hon. member for MacLeod.

Mr. Grant Hill (MacLeod, Ref.): Mr. Speaker, everyone knows that the minister has a personal dislike for Premier Harris. It looks to me like that vendetta is getting in the way of hepatitis C victims.

Why should the hepatitis C victims themselves suffer because of a personal vendetta of the minister against Premier Harris?

Hon. Allan Rock (Minister of Health, Lib.): Mr. Speaker, the government just takes a different position on this issue than the government of Premier Harris.

Let me give an example. The only known drug to help hepatitis C is Interferon. At the moment in Ontario it costs about \$10,000 out of the pocket of the victim in some cases to get that drug, \$10,000 for one course of treatment. The \$10,000 cheque that the Harris government is mailing out is not going to do much good to the person who needs that drug.

What we propose is cost sharing with the provinces to get that drug into their hands without any out of pocket expense. Why will they not do what we propose and help those who are sick with treatment and not with payment?

* * *

[Translation]

BILL C-54

Mrs. Francine Lalonde (Mercier, BQ): Mr. Speaker, my question is for the Minister of Industry.

Oral Questions

Last Tuesday, the Minister of Industry said Bill C-54 “would not apply to Quebec at all”. On Wednesday, he changed his mind and said the opposite, when he stated that his bill would apply, in Quebec, to federally regulated businesses, such as banks and telecommunications, broadcasting and transport companies.

Does the minister admit that the act will also apply to Quebec businesses that transfer personal information to other provinces?

Hon. John Manley (Minister of Industry, Lib.): Mr. Speaker, I am convinced that Canadians in Quebec and elsewhere in Canada truly want personal information to be protected. In fact, according to an Angus Reid poll, 80% of Canadians feel that personal data should remain strictly confidential.

We will protect personal information. We are doing so in Bill C-54. I would appreciate it if the Bloc Québécois supported this legislation.

Mrs. Francine Lalonde (Mercier, BQ): Mr. Speaker, Bill C-54 provides much less protection than the Quebec legislation does.

My question to the minister is: Does he think the only way to protect the rights of Canadians is to weaken those of Quebecers, or is everyone not entitled to the best possible protection, namely the protection provided in Quebec?

Hon. John Manley (Minister of Industry, Lib.): Mr. Speaker, I would simply like to quote privacy commissioner Bruce Phillips, who said, when the bill was introduced, and I quote “Today’s tabling of private sector privacy legislation in the House of Commons is the most significant advance in protecting Canadians’ personal information since the Privacy Act regulated federal government handling of personal information in 1983”.

It is simple. This is a good bill. It will protect individuals. It is a bill for—

The Speaker: The hon. member for Edmonton—Strathcona.

* * *

HEALTH CARE

Mr. Rahim Jaffer (Edmonton—Strathcona, Ref.): Mr. Speaker, according to an Angus Reid poll released today, the public’s greatest concern, even before unemployment, is the way the Liberals are attacking the health care system.

This is no surprise. Since 1993, the Liberals have slashed \$7 billion from health care financing, and hospital waiting lists are longer than they have ever been.

Enough talk. When is the Minister of Health going to act?

• (1440)

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, it is absolutely incredible to hear the hon. member from the Reform Party speak to us of health care when, year after year of their first mandate, their recommendations were to cut, to slash health expenditures. But we refused.

Moreover, the first thing we did when we saw the deficit had been eliminated was to restore in excess of \$7 billion to health care, over a five-year period.

[English]

Mr. Rahim Jaffer (Edmonton—Strathcona, Ref.): Mr. Speaker, this is not about the official opposition. This is about the government’s record. Seven billion dollars have been cut out of health care. Nearly 1,400 doctors have left Canada for the U.S. Hospital waiting lists are the longest in history; 188,000 people are waiting for care.

How many more polls will it take before the health minister gets the message and stops this Liberal sabotage?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, this year in terms of tax point transfers alone the provinces will be receiving over \$13.5 billion. The equalization transfer this year is \$8.5 billion, up from \$8.1 billion when we took office. The child tax benefit is \$1.8 million. That is money that is going into provincial coffers and into the hands of Canadians with children to enable them to protect their health.

Whether we put money into research and development or into the health transition fund, this party, the party that created the Canada Health Act, stands behind the health of Canadians.

* * *

[Translation]

ICE BREAKING POLICY

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, the new ice breaking fees are so much ad-libbing.

The proof is that, in Rivière-du-Loup, the ferry operator will have to fork out \$68,000 in ice breaking fees between December 21 and January 5, date of the last winter crossing, when ice breaking services have not been needed for this period since 1973.

Is this ridiculous proposal not a clear indication that the Minister of Fisheries and Oceans should go back to the drawing board?

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, industry stakeholders have been consulted over the past three years. There is no ad-libbing about it. The industry’s proposals are now being considered.

Oral Questions

In a few days or weeks, the new revised fee schedule will be available for examination by industry stakeholders. There is nothing unusual about that.

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[English]

HUMAN RIGHTS

Ms. Shaughnessy Cohen (Windsor—St. Clair, Lib.): Mr. Speaker, my question is for the Minister of Foreign Affairs.

Lim Guan Eng is a Malaysian opposition MP who has been wrongly incarcerated for simply doing his job, which is to oppose the government of the day. Canada has made a concerted effort to assist Lim Guan Eng and today his father, Lim Kit Siang, is in Ottawa to meet with parliamentarians.

Could the Minister of Foreign Affairs tell us whether the case of Lim Guan Eng was raised by Canada at the APEC summit in Kuala Lumpur?

Hon. Lloyd Axworthy (Minister of Foreign Affairs, Lib.): Mr. Speaker, while we were at the meeting in Kuala Lumpur I had the occasion to meet with Mr. Lim's father to discuss the treatment that his son had received in terms of raising issues as part of his parliamentary duties.

Subsequent to that we were able to raise with the minister of foreign affairs the way in which the judicial system was being used to suppress certain statements and expressions of freedom of point of view.

I also asked our high commission there to register officially our concern and to continue to monitor the situation. I am hoping we will be able to meet with Mr. Lim during a meeting on human rights that will be held in Edmonton this weekend.

* * *

GREENPEACE

Mr. John Duncan (Vancouver Island North, Ref.): Mr. Speaker, Greenpeace and other lobby groups have launched an all out war on logging in B.C. That is not fair because B.C. forest practices are among the best in the world.

Greenpeace's attack on jobs is being helped in its campaign by money from CIDA. Why are Canadian tax dollars being used to help a campaign to destroy the jobs that pay those very same taxes?

Hon. Diane Marleau (Minister for International Cooperation and Minister responsible for Francophonie, Lib.): Mr. Speaker, CIDA does not do any direct funding of Greenpeace. As a matter of fact, CIDA tries to transfer the good forestry practices practised in B.C. to the developing world.

Mr. John Duncan (Vancouver Island North, Ref.): Mr. Speaker, the minister and the minister's officials do not know where CIDA money goes. We do. The money goes to the World Resources Institute, a lobby group that supplies Greenpeace with its information and political ammo.

• (1445)

Why are tax dollars from CIDA being spent to kill Canadian logging jobs?

Hon. Diane Marleau (Minister for International Cooperation and Minister responsible for Francophonie, Lib.): Mr. Speaker, there has been no direct funding of this particular group since 1994. It is very important for Canada to show the developing world the good practices we have here. Whether they believe it or not, we do have wonderful practices and the developing world appreciates our help.

* * *

CHILD POVERTY

Ms. Libby Davies (Vancouver East, NDP): Mr. Speaker, my question is for the finance minister. Today is the anniversary of the all-party motion to eradicate child poverty by the year 2000. Shamefully we are one year away, but farther than ever from reaching that goal.

What does the finance minister do? He has the gall to stand up at a Liberal fundraising bash and call child poverty a national disgrace. It is his policies that are a disgrace. Six billion dollars in cuts have forced more than half a million more kids into poverty. Where is the real commitment, backed up by real dollars and not empty promises?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, poverty is definitely an issue that has concerned this government in a very big way, and child poverty in particular. We should look at the record of what this government has done over the past few years.

We have been able to negotiate with the provinces the national child benefit in which we are investing \$1.7 billion per year to help children in low income families.

We have also developed the Canadian opportunities strategy. We have developed the transitional jobs fund—

The Speaker: The hon. member for Vancouver East.

Ms. Libby Davies (Vancouver East, NDP): Mr. Speaker, the minister should take his head out of the sand. Each time he is questioned on poverty he says that the child tax benefit scheme is the cure-all, but the truth is that most kids on welfare will gain nothing from this scheme and many of the poorest children will receive less in real dollars than they did in 1984.

Oral Questions

While the government dines on rubber chicken at Liberal fundraisers, more than a million kids are waking up hungry. Half of them have been pushed into poverty during this government's term.

Again, will the minister keep the promise that was made in 1989?

Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.): Mr. Speaker, I do not think that \$1.7 billion per year toward the national child benefit is nothing. I think it is a lot of money for children in low income families. That money helps parents to leave welfare and to get a job, which is a lot better for fighting poverty.

We have also implemented the family income supplement to help the poorer families on employment insurance. The transitional jobs fund helps to fight unemployment in regions where unemployment is high. That is the way to fight poverty and to help the economy.

* * *

CANADIAN FARMERS

Mr. Mark Muise (West Nova, PC): Mr. Speaker, Canadian farmers across the country are struggling to survive in the grips of the most severe crisis to hit our farming communities since the Great Depression. Faced with a worldwide downturn in prices for grain and hogs, wheat prices have dropped by 41% and hog prices have dropped by 65%. Canada's farmers cannot continue to produce at a loss and hope to survive.

Why will the minister of agriculture not stand up for farmers by providing them with immediate financial assistance?

Mr. Joe McGuire (Parliamentary Secretary to Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, it is pretty early for the hon. member to be self-righteous in demanding compensation from this side of the House. If his party were in government it would have cut \$600 million from that department. It would not even be called the department of agriculture.

This government and this cabinet know the situation of the farmers and are duly addressing it.

[*Translation*]

Mr. Mark Muise (West Nova, PC): Mr. Speaker, even the Minister of Agriculture and Agri-Food has said that our farmers are at risk.

Despite this admission, the minister and the government are still refusing to step in. The hog industry is in crisis, as Quebec producers have recently brought home to us. These farmers will soon be forced to declare bankruptcy.

The United States and the European Union are offering financial assistance to their farmers. When will the Minister of Agriculture and Agri-Food announce a program to assist our imperiled Canadian farmers?

• (1450)

[*English*]

Mr. Joe McGuire (Parliamentary Secretary to Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, our minister of agriculture has met with the minister for Nova Scotia, his deputy minister, and the producers of Nova Scotia.

The facts are coming in. They are being distilled and the response will be forthcoming very soon.

* * *

[*Translation*]

CANADIAN MINING INDUSTRY

Mr. Réginald Bélair (Timmins—James Bay, Lib.): Mr. Speaker, my question is for the Minister of Natural Resources.

[*English*]

Today is mining day on Parliament Hill. Business leaders from Canada's mining community are in Ottawa to meet with members of parliament, cabinet ministers, senators and other government officials.

Will the minister inform the House how deep is the impact of the mining industry on northern Ontario's economy, as well as Canada's economy?

Hon. Ralph E. Goodale (Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, the mining industry contributes \$26 billion to the Canadian economy every year. It accounts for 16% of our trade exports. It adds \$7 billion to Canada's positive trade balance. It generates 368,000 Canadian jobs. It is the lifeblood of 128 communities, especially in rural, remote, northern and aboriginal areas, and it is very much a sophisticated high tech industry that leads the world in sustainable development.

* * *

GREENPEACE

Mr. Darrel Stinson (Okanagan—Shuswap, Ref.): Mr. Speaker, my question is for the Minister of Foreign Affairs.

The government revoked the charitable status of Greenpeace in 1995. That has not stopped that group's efforts to tarnish Canada's image around the world and destroy Canada's forest industry.

Will the minister ask Germany and the United States to revoke the charitable status of Greenpeace before it can do more damage to Canada?

Hon. Lloyd Axworthy (Minister of Foreign Affairs, Lib.): Mr. Speaker, over the years Canada has undertaken a very active campaign in support of the forest industry and many of its

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stakeholders to promote the interests of the Canadian forest industry in Europe.

We are certainly in a position to provide good, strong evidence that Canada does follow proper forestry practices. We are using all of that information to take the message to European countries. Perhaps the most effective way is to tell them what Canada does best.

* * *

[Translation]

ICE BREAKING POLICY

Mr. Yves Rocheleau (Trois-Rivières, BQ): Mr. Speaker, judging by his responses to our questions on ice breaking, it is quite obvious that the Minister of Fisheries and Oceans is confirming that his proposed fee schedule will not hold water.

Since his policy kicks in less than a month from now, does it not seem urgent for a moratorium to be called on fees, allowing the minister time to go back to the drawing board, and time for discussion of a new and fairer fee schedule for Quebec users?

Hon. David Anderson (Minister of Fisheries and Oceans, Lib.): Mr. Speaker, the proposed fee schedule was established by the industry representatives themselves. Seven of the ten representatives were from Ontario and Quebec.

This is not the end of it, I am currently involved in examining the representations that have been made, and within the next few days, or weeks, I will be providing the hon. members and the industry with a revised fee scale. So far, no final decision has been made.

* * *

[English]

CANADIAN FARMERS

Hon. Lorne Nystrom (Regina—Qu'Appelle, NDP): Mr. Speaker, my question is for the Minister of Finance.

Recently the Royal Bank announced a profit of \$1.82 billion, the largest profit of any company in the history of our country, and at the same time prairie farmers are in their worst economic crisis since the 1930s.

I have a suggestion for the Minister of Finance. Will he consider calling in the CEOs of the large banks in this country to try to get from them the idea that they might seek to share the wealth in terms of imposing a moratorium on farm debts in the country? Will he do that?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, I will be meeting with the presidents of financial institutions, including the large banks. Obviously, as in the case of other areas

that are in severe difficulty, we will certainly ask those institutions to be as understanding as they can be.

* * *

NATIONAL DEFENCE

Mr. David Price (Compton—Stanstead, PC): Mr. Speaker, yesterday the Minister of National Defence said that he is asking his cabinet colleagues for more money to give our soldiers the quality of life they deserve.

My question is for the Minister of Finance. Does the minister understand that the men and women who serve this country in uniform need his help? Is the Minister of Finance listening to his colleague and will the Canadian forces receive the quality of life they deserve?

• (1455)

Hon. Arthur C. Eggleton (Minister of National Defence, Lib.): Mr. Speaker, I just returned from Honduras where the men and women of the Canadian forces are providing terrific service in a humanitarian way.

I have been to Bosnia. I have seen them patrol areas where otherwise ethnic cleansing would occur. I have seen them operate in the ice storm and during the floods.

They do a great job for Canadians and they deserve our support. They deserve a far better standard of living.

* * *

INFORMATION HIGHWAY

Mr. John Harvard (Charleswood St. James—Assiniboia, Lib.): Mr. Speaker, the government often has pledged to make Canada the leading electronically connected country in the world. In that regard I want to put a question to the Secretary of State for Science Research and Development.

What is the government doing to ensure that western Canadians have the very best possible access to the information highway?

Hon. Ronald J. Duhamel (Secretary of State (Science, Research and Development)(Western Economic Diversification), Lib.): Mr. Speaker, just a few weeks ago the Alberta library, in partnership with Industry Canada, made an announcement whereby 200 new Internet access sites will be established throughout the province of Alberta.

This is part of a tremendous achievement, making Canada the first most connected country in the whole world, led by Industry Canada. This will provide community information centres. It will provide technology training. It will provide jobs for young people. It will permit Albertans to be additionally connected to Canadians, indeed to the whole world. This is great stuff.

*Points of Order***UNEMPLOYMENT**

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, you ask a stupid question and you get a stupid answer. Today StatsCan—

Some hon. members: Oh, oh.

The Speaker: I am not sure which question the hon. member was referring to.

Mr. Monte Solberg: Mr. Speaker, today StatsCan issued a scathing indictment of this government's job creation record. It said that since 1989 the government has given up 228,000 full time jobs and that the only job growth has come from part time employment and the self-employed.

What is the big reason? The big reason is high payroll taxes.

When is this government going to get the message? When is it going to obey the law and cut EI premiums by \$7 billion? When are they going to wake up over there?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, now we know that it was his question.

The fact is, as the hon. member knows, employment increased by over 57,000 new jobs in the month of October. As he also knows, over 321,000 new jobs have been created this year alone, and over 1.5 million jobs have been created since we took office.

When we took office the unemployment rate was 11.5%. Today it is 8.1%. That is the lowest rate in over a decade.

* * *

[*Translation*]

STEEL INDUSTRY

Mr. Benoît Sauvageau (Repentigny, BQ): Mr. Speaker, the steel industry in Quebec and Canada is facing very serious problems as a result of the financial crisis in Asian countries and in Russia.

To clear their stocks, these countries are selling their rolled steel at a price that is lower than what it costs to produce, which clearly represents an unfair dumping practice.

My question is for the Minister for International Trade. What does the minister plan to do to stop this unfair competition, given that this industry generates nearly 200,000 direct and indirect jobs in Canada?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, as the hon. member is no doubt aware, steel companies have raised the possibility of putting a motion before the international tribunal

to make this kind of import stop, in which case the government is certainly prepared to help further the process.

* * *

• (1500)

[*English*]

VETERANS AFFAIRS

Mr. Gordon Earle (Halifax West, NDP): Mr. Speaker, Canadians who served Canada in the merchant navy are not getting any younger. In fact, they are dying at a rate of about 12 per month. Justice delayed is indeed in this case justice denied.

The minister has indicated he will meet tomorrow with the merchant mariners. Will he commit today to use that occasion to seek a positive resolution to the compensation issue of concern to these merchant navy survivors?

Hon. Fred Mifflin (Minister of Veterans Affairs and Secretary of State (Atlantic Canada Opportunities Agency), Lib.): Mr. Speaker, as the hon. member knows, I have met with these veterans before and I will meet with them tomorrow. No decisions have been made. I am there to listen.

* * *

[*Translation*]

PRESENCE IN GALLERY

The Speaker: We have two visitors with us today. Let me first draw the attention of members to the presence in our gallery of the hon. Sada Samake, the Minister of Territorial Administration and Security of Mali.

Some hon. members: Hear, hear.

[*English*]

The Speaker: I would also like to draw to your attention to the presence in the gallery of the honourable Maynard Sonntag, minister responsible for post-secondary education in Saskatchewan.

Some hon. members: Hear, hear.

* * *

POINTS OF ORDER

TABLING OF DOCUMENTS

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, I rise on a point of order to seek unanimous consent of the House to table the labour force update I made reference to in question period.

The Speaker: Is there unanimous consent?

Some hon. members: Agreed.

*Government Orders***GOVERNMENT ORDERS**

• (1505)

[*Translation*]

CANADA SMALL BUSINESS FINANCING ACT

The House resumed consideration of the motion that Bill C-53, an act to increase the availability of financing for the establishment, expansion, modernization and improvement of small businesses, be read the third time and passed.

Mr. Antoine Dubé (Lévis-et-Chutes-de-la-Chaudière, BQ): Mr. Speaker, as a member of the Standing Committee on Industry and as regional development critic for the Bloc Québécois, I am pleased to speak at third reading of Bill C-53, which deals with small business financing.

This bill is not perfect and we think it should have been improved through, among other things, the main amendments proposed by my colleague from Mercier and myself, on behalf of the Bloc Québécois, in committee and in the House at report stage. Our amendments dealt mostly with access to working capital and greater access to capital for borrowers in the voluntary sector, which is more and more referred to in Quebec as the social economy sector, and not only, as the government proposes, in the form of pilot projects that are yet to be established in accordance with the minister's wishes.

Of course, we are not opposed to the idea of pilot projects, but we think it would have been preferable to include directly in this bill provisions that would have made this type of financing or loan guarantees available to borrowers in the voluntary sector, or social economy sector.

The main reason we support this bill is that the small business owners we consulted do want this loan guarantee program even though, as I said earlier, it should have been improved.

The hon. member for Mercier, myself and the other Bloc Québécois members would have appreciated it if the industry committee, on which we both sit as full members, had conducted a more thorough assessment of the issue of financing for small businesses, if it had evaluated all the programs provided by the various stakeholders. According to the people I consulted, there are some 100 assistance programs—not just lending programs, but all sorts of programs—and entrepreneurs do not always have time to get familiar—so to speak—with each of these programs.

Sometimes, when a program is described in a booklet or some other type of brochure, we realize that the funds are no longer

available, that the structures have changed or that the programs themselves have changed. It is difficult to face that situation.

We also think that the Standing Committee on Industry, or the Department of Industry itself, should conduct a macroeconomic impact study. This means it should not merely do an audit as suggested by the auditor general, but also a financial audit of lending institutions, as the government intends to do. Given the various programs that are in place everywhere, it would be appropriate to see their actual impact, for example on a region's economy.

We would have liked to know the impact on competition. It is all well and good to grant a loan to a small business, but under what conditions and what about its impact on the business across the street?

We must also look at the impact on the region's economy. Will there be an impact or not? Right now, we are under the impression that the department does not have the tools to properly evaluate the impact of these projects.

When we agree to provide help in the form of a guaranteed loan, we must consider the multiplying effects. Do these effects go beyond the business itself? It is often said that the effects are more significant in certain areas.

• (1510)

For example, it is said that, for every dollar invested in the tourism industry, the benefits are multiplied by four. The same goes for the export sector. Nowhere in the bill is this taken into account.

We must also consider the number of jobs and not only the number of new jobs. Maintaining existing jobs may be quite a feat for a small business that has to modernize its equipment to remain competitive. If it does not go through this modernization process, it may have to reduce the number of jobs or even to close down. Therefore, maintaining jobs is often very important.

We must look at the number of jobs, and I think that should be the first criterion, but we must also look at the kind of jobs. Are they quality jobs? Are we helping a business that, in the short or medium term, would only provide minimum wage jobs? If working conditions are not very good, maybe we should take a closer look at it.

Not only do we have to think about the number of jobs, but we must also realize that well paid jobs with good working conditions are good for the workers and their families. When there are quality jobs in a region, jobs that have an impact on the economy, people have more money in their pocket. They spend more and they invest in the local economy. That is the kind of indicator we must look at, the impact on the community.

When all regional economies are doing well, so is the economy in Quebec and Canada. For some Quebec regions, this would mean

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losing fewer of their young people. The hon. member for Lac-Saint-Jean often raises the issue of young people moving to major centres. Members from eastern Quebec also raised it, as did those from the Atlantic provinces. This is insane. Something has to be done to keep our young people in our regions.

I personally come from eastern Quebec. I later moved to the Quebec City-Lévis region, a very beautiful region, and I do not regret this decision. However, had there been job opportunities in my native region 30 years ago, I would probably have stayed. I would have chosen to stay home, if only because I knew the place well and felt I belonged there and because of my family ties. Yet I had no choice but to leave.

The eastern Quebec phenomenon had been looked into under the ARDA initiative and by the QPDB at the time. When business owners see young people leave, they wonder whether it is a good idea to keep investing in developing their business while this exodus is taking place. It is no longer the case, but I am trying to show that small businesses are important to rural regions. Unfortunately, they are few and far between. In the Lac-Saint-Jean region, they have big businesses, such as Alcan, but in regions like the Beauce or the Chaudière-Appalaches region, which is my new home, small businesses are the engine driving job creation. In fact, they account for nearly all new regional jobs created, hence the need to make financing available.

The less unemployment there is, the less social spending there is. This may seem obvious, but it is good to point it out. The more employment there is, the more collective wealth there is. The more collective wealth increases, the more property values increase, and the happier business people are. This is called development and it goes without saying that we, in the Bloc Québécois, who defend the interests of Quebec and its regions, support any program that helps small businesses develop the regional economy.

• (1515)

When I first heard about the review of the Canada Small Business Financing Act, my initial reaction was to consult the local development board, a permanent body in my riding, to get its opinion on the small business loans program, the SBLP. It told me it supported that program. Why? Because, according to the development board, this is one of the best known programs, if not the best known. It has remained stable and it is the simplest one to administer. It is a basic program that allows any business in any sector to have access to financing.

Consequently, it is often the program most used. It is a multipurpose program and it is known by banks and caisses populaires in the regions. I do not want to get involved today in a debate over bank mergers, but we are all aware that there are concerns in

remote or rural areas that major bank mergers may decrease the number of financial institutions and thus the access to financing in their communities.

Businesses are, therefore, greatly attached to this program. It must be pointed out, however, that it is more costly than other loan programs, 3% higher than regular loans. Nevertheless, it is an extremely popular program, and one that is in demand. Despite its popularity, I have been told by the LDB in my riding that people would like access to this program improved.

Is this program as accessible as it seems to be? The banks tell us that it is. Bank representatives who appeared before the industry committee told us that it was an accessible program and that it was working well.

I invite hon. members to consult the statistics the banks compiled, but an examination will show that they apply only to completed applications. When businesses are consulted, however, we learn that in certain communities many people wanting to set up new businesses do not complete their application. They get discouraged, or are discouraged by certain financial institutions who tell them that their business is not all that viable.

Incomplete forms are not included in the statistics, so it is easy to say that there is a highly satisfactory success rate among those who go through the process and meet all conditions and criteria. But if those who do not follow the process through to the end were taken into consideration, we would end up with another kind of statistic.

The Canadian Federation of Independent Business made us aware of this problem by saying that, contrary to the view expressed by the banks, financing was not so accessible.

We, the members of the Bloc Québécois, made aware of this problem, wanted to go a little further and so we conducted a poll in our ridings. In my own riding, I sent a questionnaire to all businesses I had an address for, and 84 of them returned it.

The first question was "In your experience and from what you see around you, would you say it is easy for a SMB to obtain credit at a reasonable cost easily?" Only three businesses or 3.6% said yes. Thirty-six businesses, or 42.9%, said it was difficult, and 45 businesses or 53.6%, said it was very difficult.

The next question was "Are you familiar with the Small Business Loans Act?" Only 34.5% of businesses indicated they were familiar with it, 65% were unfamiliar with it.

Then they were asked "Do you think that the federal government should guarantee loans only to SMBs that could not obtain them otherwise, even though they represent a reasonable risk?" The response was 70.2% in favour, 22.6% against, and 7.1% refusing to answer.

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• (1520)

The next question was “Do you think loans should be given as well for working capital—and this was one of the amendments we proposed—and not only for equipment and assets and real property?” To this question, 92.9% responded yes, and only 6% were opposed.

Another question was “From your experience and what you see around you, do you think SMBs previously had greater access to credit at a reasonable cost and to management advice?” The response to this question was unanimously yes.

And, if that were still the case, “Would there be fewer bankruptcies?” We received an affirmative answer from 86.9% of respondents.

Overall, nearly 97% of those polled said it was either difficult or very difficult for small business to secure a loan at a reasonable rate; 43% believed it was difficult and 50% believed it was very difficult. Sixty-six per cent of those who responded were not familiar with the legislation. More than 70% agreed that the federal government should guarantee only loans made to small businesses that would not get one otherwise.

The bill also deals with access. It does not merely deal with small business financing but, as the title specifies, it is an act to increase the availability of financing to small businesses. Since the word “increase” is used, the purpose of the act is therefore not to reduce availability, as requested by members of the Reform Party. They want it reduced, and if they had it their own way, they would even have it eliminated; they would let the chips fall where they may, in order words let the stronger survive and the small and the weak die out.

We could not disagree more with the attitude and position of the Reform Party in this respect. While the bill is not perfect or ideal in any way, there is a need for such a small business financing program through guaranteed loans. It does meet a need. That is why, at third reading as before, we support this bill.

We figure that, if it agrees to some improvements today, the government may eventually agree to do more. That is our fondest hope.

I notice that the Parliamentary Secretary to the Minister of Industry, who sits on the same committee as I do, is listening. He has a background in industry. He supports economic development. I know that, by repeating certain arguments, we may succeed in convincing him, and let us hope he, in turn, will succeed in convincing his colleagues, particularly the Minister of Finance, that we need legislation to help small businesses, and businesses in general, create jobs.

I would like members to remember one key word from my speech. I know that the member for Kamouraska—Rivière-du-

Loup—Témiscouata—Les Basques, who will be speaking after me, will agree with that. He keeps talking about employment insurance and the problems facing the unemployed. We both know that one good solution—and in some cases the only solution for young people and for people with years of professional training—is starting up a business. It is often the only way to earn a living. I know my colleague will agree with me that helping small and medium size businesses is part of the fight against poverty. That is the purpose of this bill, and that is why we must support it. However, it must not be the only program available.

As regional development critic for the Bloc Québécois, I would like people in each region to get together and use the best tools available and to adapt them to their particular situation.

Once again, this bill is not perfect, but it offers enough flexibility and versatility to meet many needs. That is why we support it.

• (1525)

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, thank you for giving me the floor in this debate at third reading, after the magnificent speech by the member for Lévis-et-Chutes-de-la-Chaudière. He and the member for Mercier made several constructive suggestions for improving this bill.

I would like to ask him a question that I think is a very important one today. In our regions, we have seen the emergence of a new type of entrepreneur, men and women who were not necessarily trained in the same way as former small business owners. Very often, these are people who have been told that they have to create their own job.

Will this bill create sufficient interest to allow this new generation to emerge? Did we not propose amendments that the government should have retained? I realize that, overall, the bill at least introduces technical improvements, that it corrects a certain number of flaws, but is there not more that needs to be done?

Should the government not move as quickly as possible so that this new generation of entrepreneurs, who are not necessarily the most outstanding, those that act as quickly as possible, that have the necessary training, because we are asking them to create their own jobs, to start up and run new businesses, can benefit? They often have an important impact, particularly in rural areas.

Does this bill give us the necessary tools? Does the federal government seem to have a sufficiently open attitude to allow small businesses in rural areas to develop their projects and create two, three, four or five jobs, which make the difference between an up and coming community and one that is losing steam?

Can the member for Lévis expand on this?

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Mr. Antoine Dubé: Mr. Speaker, I will answer yes to my colleague, there are possibilities. [English]

He mentioned one amendment we moved, but which was defeated by the government side. I will explain what it was about, because it is not obvious at first sight.

Why not limit this program to businesses which otherwise would not have access to loans from financial institutions? I stress this point because it could be tempting for a bank or a credit union, seeing the possibility of using this program, to use it to benefit businesses that provide guarantees. There is an annual \$1.5 billion limit for Canada as a whole, that is a limit on the total amount of the loans, not on what this program is costing the government. This is not what the program costs.

If banks and financial institutions were to finance businesses which could otherwise have access to financing, they would not have enough money left to finance those business people my colleague mentioned, who want to set up their own business and who might pose a greater risk.

In my opinion, this guaranteed loans program should be aimed at those who are in a certain risk category, who might have a cash flow problem for instance, but who show potential for innovation, who have just completed some kind of training, who have ideas, energy and youth. Such a loan could give them a start in life, in business and help them succeed.

We presented this argument and although our amendment was rejected, I believe that by debating it today we might convince the people opposite, the minister and his officials to look at it some time in the future. They could adopt it and see that it is implemented through the regulations.

This is the reason why we, in the Bloc Québécois, are in favour of this legislation. Although the bill's objectives are worthwhile, it is often the regulations themselves that make it possible to realize them.

• (1530)

If we take things seriously, and I want to take them seriously, it means that, when we propose an amendment, we are assuming that somebody who is listening to the debate or who will read Hansard tomorrow will say "this is a good idea that is worth considering". That is what we hope when we speak in the House. We are not only trying to pass the time.

This bill deals with a fundamental program that provides access to financing for a large number of businesses in Canada and in Quebec. I may be a sovereignist, but I still think this bill is a positive measure. As long as we Quebeckers remain within the federal system and send part of our taxes to Ottawa, we have the right to benefit from that system.

Mr. Walt Lastewka (Parliamentary Secretary to Minister of Industry, Lib.): Mr. Speaker, I listened to the comments of the member for Lévis-et-Chutes-de-la-Chaudière and I know of his contribution to the industry committee.

I want to remind the member, and I will read only a couple of the items, that over the last five years the Small Business Loans Act was involved in 68,250 loans worth \$4.2 billion in Quebec. The Société d'aide au développement des collectivités in 2,001 loans invested some \$82 million with the SMEs in Quebec. That helped create or maintain an additional 20,045 jobs. I should also bring to the attention of the member that since 1993 the business development bank was involved with some 7,878 loans worth \$2 billion which was carried out through the 18 branches in Quebec.

Does the member not believe that as a result of these various programs, the entrepreneur in Quebec has various different avenues to look at to help a new business get started or to help a new small business expand? I would like his comments on that.

[Translation]

Mr. Antoine Dubé: Mr. Speaker, I am not outraged by the fact that the hon. parliamentary secretary is taking this opportunity to brag about the program. He is right.

As we say in Quebec, we do not turn up our noses on a good program. As my hon. colleague just indicated, many Quebeckers are using the program and want to be able to keep on using it, because it is a fundamental multipurpose program.

However, the program is not a cure-all. The statistics used by the hon. member do not invalidate the argument we made. What I was suggesting earlier is that the government guarantees on loans made by the banks to small business should be for businesses that otherwise would not have access to them through any other program. We would probably get the same statistics, but with the following difference. Instead of having banks use the program with all the guarantees currently provided by the government, help would be given to businesses who otherwise would not get assistance from any other program.

Yes, there are some shortcomings. The parliamentary secretary knows that these issues were discussed at length in committee. For existing businesses, there is the whole issue of working capital to consider. Several businesses have mentioned it. However, it is not addressed in this bill, because, since the government has decided not to support our amendment, working capital is not eligible under this program, and that is unfortunate. It is very unfortunate indeed, because working capital is very helpful during tough times, as the parliamentary secretary knows. It is crucial to be able to face tough times.

• (1535)

Mr. Yves Rocheleau (Trois-Rivières, BQ): Mr. Speaker, I am pleased to join in the debate today on Bill C-53, which concerns financing for small and medium size businesses.

I do so somewhat nostalgically remembering that during the government's first term in office I was Bloc Québécois critic for industry, when it formed the official opposition. I was given this assignment by the leader of the official opposition, Lucien Bouchard, who now carries out his duties at the highest level in Quebec society with his usual talent and energy. His personal qualities are no doubt admired by all parliamentarians sitting in this House.

I recall great moments, I recall also the complexity of this industry, which is part of our daily lives, a highly complex and far reaching many faceted industry, the SMBs.

I would like to take this opportunity to pay tribute to my colleagues from Mercier and from Lévis-et-Chutes-de-la-Chaudière, who spoke earlier. They give heart and soul to the work on industry.

I would also like to thank them for their efforts in the area of research and development, in which we think the federal government—if I have grasped the problem—continues to treat business unjustly, especially business in Quebec, where brainpower is being lost through lack of sophistication, negligence or budget cuts to research and development, preventing Canadian and Quebec industries from maintaining their former position with respect to foreign competitors.

I am thinking of United Aircraft, in Longueuil, where there was a threat—settled now I hope—or a risk, of large numbers of the most competent employees losing their jobs to workers in the U.S. or elsewhere, because of the lack of Canadian government encouragement of R&D.

I would also like to mention the battle being waged by our colleague from Mercier on the Y2K bug. She has made a lot of people think. She has raised the awareness of a number of areas of activity about the dangers in store for us if we do not get our act together as far as informatics are concerned.

Where the Privacy Act is concerned, she has succeeded in making the Minister of Industry more aware of the fact that the disclosure of personal information is already well looked after in Quebec. This is no doubt part of our needs in this modern society, to ensure that corrections and refinements are made as required so that confidential information remains exactly that.

These are all examples of the fine work being done by our colleagues in the Bloc Québécois in conjunction with the others on

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the committee. Industry is a very thankless area to work in, because there is rarely anything spectacular about it, but it does affect the everyday lives of the population.

When we speak of peoples' everyday lives, we cannot avoid mentioning small and medium size businesses. If there is one area where our communities can expect development, it is the area of small and medium size businesses. Each in its own way, in its own area of activity, they are at work, often in a very humble way, but they also have to be highly efficient because they do not have much margin for error.

I take this opportunity to pay tribute to all women and men who work in or run small and medium size businesses in my riding of Trois-Rivières, which includes the municipalities of Trois-Rivières; Trois-Rivières-Ouest; Pointe-du-Lac; Yamachiche, where there is an impressive small business called Dufresne et Fils, which does business all across the North American continent. In Louiseville, there are a number of very prosperous small businesses. In Maskinongé also, in the furniture industry. In Saint-Léon-le-Grand, Bergeron et Cie is active in the potato industry.

• (1540)

These are very prosperous businesses that are run well and responsibly. These are businesses that keep a close eye on the books, know where they are going, and know how to best use the resources at their disposal, including of course the Small Business Loans Act, which is of very great use to them.

As the hon. member for Lévis-et-Chutes-de-la-Chaudière said earlier, should Quebec achieve sovereignty some day, as I dearly hope, this is legislation that will probably serve as a model for Quebec. It is the outcome of a long process between the Canadian government and the business community to try to meet a specific need. It is to the credit of the federal public service to have initiated and maintained, since 1961 if I am not mistaken, an act as relevant as that one, which of course should constantly be reviewed, as was the case when I was the critic for industry. This is why I am somewhat familiar with the issue. This is a bill that is greatly appreciated by the business community. I can attest to that.

There is one criticism that is often heard about the administration of that act. Between 30% and 40% of the loans made by banks and lending institutions would be granted even if the act did not exist. This is a criticism about the act which I find rather petty.

We should not be criticizing the bill, as some members of the House would like to do, and claiming that, given the situation, we should perhaps be repealing the legislation or slashing the budgets involved to the point of ineffectiveness. What we should be doing is talking plainly about abuse of mandate. We should be talking

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about some instruction for officers in lending institutions who should not be using the legislation to serve their own interests.

If memory serves, the intention of this legislation is to have the government help offset the risk run by lending institutions. However if this becomes the rule, it goes against the spirit of the law. If there is no risk in making a loan, then there is no need to rely on the Small Business Loans Act with the government's guarantee.

As a member of the public and a parliamentarian using the forum available to me, I say that loans officers need to be told to respect the spirit of the law and to make loans when appropriate. When the loan does not represent a risk, then make it. That is one of the reasons we have banks.

Speaking of banks, and given the billions of dollars they make in profit, we could ask them to take risks, with respect to the social responsibility that is rightfully theirs.

When profits amount to \$7 to \$8 billion annually, when the Royal Bank made \$1.8 billion this year, it should not be as hard as all that for the Minister of Finance or the Prime Minister to tell the banks to take a few more risks. It is obscene to want to make increasingly high profits and, to top it all, to use taxpayers' money to offset the risk when you are dealing with those you have a responsibility to deal with, which is to say those borrowing money.

I hope the government will change course and take the necessary steps to bring, through publicity and governmental influence—and we all know how much influence government can have when it wants to—pressure to bear on universities and financial commentators to ensure that banks and lending agencies stop misrepresenting and using for their own purposes the objective set out in this legislation, which is to reduce the risk, if any, incurred by the lender. However, when there are no risks involved, the lender should not be able, under this legislation, to avoid risk completely and have the government take on all liability.

The other criticism levelled at this legislation, one that has always annoyed me, concerns potential losses for the government.

• (1545)

Sometimes, businesses go bankrupt, and the risk incurred varies according to economic conditions, because the government guarantees loans up to 85%. The government then has to dig in the pot set aside to compensate lenders after a financial disaster. When this happens, we are tempted to say that the costs are too high, that the amount paid out of the contingency fund for losses is too large.

Vigilance must always be exercised, because public funds are involved. However, for that very reason, our approach should not be based solely on accounting but on public interest. It would then be clear that, while it may have cost so many millions or hundreds

of millions of dollars in a given year, the program also generated so much economic activity. They helped create so many jobs and generate so much direct and indirect tax revenues. They also helped to promote certain economic activities that would not have come about if these hundreds of millions or tens of millions of dollars had not been lost.

If these issues are not taken into consideration, there is a link missing. One cannot use an approach based only on accounting if one wants to protect the public interest. When relying too much on an accounting approach, it is even possible, according to some kind of dubious logic, to wish for the total elimination of this fund, which would be disastrous in my view.

So, we need to emphasize not only the negative impact but also the positive effects of losing or risking part of the taxpayers' money.

We have to go back to basics. We have to follow the spirit of the law and ensure that the lending institutions lend the money when there are no risks involved but also that they have the protection they need to take a reasonable risk that they would not take if there were no funds to this effect. That is the spirit of the law.

I also want to remind the House of some statistics on what is being said about this problem. There are always interesting to review.

According to the Canadian Federation of Independent Business, 29% of small business operators claim that financing is one of their biggest concerns. The existence of this legislation and its orderly management are crucial to those who are the main engines of our economy, who help create and maintain jobs throughout Canada and Quebec, especially in the regions.

This is very important: 29% said that credit availability was one of their major concerns.

Close to 90% of SMBs said they find it very difficult, or difficult, to get credit at a reasonable cost, whereas only 10% said it was easy to get financing. This gives us an idea of the difficult context in which SMB managers operate.

Fifty-six per cent feel the small business financing program should only guarantee loans for those SMBs that otherwise would not have access to credit. This is another important point.

Some 80% answered that the Small Business Financing Act should also address working capital financing. This is the other thing I wanted to talk about.

For a long time now—as long as I have been in politics, which is a long time—we, in the Bloc Québécois, have been saying that the Small Business Loans Act should cover working capital, which is often the Achilles tendon of SMBs. They have bills to pay, the accounts payable are not being paid and, when it drags on for too

long, creditors get worried, they panic and get the bank on board. They pull the plug resulting in a lot of layoffs and all the economic and social consequences we know.

• (1550)

Knowing how difficult working capital management can be, including clearly defined measures in the legislation would provide a tangible and practical means to support economic development, especially regional economic development, through the small business sector.

I will close on a very positive note. I think the Department of Industry deserves credit for recognizing volunteer and non-profit organizations. I am thinking particularly about cooperatives which, from now on, will be able to benefit from the Canada Small Business Financing Act.

It is a plus, knowing how important the cooperative movement and the cooperative spirit have become, particularly in Quebec. Cooperatives will now have the additional advantage of being able to rely on the support provided through this important program. Let us just hope that the lenders will have an open mind in administering this legislation.

I remind members of the valuable role played by small and medium size businesses, both in Canada and in Quebec, especially in the regions, which, for the most part, could not survive without local economic development. Let us hope these small and medium size businesses will not suffer too much from the perverse effects of globalization, where more and more we see not only the concentration of capital, but also the concentration of businesses.

This is to say that decisions are increasingly made by select groups, too often by the same international stakeholders, who can change the rules of the game at will and put undue pressure not only on the countries themselves, but also on the continents.

There is a risk that globalization may become the globalization of misery, of misery that is all too prevalent in Africa and South America and that could reach us should governments yield to transnational corporations, which have recently exerted pressure to achieve that result. Let us not forget it because this directly affects our small and medium size businesses.

Transnational corporations are taking measures to give themselves even more power, quasi-political powers, against sovereign states. This was articulated in documents such as the Multilateral Agreement on Investment, which would have had eminently perverse effects on the whole economy. This agreement would have been a kind of charter of rights and freedoms for multinationals against sovereign states. In fact, what is required is an international code of conduct to ensure that, particularly in the environment sector and in developing countries, we put a stop to measures or to

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investments that worsen the situation and only serve the interests of shareholders. This is a shameful short term vision.

Rather what we need to do is to plan, discuss wealth distribution and business deconcentration, and help small and medium size businesses. There are too often people who are endorsed by sovereign states through the slush fund. We know how it works.

We also know that it will take a lot more intellectual discipline in the years to come—it is not over yet—and that we will have to support our local leaders, including industry people and the unions representing our plant workers, to ensure that society operates in a civilized and increasingly fairer way from a socio-economic point of view.

[*English*]

Mr. Walt Lastewka (Parliamentary Secretary to Minister of Industry, Lib.): Mr. Speaker, I listened intently to the member. He has been valuable as industry critic in the past.

• (1555)

I listened to a number of items. One he mentioned was the contribution of members of the industry committee. Not only his party but all the parties debate intently and make a good contribution to the industry committee.

There was another item he mentioned that I would like better defined. I detected from the previous speaker's words that he would have hoped that the \$250,000 limit would be reduced. We had a lot of discussion about this in committee but it was decided to maintain it at \$250,000. Maybe he could clarify this item. Was it his hope that this \$250,000 maximum be reduced or did I misunderstand his remarks?

[*Translation*]

Mr. Yves Rocheleau: Mr. Speaker, off-hand I do not recall mentioning a \$250,000 ceiling. What I might have said is that I wanted, should there be any losses—which is perfectly normal since capital provided through the Small Business Loans Act is venture capital—that we look at the possible social and public interest benefits of the defaulted loans instead of coldly referring to them as losses.

In the end did the community benefit? Let just say that one year the losses amount to \$55 million in loans of \$10,000, \$15,000, \$20,000 or \$30,000, at the end of the day have they not created activities bringing the unemployment rate down, generating so many millions of dollars in direct and indirect taxes, and giving rise to more economic activities all around, thus improving the situation in a given community?

This is what I mean by an approach that goes beyond numbers and is more global, more socioeconomic. This is what I meant.

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Mr. Yvan Bernier (Bonaventure—Gaspé—Îles-de-la-Madeleine—Pabok, BQ): Mr. Speaker, I made a few notes during the speech by my colleague from Trois-Rivières. His time in industry served him well. There is, however, one point I would like to return to. It is a principle of politics that, if we keep hammering at it, we might make the members opposite understand.

An hon. member: That takes time, sometimes.

Mr. Yvan Bernier: It is true, it takes a long time. I would like to give the member for Trois-Rivières the opportunity to speak more on the notion of working capital in the management of our small businesses.

I have in the past headed a business assistance centre in the Gaspé. I have also worked in business. Insufficient working capital was primarily what prevented businesses from expanding so they could carry out their contracts. It is also one of the causes of bankruptcies, as I have been seen, because people used their working capital to acquire equipment like a new truck or a lift truck to speed up the handling of their merchandise.

People were working to improve their business, but they were forced to use working capital to make this sort of purchase.

We could expand SBLs to include working capital. In certain cases, instead of financing a business based on 85% of its assets bought as collateral, the government could finance them at the rate of 100%. The lender could give the borrower the following advice: "You are buying a lift truck because you want to increase sales and improve your bottom line. However, for this asset you are buying for, let us say, \$100,000, should you not be borrowing \$125,000, because you will have to wait a little longer for your accounts payable, because you will have more of them?"

This is an idea I put to you and I ask my colleague to expand on it a bit or to bring me back down to earth if I am dreaming.

• (1600)

Mr. Yves Rocheleau: Mr. Speaker, I thank my colleague, the hon. member for Bonaventure—Gaspé—Îles-de-la-Madeleine—Pabok for his question. We can see that he is already very comfortable with this matter and has probably had more business experience than I.

This is not a subject of discussion every day, but I do know that this is an Achilles' heel for many businesses in difficulty because they have, let us say, "misused" their working capital. This fund, which should have been used to pay off their debts after taking into consideration the money coming in as accounts receivable, is sometimes used to make investments. The banks and financial advisers have a very important role to play in this regard.

It is a question of education. Perhaps it is overly optimistic to think so, but it might be good for lenders to use the SBLA to encourage entrepreneurs to make more use of industrial commissions, more use of the services of the Quebec department of industry and commerce, or those of Human Resources Development Canada, which has excellent financial advisers. These people can guide entrepreneurs' choices and orientations as required.

In my former job, I saw someone expand his plant using his working capital. This was probably done out of ignorance, not bad faith, out of enthusiasm on the part of an entrepreneur in a rush to get things moving. People do not have time to fill out all sorts of forms, to ask advice, to find out whether the financial institutions have any funds set aside for this purpose. Care must be taken not to be too hasty, because that is often the way to get into trouble.

In my opinion, there is no magic recipe. Progress must be slow, must involve education. Before decisions are made that could affect the survival of a business or its rate of expansion, the right advice must be given and the right choices made.

We cannot go any further. I invite the people at Industry to look at the fact that working capital will always be a very sensitive aspect of a business' operations. If the government can help employers, entrepreneurs, to find solutions or to feel more secure about this concept, this will be good for our communities.

Mr. Odina Desrochers (Lotbinière, BQ): Mr. Speaker, I am pleased to have the opportunity to speak to Bill C-53 at third reading. This bill means a lot for regional economies. It means a lot for my riding.

During the next few minutes allotted me, I will share with you the information I gathered in my riding, as an elected representative, mostly from people who came to me to ask about small business financing. I will also quote liberally from the Mackay report. At the present time, we are deeply involved in consultations on the future of Canadian financial services.

As public accounts critic, I will also draw the attention of the House to some extensive quotes from an auditor general report tabled in December 1997. That report was about an inquiry on the management of small business loans.

To start with, I will briefly summarize the Bill which is intended to amend the small business loan program. This program is geared to businesses with gross annual revenues of up to five million dollars.

One of the objectives of the bill is, and I quote, to "increase the availability of financing for the establishment, expansion, modernization and improvement of small businesses", by allocating between the lenders and the department the eligible losses incurred in relation to loans of up to \$250,000 granted to such businesses

and for those purposes. This bill is needed for the economic wellbeing of all regions in Quebec and throughout this country.

• (1605)

I will now deal with the key points of Bill C-53.

The government will continue to be liable for 85% of the losses on loans not repaid, the rest being the lender's responsibility. Financial conditions and fees remain the same. The bill provides for the continuous operation of the program subject to a comprehensive review every five years. It limits the department's aggregate contingent liability to \$1.5 billion for each five-year period. The bill also authorizes the department to conduct compliance audits and examinations. The lender must exercise due diligence, as provided in the regulations, in the approval and administration of loans.

That summarizes Bill C-53.

I would like to explain briefly what is at stake in this bill. As I said at the outset, this bill is most important for small businesses, and small business are crucial in our economy. Bill C-53 concerns also employment and productivity issues.

During all election campaigns, in various economic summits and meetings dealing with regional economy, the importance of small business for the economy is always emphasized.

Let me just quote a few figures. In 1995, when we had our last recession, SMBs with fewer than 100 employees accounted for 99% of the 935,000 businesses operating in Canada, employing 42% of private sector workers and paying 38% of all salaries.

On the same subject, I also want to mention that SMBs are a major part of the regional economy, particularly in my constituency of Lotbinière where, as is the case everywhere else I am sure, the SMBs are the main job creation motors.

In my constituency, SMBs offer a wide range of quality products, particularly in the town of Plessisville now considered as an important leader in the manufacturing of metallurgical products. Plessisville and its SMBs are well known in the province, in Canada and in the world, but there are also other important areas in my constituency where a number of SMB operate. I would like to mention a few of them: Daveluyville, Princeville, Bernierville, Laurier-Station, Sainte-Croix, Saint-Appolinaire, Sainte-Agathe and a number of other municipalities where many SMBs are at the centre of the economic vitality.

This is the interesting part as far as the small businesses financing is concerned. But many small businessmen in my constituency, as in any other constituency, are equally interested in establishing a SMB. However, financing often put an end to their

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projects. There are many interesting and innovative projects out there, but no money to realize them.

I would like to come back to the importance of small business financing, an issue that was widely discussed this fall with the proposed merger of four important banks and the release of the MacKay Report on the future of financial services. So, the financing of small and medium size businesses has been the object of lots of discussion.

Everywhere across the country—and I had the opportunity to go on a tour that took me out West, to Alberta, as well as Toronto and Montreal—we promoted small and medium size businesses. Associations, even the Canadian Federation of Independent Business, expressed their concerns with regard to access to credit for small businesses in an environment of financial services restructuring.

Very early, our political party has been in the forefront. First, at a special caucus meeting held on September 9, we took the time to listen to the positions of each financial institution, including the four which are involved in a merger project much talked about in the press. The Bank of Montreal and the Royal Bank are quite open in promoting their projects, and the same can be said for the Toronto-Dominion Bank and the CIBC.

• (1610)

As I was saying, at everyone of these meetings, the issue of small business financing was discussed and much time was spent talking about this sensitive issue.

I would like to state what is precisely our party's position on the financing of small businesses. On October 26, we tabled an official paper, presented by my colleague for Saint-Hyacinthe—Bagot, where he summarized our party's position in the current debate on the MacKay report dealing with the future of the financial services sector. Obviously the issue gives rise to strong discussions. It matters a lot to our party.

It says:

Throughout the debate concerning the financial sector's reorganization, the final objectives must always be kept in mind, namely:

1) ensuring increased competition by stronger Quebec and Canada institutions, then with the help of new international players, better serving consumers and businesses.

2) increasing the industry's capacity to compete internationally to ensure its continued contribution to the economic growth as a job creation engine.

This approach, inspired by recommendations of the MacKay report, would allow these objectives to be attained.

As we can see, economic growth, job creation and small business financing are still questions that are discussed at the table and we are trying to find solutions to help those people.

The report goes on:

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We support the MacKay report's suggestion that a follow-up mechanism, preferably within the Parliamentary structure, should be established to measure the impact of changes made in the financial sector's regulations on competition, institution service fees, jobs, credit access, transparency and services in rural regions—

Where small business are numerous.

When we say that we also want to ensure access to credit, whether for consumers or for small business, the Bloc Québécois is always there and stand by small businesses because they are an essential tool for job creation.

The subject of the bill before us today was discussed at length in the auditor general's report tabled last December on the administration of the small business loans program. In his report, the auditor general, Mr. Denis Desautels, highlighted the importance of small and medium size businesses. In his introduction, he mentioned the major contribution of the small businesses to the Canadian economy.

According to this report, in 1994, more than 98% of all businesses in Canada were small businesses with fewer than 50 employees. In 1996, one out of two Canadians were employed by a small business.

In his report, the auditor general had this to say:

Small businesses play a very significant role in our economy. In many regions of Canada, they are at the heart of economic activity and community development. In addition, they sometimes develop into large firms of the future. Small businesses contributed 43 percent of Canada's private sector economic output in 1995.

In his introduction, the auditor general continued his analysis of small and medium size businesses and addressed the issue of financing. He said:

Management experience, market access, availability of financing, application of technology, and fiscal and monetary policies are all important factors that contribute to the success of small businesses.

Financing, however, is vital for a small business, particularly in its early years. Typically, the initial capital comes from the owner or from family and friends. Much of the additional equity comes from the earnings of the business. The other significant source of financing is through borrowing, primarily from the chartered banks, caisses populaires, credit unions and trust companies. The lack of financing on reasonable terms and conditions has often been identified as a significant barrier to the growth of small businesses.

• (1615)

He also pointed out that:

Governments in industrialized nations have traditionally played an important role by offering financing and/or guarantees to improve access to capital, with the objective of creating jobs and stimulating economic growth.

He was referring to the small business loans program, which is among the initiatives taken by the federal government to reach its objectives. This program was established in 1961 and has undergone major changes in 1993. At that time, changes in the act were

aimed at relaxing the eligibility criteria, increasing access to financing and reducing personal guarantee requirements.

Two years later, in 1995, other changes were made in order to reduce the percentage of financing allowed and the ratio of loss sharing, to charge annual administration fees and to increase the maximum interest rate.

The auditor general, still with regard to the management of the small business loans program, mentioned that the small business sector had been the subject of many recent studies.

These studies on the small business sector showed that some action to assist them had to be taken at any cost. In 1994 a committee produced the report "Growing Small Businesses". The working committee on small business created by the ministers of finance and industry and including small business representatives overcame the difficulties.

The report highlighted the important challenges facing small and medium size business. One of these was obtaining the proper financial support to expand. Given the many problems at the national as well as international levels, a small business often has to expand rapidly, but, without the necessary financing, it must turn to the banks for venture capital. Banks do have an important role in our economy. One thing they should do is support SMB initiatives.

The working committee recommended a series of initiatives to provide a sound basis for small business growth and development.

I now wish to make a few comments about Bill C-53. They say many improvements were made and the federal government has taken into account some of the auditor general's well-founded recommendations.

Of all those recommendations, the following were incorporated. First, the limits of the program are better defined to avoid abuses of the system. The bill provides for reducing the interest paid by the government.

A reporting system has been introduced to ensure some accountability to Parliament. But, as we can see, the auditor general made many recommendations that were not taken into consideration by the Liberal government. It ignored what the committees who studied this matter had to say. In particular, it ignored the amendments or the suggestions made by our party.

These are encouraging pilot projects, but they do not go far enough. This bill gives numerous powers to the minister, which is typical of our friends across the way. When they have the privilege of reviewing legislation, they quickly lay their hands on everything. The ministers are trying to control everything but unfortunately, now and then, they interfere with provincial jurisdictions.

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• (1620)

The minister took advantage of the review of this act to grab increased powers without any real checks and balances. It is not difficult to understand. The minister grabs power, controls, but there is no mechanism to correct these abuses.

The industry critic for the Bloc Québécois talked about this problem in September 1998 in one of the numerous speeches she made on this issue. The technical clauses in the act have now been deleted. The minister will be able to make whatever regulations he wants.

Part of the regulations needed to be modernised. Everyone agrees on that. However, our hon. colleague from Mercier told us there was a serious problem, in that the bill does not include the whole range of provisions.

On Bill C-53, the Canadian Restaurant and Foodservices Association also explained to the Standing Committee on Industry that some major changes introduced were to be found not in the act, but in the regulations. The most important, without a doubt, was the exclusion of existing leasehold improvements. I was speaking earlier of expansion. So, in the restaurant industry, when there is a need to expand, they start by modernising and expanding the premises.

Finally, I can say that the Bloc Québécois is in favour of Bill C-53. I also point out that the financing of small and medium size businesses is important and is one of the major sources of development in each of our regions.

I support this bill, although I would have preferred to see certain changes.

Mr. Stéphan Tremblay (Lac-Saint-Jean, BQ): Mr. Speaker, I would like to make a few comments because setting up businesses and entrepreneurship are issues of great importance to me.

Before becoming a politician, I took a course on how to start up a business. This program was designed to help people with business ideas to get ahead, help them to develop a business plan, seek financing and, finally, help them reach the crucial stage, which is the setting up of their business.

The various stages of setting up a business are quite important, in my opinion, and I am familiar with them. Furthermore, it was one of my favorite themes, mainly on the regional level, when I entered politics.

I represent the riding of Saguenay—Lac-Saint-Jean, a region which has been greatly developed by big business. Even nowadays, we are still very happy that big business has decided to reinvest in our region. The largest private investment project in Canada and in North America is located in Alma, in my riding.

Sometimes, it is said that the uncertainty chases investors away. But it can truly be said that it is not the case in Alma. A very interesting partnership has developed among several stakeholders, namely unions, people who contacted the plant, etc. It is a real breath of fresh air for us, but I still say that we should not rely solely on big business for regional development. We should diversify our economy. The establishment of small and medium size businesses can play a major role in job creation.

In fact, this is what I am still doing. I encourage people in my region to try to set up their own business. If the economy is going well, it is even easier for SMEs to develop very precise niches in order to meet the needs of big business.

This is undoubtedly an avenue we should encourage as much as possible at the regional level.

• (1625)

A few weeks ago, I was at the gala of the Haut-Saguenay CFDC. In that area, people are working very closely together. In very small municipalities, the establishment of one or two businesses can make an enormous difference for the local economy.

In Alma, which is at the eastern tip of my riding, we set up a single window office one year ago. For many potential small businessmen, the difficulty is to get to know where to access know-how and financing. People do not know where to go to get technical and financial support. We have therefore created a single window office where every potential small businessman can get advice.

Everyone in this House is in favour of job creation. I certainly want to see jobs created in the Saguenay—Lac-Saint-Jean region. As my colleague, the hon. member for Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques said, the best way to distribute wealth remains job creation. In this respect employment remains a matter of dignity for every individual. It is therefore extremely important.

What does it take to start up a business in order to eventually create employment: highly specialized skills, research, development, technical training, marketing intelligence, market research, distribution, production and sales? In the end, when the products or services are marketed, jobs will be generated.

As we can see, there are several stages in the job creation process, and small business people can appreciate the problems associated with starting up a business.

That is not all small business is about, and this is a debate we take to heart, especially as it relates to diversity. It is often said that small is beautiful. Small and medium size businesses often succeed in finding very specific opportunities in very specific markets. That is the beauty of the market economy. It has been criticized by many people today, starting with myself. I do blame on the market

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economy a number of current trends, including the trend to merge companies. Businesses tend more and more to merge, and it seems that this tends to kill diversity.

Small businesses are bucking this trend. They bring diversity and healthy competition to the economy. This is good for everyone.

When I talk about mergers and I look ten years into the future, I sometimes wonder where this will lead us. It often reminds me of the game that taught me capitalism, the game of Monopoly. Everybody starts off with the same amount of money, but the player who succeeds in buying everyone else's property as the game progresses is the winner. These are things we must think about in our economic system.

Starting up a business requires considerable resources. One method I recommend is the blending of knowledge, expertise, ideas and money. Two years ago, I designed a program aimed in that direction, because I knew perfectly well that, normally, it takes a business idea to start up a business. Not everyone has business ideas.

One needs to have business acumen, and this is something that needs to be demystified. It is estimated that 10% of the population has some business acumen, which means that they want to expand their horizons and want to be their own boss. Taking on such a responsibility is not for everyone.

I think we need to bring together people who have business ideas with people who have some business acumen and, of course, people with money problems, and that brings us to the very heart of the matter, which is the financing issue. When starting up a business, money is everything and one of the biggest problems is the financing, which is addressed in this bill.

• (1630)

When the hon. member for Mercier brought this piece of legislation to our attention, I thought it important to consult with businesses back home who probably had had dealings with the Small Business Loans Program.

It could be useful to potential business owners to know that the purpose of this bill is to increase the availability of financing for the establishment, expansion, modernization and improvement of—

The Acting Speaker (Mr. McClelland): I regret to interrupt you, but there are only two minutes left for questions and comments and I am sure the member for Lotbinière would like to comment.

Mr. Odina Desrochers: Mr. Speaker, the long speech made by my colleague, the member for Lac-Saint-Jean, shows how sensitive most of my colleagues and I are to the issue of the importance and vitality of small and medium size businesses. Be they established in the Lac-Saint-Jean region, in the Lower St. Lawrence region, in

the Gaspé region, or in my riding, Lotbinière, in the heart of Quebec, they are all important.

The Lac-Saint-Jean region has benefited much from Alcan. However, if we want to create jobs now, if we want to rebuild the social fabric, the collective fabric of each and every one of our regions, we must count on small and medium size businesses.

Frequently, a small business with ten or twenty employees will allow a small community to survive. How many times have we seen a community lose a school? But the arrival of a new investor who created jobs and made possible the coming of new families can allow a community to survive. It is a part of Quebec's history that must be preserved.

I believe that this heritage depends on the creation and survival of our small and medium size businesses.

Mr. Paul Crête (Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques, BQ): Mr. Speaker, I am pleased to take part in this debate at third reading on the Canada Small Business Financing Act.

When the time comes to amend a piece of legislation such as this that has been around for several years, care must be taken to ensure that it will meet the existing as well as the future needs of business.

It was in this perspective that the member for Mercier and the member for Lévis in particular analysed the bill, and that we proposed amendments and suggested improvements in order to ensure that the Canada Small Business Financing Act will allow small businesses reliable access to financing so that they can be competitive.

Today and tomorrow, new businesses that are created will have to keep pace with international competition. This is just as true for those starting up as it is for those expanding. They must be able to keep pace with international competition, have core financing that will give them a solid base on which to grow, to sell their goods outside the country, to export, to compete globally.

This requires flexibility in terms of businesses' accessibility to financing.

Does the bill before us meet this requirement? I think that the amendments to the initial bill represent interesting technical improvements.

In my view, the Bloc Québécois has offered constructive criticism of the bill and proposed amendments that we feel would have made it that much better. There are questions to be asked, however. Will the bill help meet the needs with respect to preparing and launching a business, consultant services and business expansion? Considering all these questions, there is still room for improvement.

I would like to speak to that as a member of parliament. I have now been a member of parliament for five years.

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• (1635)

Almost every week, in my constituency, at least one person comes to us with a business proposal. A new generation of entrepreneur is born. Some people are fully equipped to launch a business with management training, technical skills or engineering diplomas.

But there is a new type of entrepreneur, people who do not necessarily have all the needed tools to manage a business. I mean young people, women, the 50 to 55-year olds who face a basic change. They were always salaried workers and all of a sudden, their business closes and they have to adjust, to be flexible and to face new situations. They often come to us because they have a hard time finding the right place to go for adequate financing.

This is particularly true of women. This is something that strikes me at home. Women who want to go into business run into the system's negative, paralysing aspects because all the financing rules were set by men. When women have a project, they need to be a little better in order to get financing.

In the proposal under consideration, I would have liked the government to take even more responsibility and to find a way to avoid cold financial calculations done by computer in which the borrower is told: "This is our business loan software. If you fit our profile and if you have some extra money, we will give you a loan".

But the situation is sometimes different with new products, as we saw in the last few years. I recall the case of a young entrepreneur from my area who wanted to produce an electronic tuner for musical instruments. A hi-tech device like that cannot be developed in three weeks. It takes time and money. It took almost one year to develop the project and we were looking for support. We checked all existing programs. It was not easy. That young man and his family had to invest time and money. The bill could have made it easier to start up this kind of business. In this case, the entrepreneur had a solid technological background.

Just last week, I saw someone who wanted to open a specialized butcher shop in my region. Because of his background and past experience, this man did not have easy access to credit. How can someone get their foot in the door so they can receive the help and direction they need to bring their project to fruition? Our new businesses expect their lenders to provide financial advice as well and to support them through their growing pains.

The bill before us today includes many provisions that reflect the experience of the past 20 or 25 years. However, the government should have had an even more open attitude.

The member for Trois-Rivières alluded to the social mandate that financial institutions must have. In Quebec, we had an interesting experience with the development of lending tools such

as the Fonds de solidarité des travailleurs. Our caisses populaires have tempered what I would call the more mechanical aspect of the banks' operations, thus helping create an attitude different from that of the banks themselves.

When I first came here in 1993, Liberal members had a lot to say against banks and they wanted to revolutionize the way banks were doing things. Liberal members have been procrastinating since then. They have played along with the current system. But there was a concrete reality. In Ontario and in the other English speaking provinces, the competition created in Quebec by the Fonds de solidarité des travailleurs, by the caisses populaires and by the other forms of assistance did not necessarily exist.

Competition generates quality. Quebec had more lending services, and this promoted a more open attitude among banks and lending institutions.

• (1640)

I believe the changes to this piece of legislation reflect the influence of the model developed in Quebec. Interestingly, some elements of it, but not enough, can be found in the legislation.

We must look at the issue beyond this bill. Our financial institutions might give themselves a time frame so that, if within the next five years we do not see more openness on the part of banking institutions, we will use a more stringent approach. This could have been included in the bill.

Another tool we can use to this end is community reinvestment. In this respect, the hon. member for Hochelaga—Maisonneuve introduced a private member's bill based on the experience in the United States, which responds to what we are experiencing today as revealed by the poll of financial institutions conducted by the member for Mercier. In order to have solid arguments to present in favour of this bill, and to find out what people really thought, the Bloc Québécois consulted the population.

We found that credit availability is a major concern for 29% of small business owners. According to our poll, 89% of SMBs said they find it very difficult, or difficult, to get credit at a reasonable cost, whereas only 10% said it was easy to get financing.

There is a need. Certainly our respondents may be the ones who ran into the most obstacles. Often the ones who do not run into obstacles have fewer tales to tell. But the facts are there. Many companies are experiencing difficulties with competition these days. There is competition everywhere. A company needs to always be sure that the required products can be provided in time, that they are quality products, and that they can be distributed and sold.

Businesses run into all manner of obstacles. The situation is far different from what it was 10, 15 or 20 years ago. At that time,

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markets were nearly all domestic, within either the economic space of Quebec or the economic space of Canada. Today, markets are world-wide.

In the La Pocatière region, maple syrup producers are making direct sales by Internet to Japan, China and just about everywhere else in Asia. This is a new trade reality. When a business seeks a loan, the banks need to understand that a large building is no longer necessary as collateral; an idea must be acceptable. This is not easy for banks to understand. This is one factor to consider in the present situation.

The other factor I wish to address is processing. Will this bill allow businesses to obtain the necessary credit? Sometimes the person creating a processing business is already a producer, a producer of natural resources, or a farmer, for instance, producing vegetables or working in a food processing sector. And now he must make the transition from producer to processor. Not everyone is born with these abilities.

He must therefore determine what technical skills he will need, whom he should have as an ally. He has to be ready to accept an inflow of capital other than his own money, so that his business can grow.

Of course, all of this happens in regions without a lot of people. New markets have to be found. When we meet these people in our riding offices, we realize that funding requirements are always a big concern of theirs. It is always an issue.

We can also get frustrated when we have to deal, in our offices, with people who have what appear to be very worthy projects and we try to understand why banks are turning them down, we try to support them throughout the process and we find out about some of the problems they are facing.

• (1645)

The small business loans guarantee program improved over the years. It has had its ups and downs. All sorts of situations have arisen.

In the vast majority of cases, care must be taken to ensure that the program really provides investment assistance. I have a bit of a problem with those who state that businesses do not need this guarantee to start up. But this must also be viewed from another angle: without this loans guarantee program, most businesses could not start up, could they?

In our regions, jobs are created by small business, that is small and very small businesses. These are sometimes businesses with one, three, four, five or ten employees, which will operate for years with this limited staff.

Owners must also act as the finance director, production director and marketing director, and they must wear all these hats at the

same time, while meeting governmental bureaucratic requirements. They require some flexibility as well as access to assistance. The Small Business Loans Act is the kind of tool through which such assistance can be provided.

Will the bill before us give our businesses more ready access to loans? It addresses many interesting topics, including capital gains. I also think there will need to be some kind of tacit agreement between financial institutions and governments with regard to the new attitude of openness to allow projects to be carried out.

Earlier, we talked about opening this program to non profit organizations. That is an interesting advantage. In our society, we have witnessed the development of different types of businesses. There are capitalistic type traditional businesses where one entrepreneur starts up the business. But there are also other kinds of businesses such as cooperatives, in Quebec.

For example, some twenty years ago, on the northern shore of Lake Témiscouata, a group of foresters formed a company that belongs to all of them, but from which they do not get individual. This situation combines the advantages of a company with those of a cooperative.

These organizations should be treated with an open mind by the financial institutions they do business with. If a financial institution asks "What sort of organization do you represent? You do not fit in with our institution". Well, that is not a plus.

At this point in my presentation, I would like to say that this bill is part of a much larger system in which a problem of lack of competition in providing financing was noted. Before any talk of amalgamating banks, we should make sure there is more competition in our communities.

In Canada, and especially in Quebec, banks have already cleaned things up, with some going a long way. So, in some places there is nothing more than the National Bank or a credit union. There is not a lot of enthusiasm for the amalgamation of the big banks, but there is for more services in our regions from the ones that have remained. Their remaining and the fact that they have developed financial products should inspire our confidence.

If they could diversify their product and in so doing provide a lot of opportunities for those needing such financial services, and if legal changes are made, 10, 15 or 20 years from now we could see the emergence of this sort of financial holding and people will say "That is a good thing. There is more and more competition and service opportunities". This is how progress is made.

• (1650)

It is important to consider the Small Business Loans Act while keeping in mind that there are also other tools available. In that context, the Bloc Québécois will be pleased to support the bill,

even though it would have liked to see its amendments accepted. As we know, we often have to keep trying in this world. A number of arguments were put forward. The main one provides that we must make sure that loans to businesses are not simply granted under a purely mechanical and arithmetical approach. We must be able to include other considerations.

When a person with a good idea comes to get financing, he or she must feel that the financial institution has an open attitude, that it is not only concerned about the guarantee on the loan, and that it provides true advice to achieve the best possible results.

In a few years, we will look to see if, indeed, it might have been possible to give even more leeway to our businesses. This would ensure that everywhere, and particularly in rural areas of Quebec and Canada, we would have the necessary tools to develop quality businesses that are able to go and sell their products all over the world, while also meeting domestic demand.

I hope that once this bill is passed, we will not forget that there is still room for improvement. In the meantime, the changes that have been made will ensure that small businesses are better served.

The Acting Speaker (Mr. McClelland): It is my duty, pursuant to Standing Order 38, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Halifax West, Volvo Canada Ltd.; the hon. member for Regina—Lumsden—Lake Centre, Canadian Farmers; the hon. member for Winnipeg North Centre, Health; the hon. member for Madawaska—Restigouche, Social Insurance Numbers.

Mr. Louis Plamondon (Bas-Richelieu—Nicolet—Bécancour, BQ): Mr. Speaker, I would like to congratulate my colleague, who has just spoken so eloquently to this bill. It is a bill that has concerned all Bloc Québécois members in recent weeks. A number of attempts to improve the bill met with failure, but I think the government is now aware of the Bloc Québécois' arguments.

As for the substance of the bill, it has been pointed out that it is a small step forward, but that there is room for improvement. The member who spoke before me mentioned financing and the difficulty obtaining it, especially for businesses wishing to restructure and for those interested in exporting in the rapid new format known as the Internet.

When he mentioned the Internet, he gave as an example the maple syrup producers in his riding. I know that my colleague, the member for Saint-Hyacinthe—Bagot, also has many producers in his riding, as do I. This is an example of the kind of production that now relies more on the Internet and that needs much quicker and more effective financing in order to be able to meet the constantly growing demand, particularly from Asian countries.

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What could be included in this bill in order to meet the needs of this new way of structuring businesses as well as help the new enterprises, which must conduct business more rapidly and need more rapid and better structured service and support?

I would like my colleague to expand a bit on this.

Mr. Paul Crête: Mr. Speaker, I thank the hon. member for Bas-Richelieu—Nicolet—Bécancour for his comments and question, both of which strike me as very pertinent.

I started my presentation by saying that legislation on small business loans has to be able to meet not only today's needs, but tomorrow's as well.

• (1655)

The question of the Internet came close to home for me, because a number of people have come to my office with such projects in past years, when the Internet was just starting out. Financial institutions and development agencies had to be educated about it. Now, more of them, the Mouvement Desjardins in particular, are open to this new way of doing business. When guarantees are involved, there is more consideration given to the quality of an idea than to the size of a building.

A new and particular sensitivity is needed. There must be assurance that a bill like the one before us now contains such provisions. I believe it contains some interesting elements as far as the regulations the department will be introducing and the attitude of the financial institutions are concerned.

As time goes by we will see whether financial institutions have indeed met expectations, because this bill left room for a choice. As was done at one point in the past, we could have tried making it very coercive, forcing businesses into a far more open attitude. They were given the chance. Players were given a chance.

But this does not mean they should take advantage of this to kill people's spirit of innovation. When novel projects come along, they must be given proper consideration. Such matters are not necessarily resolved by legislation, either. It is a question of making our financial institutions open minded, and I think they have succeeded in doing so to some extent.

However, I would caution the House and all Canadians that we will not fix the problem necessarily by creating huge financial institutions. People need access to financial institutions they trust and where they get proper service, especially a variety of choices.

In this regard, a lot of effort is required, which does not necessarily relate to the Small Business Loans Act, but which is related more to all the other financing tools available to business, whether we are talking about insurance schemes or other forms of loans. Some experiments have been made.

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A look at the accomplishments of the workers' fund known as the Fonds de solidarité des travailleurs in the area of new technologies, for example, reveals fantastic development. This is a union federation that was created with the help of the Government of Quebec, which provided an initial shot in the arm. This investment fund today has grown beyond the stage of protecting traditional jobs. It invests in new technology sectors and internationally to promote growth in developing and developed countries, but with the view that the jobs created there are the highest paying technical jobs.

I think this openness should be encouraged to spread. I say to the member for Richelieu that I think in 10 or 15 years those open to these new ideas will permit our businesses to take root throughout the world. These business will have penetrated several markets because somewhere, at the right time, a bank or credit union manager will have been open to a new idea, and interested in supporting it and helping the business start up.

We should not think that 75 years ago Bombardier was what it is today. It was not born a giant. It started with a creative man who had a good idea, was very tenacious, and brought it to fruition. Later he was followed by people who developed it even further.

But to do so, they needed financial assistance from individuals with an open mind. For every success story like this one, there are graveyards full of projects that failed, not necessarily because they were not good, but because they were not viewed with openness and did not receive the support they needed.

I believe that today by passing the Small Business Financing Act we are giving a helping hand to businesses and the economy in our regions. It is up to them to take advantage of it.

• (1700)

It is up to them to make the best of it, to make sure they know how to use it well. If within two, three or five years, we realize financial institutions are not open enough, we will have to have the guts to correct the situation, and fast. In economic terms, two, three or five years is a very long time. One must have the courage to move very fast, to take the required corrective measures.

Hopefully the bill before us today will meet today's demands as well as demands over the next few years.

Mr. Yvan Bernier (Bonaventure—Gaspé—Îles-de-la-Madeleine—Pabok, BQ): Mr. Speaker, my hon. colleague has spoken very passionately.

I will try to quickly summarize what the hon. member has said. In my view, the measures set out in this reform of the Small Business Loans Act, contrary to what it says in the preamble, do

not increase the availability of financing. They only straighten out some administrative rules.

To ensure that businesses understood the good news, I think it would have been better to tell them about the way macroeconomic impact could be measured.

I hope there is enough time left for my hon. colleague to expand somewhat on this.

Mr. Paul Crête: Mr. Speaker, I agree with my hon. colleague.

The message sent when the amount was not increased is not the most positive message that could have been sent out. I hope the government will take a responsible approach and ensure that diversification of the availability of financing comes through clearly in the decisions to be made in the next few weeks or months about the regulation of financial services. The framework of the Canadian banking system should be completely overhauled.

Our only goal should not be to please the banks, which, under the current system, think that mergers are the only way out. Let us climb back up the hill to get a better view of the forest and ask ourselves if it would not be better for the future to change the whole regulatory framework to allow for great competition. In a new regulatory environment, mergers may not be the best option available. Each of the stakeholders will benefit from the new solutions that will be brought forward.

Mr. Stéphan Tremblay (Lac-Saint-Jean, BQ): Mr. Speaker, it gives me great pleasure to address Bill C-53, the Canada Small Business Financing Act.

The purpose of the bill is to increase the availability of financing for the establishment, expansion, modernization and improvement of these businesses by allocating, between the minister and lenders, portions of eligible losses incurred by lenders in relation to loans of up to \$250,000 to such businesses for those purposes.

The government will continue to be liable for 85% of the losses on outstanding loans, with the rest being the lender's responsibility.

It is essential that this program designed to help young entrepreneurs be well understood. It provides young or potential entrepreneurs looking for financing with the necessary guarantee or backing to secure a bank loan.

You just go to the bank and, if you do not have a house to offer as collateral, the federal government will guarantee up to 85% of the amount borrowed up to \$250,000.

This bill ensures that the SBLA program will remain unchanged. For those who used it in the past, there is hardly any change. We in the Bloc Québécois take the matter seriously because we know for a fact that small and medium size businesses play a pivotal role in

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creating jobs. That is why we did not take this lightly. We went so far as to develop a questionnaire that we distributed to businesses. That is what I did in my riding of Lac-Saint-Jean.

• (1705)

I wrote to all the businesses in my riding that had availed themselves of this program for small businesses. Who would be in a better position to tell us whether this program is efficient or not?

That is why businesses were asked “In view of your own experience and what you have seen, would you say that it is easy, difficult, or very difficult for small businesses to get financing?”

Some 87% of people in my riding say it is difficult or very difficult. We know that money is the lifeblood of any business that is just starting up. And we are being told that it is still difficult to get money.

We then asked whether businesses know the SBLA, and, if so, whether they think it should be improved. No less than 98% of respondents said it should be improved. That is a telling tale.

Here is another question we asked “Do you think loans should be granted for working capital as well as for equipment and capital and movable assets?”

This is an rather important question, because we know for a fact that working capital is crucial for a business that is starting up and that the lack of it can have dire consequences. Some businesspeople end up having to put up their personal assets as collateral, which is not always interesting.

Eighty-eight per cent of respondents said that the loans should also cover working capital.

The next question was “From your experience and from what you see around you, do you think the development of small and medium size businesses would be easier if they had greater access to credit at a reasonable cost and to management counselling?”

Of course, following the same logic, 96% of respondents said it would be easier.

The last question was: “Would there be fewer bankruptcies if businesses had greater access to credit?” Ninety per cent of respondents said yes, there would be fewer bankruptcies.

I want to thank the respondents, the entrepreneurs of my riding, who helped me with these questions. It really helped me see things more clearly. I had also sent them a few questions on the proposed bank mergers, an issue of interest to everybody.

Earlier, my colleague from Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques talked about the social role of banks. Banks and other lending institutions have an extremely important role in that if they reject the application of an entrepreneur, it

means that it will be difficult for that prospective business to become a reality. So there are very important issues at stake.

I feel strongly about Bill C-53 because I, myself, took a course on how to start up a business. After a first career in aviation, I wanted to do what a lot of people were doing, that is to start up my own business. So I decided to take a course on how to start up a business in order to have a good knowledge and understanding of each and every step of that process. There are several of them.

Everybody agrees, and we heard it many times, that small and medium size businesses are essential to job creation. Right now, unfortunately, large businesses are not the main creators of jobs. We see a lot of large business mergers which, in most cases, result in a significant number of layoffs. I say in most cases because we have the statistics to prove it. Fortunately, things are always different in my region.

• (1710)

In the Lac-Saint-Jean region, we have the new Alcan project, which is worth \$2.6 billion and will be the largest private investment in Canada and even in eastern North America. It is a major project that will secure the existing jobs and create about 250 new ones. All of this will of course generate economic activity.

Before entering politics, I had started the process of launching a business. I did not complete it, of course, since I entered politics. That business is somewhat different, but there are similarities. I made small business one of my hobby horses, because I feel that regions like mine, the Saguenay—Lac-Saint-Jean region, which was developed mostly by large companies, should nevertheless diversify their economy and trust the entrepreneurial potential of their citizens to create employment. We will never have enough.

In regions like mine, as in all remote areas around the world, people are leaving. If we could start small businesses of our own and thus create jobs, it would be great, because that is what everybody wants. I will always remember the hon. member for Kamouraska—Rivière-du-Loup—Témiscouata—Les Basques saying that the best way of distributing wealth remained the creation of jobs.

But how are jobs created? Governments often suggest that they will create so many jobs. But who creates these jobs directly? This is clearly the work of those in the field, provided of course that they have the necessary resources and assistance. This is where it becomes important to show solidarity as a community and to provide young entrepreneurs with efficient tools. By “young” I mean new entrepreneurs because, as my colleague pointed out earlier, many people who retire in their 50s want to start their own business. So, this is very important.

There is a basic fact about entrepreneurs that we must understand: not everyone can start a business. According to the

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psychological profiles that were developed, between 10% and 15% of the general population has the entrepreneurial potential required to start a business. This is extremely important.

The number one prerequisite is entrepreneurial potential, followed by knowledge, skills or services targeting a specific market niche, to ensure that there will be a market for the new small business, which will be creating jobs. Funding is also required, of course. It is an essential element, especially for young entrepreneurs who, more often than not, do not have a house to offer as collateral against a loan and who do not necessarily receive money from their friends and family. So, financing is still extremely important.

The bill is interesting because it maintains the current Small Business Loans Program which, I remind the business people back home, helps the entrepreneurs who do not necessarily have the money, the car or the house to put up as security to get a loan guaranteed at 85% by the government.

So, this is an extremely interesting piece of legislation. However, from a constructive point of view, I think the bill could have further increased the availability of financing for small businesses. It could also have helped businesses with their working capital, in that the loans could have been used as working capital. This is what the businesses in my region told us in a poll.

In a nutshell, this is a good bill and we will vote in favour of it. But there are still some provisions that could have been improved.

• (1715)

The Acting Speaker (Mr. McClelland): It being 5.15 p.m., it is my duty, pursuant to order made Monday, November 23, 1998, to interrupt the proceedings and put forthwith every question necessary to dispose of the third reading stage of the bill now before the House.

Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Acting Speaker (Mr. McClelland): All those in favour will please say yea.

Some hon. members: Yea.

The Acting Speaker (Mr. McClelland): All those opposed will please say nay.

Some hon. members: Nay.

The Acting Speaker (Mr. McClelland): In my opinion the yeas have it.

And more than five members having risen:

The Acting Speaker (Mr. McClelland): Call in the members.

• (1740)

[English]

(The House divided on the motion, which was agreed to on the following division:)

(Division No. 277)

YEAS

Members

Adams	Alcock
Anderson	Assad
Assadourian	Asselin
Augustine	Axworthy (Saskatoon—Rosetown—Biggar)
Axworthy (Winnipeg South Centre)	Baker
Bakopanos	Barnes
Beaumier	Bélair
Bélanger	Bellehumeur
Bellemare	Bennett
Bergeron	Bernier (Bonaventure—Gaspé—)
Îles-de-la-Madeleine—Pabok)	Bernier (Tobique—Mactaquac)
Bertrand	Bevilacqua
Bigras	Blondin-Andrew
Bonin	Bonwick
Boudria	Bradshaw
Brien	Brisson
Brown	Bryden
Bulte	Caccia
Calder	Caplan
Carroll	Catterall
Cauchon	Chamberlain
Chan	Clouthier
Coderre	Cohen
Collenette	Comuzzi
Copps	Crête
Cullen	Davies
de Savoye	Desjarlais
Desrochers	DeVillers
Dhaliwal	Dion
Discepola	Dockrill
Doyle	Dromisky
Drouin	Dubé (Lévis-et-Chutes-de-la-Chaudière)
Dubé (Madawaska—Restigouche)	Duceppe
Duhamel	Dumas
Earle	Easter
Eggleton	Finestone
Finlay	Fontana
Gagliano	Gagnon
Gauthier	Girard-Bujold
Godfrey	Goodale
Gray (Windsor West)	Grose
Guarnieri	Guay
Guimond	Harb
Harvard	Harvey
Herron	Hubbard
Ianno	Iftody
Jackson	Jennings
Jones	Jordan
Karetak-Lindell	Keddy (South Shore)
Keys	Kilger (Stormont—Dundas)
Kilgour (Edmonton Southeast)	Knutson
Kraft Sloan	Laliberte
Lalonde	Lastewka
Laurin	Lebel
Lee	Leung
Lill	Lincoln
Longfield	Loubier
MacAulay	MacKay (Pictou—Antigonish—Guysborough)
Mahoney	Malhi
Maloney	Mancini
Manley	Marceau
Marchand	Marchi
Marleau	Martin (LaSalle—Émard)

Massé
McCormick
McKay (Scarborough East)
McTeague
Ménard
Mifflin
Minna
Muise
Myers
Normand
O'Brien (Labrador)
O'Reilly
Paradis
Patry
Perron
Pettigrew
Pickard (Chatham—Kent Essex)
Plamondon
Price
Proud
Redman
Richardson
Robillard
Rocheleau
Saada
Sekora
Shepherd
St. Denis
Stewart (Brant)
St-Jacques
Stoffer
Telegdi
Thompson (New Brunswick Southwest)
Tremblay (Lac-Saint-Jean)
Turp
Valeri
Vautour
Wappel
Wayne
Wilfert

Matthews
McGuire
McLellan (Edmonton West)
McWhinney
Mercier
Mills (Broadview—Greenwood)
Mitchell
Murray
Nault
Nystrom
O'Brien (London—Fanshawe)
Pagtakhan
Parrish
Peric
Peterson
Phinney
Pillitteri
Power
Proctor
Provenzano
Reed
Riis
Robinson
Rock
Sauvageau
Serré
Solomon
Steckle
Stewart (Northumberland)
St-Julien
Szabo
Thibeault
Torsney
Tremblay (Rimouski—Mitis)
Ur
Vanelief
Volpe
Wasylycia-Leis
Whelan
Wood—205

NAYS

Members

Ablonczy
Bailey
Breitkreuz (Yellowhead)
Cadman
Chatters
Forseth
Grewal
Hanger
Hill (Macleod)
Hoepfner
Johnston
Lowther
Manning
Mayfield
Mills (Red Deer)
Pankiw
Ramsay
Schmidt
Solberg
White (Langley—Abbotsford)
Williams—41

Anders
Benoit
Breitkreuz (Yorkton—Melville)
Casson
Epp
Goldring
Grey (Edmonton North)
Hart
Hill (Prince George—Peace River)
Jaffer
Kenney (Calgary Southeast)
Lunn
Mark
Meredith
Obhrai
Penson
Reynolds
Scott (Skeena)
Strahl
White (North Vancouver)

PAIRED MEMBERS

Alarie
Byrne
Cardin
Dalphond-Guiral
Folco
Fry
Godin (Châteauguay)
Picard (Drummond)
Scott (Fredericton)

Bachand (Saint-Jean)
Canuel
Charbonneau
Debien
Fournier
Galloway
Graham
Pratt
Speller

Private Members' Business

The Speaker: I declare the motion carried.

(Bill read the third time and passed)

The Speaker: The House will now proceed to the consideration of Private Members' Business as listed on today's order paper.

PRIVATE MEMBERS' BUSINESS

• (1745)

[Translation]

BALANCED BUDGET ACT

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ) moved that Bill C-375, the Balanced Budget Act, be read the second time and referred to a committee.

He said: Mr. Speaker, I am pleased to address this bill from the Bloc Québécois dealing with the issue of a balanced budget. This is more commonly referred to as an anti-deficit law.

Why should we, at this point in time, turn our attention to such a bill? Incidentally, I would have preferred that this bill be a votable item, since it deals, in my opinion, with a fundamental issue. I can tell you that I will continue to work in the coming months to have this bill put again in the *Order Paper* as a votable item.

Why a Balanced Budget Act at a time when we are increasingly talking about surpluses? In fact, for the last fiscal year, the surplus exceeded \$5 billion. For the current fiscal year, we are talking about a real surplus, that is if you look at the actual figures, not if you talk to the Minister of Finance, who says all sorts of things. But if you look at the real figures, you will see that the surplus for the current fiscal year is between \$12 billion and \$15 billion.

Why introduce a balanced budget act, an act that would prevent the government from running deficits? Simply because we are not protected from what we have experienced in the past 25 years. In fact, it is a Liberal government that started running major deficits, and the first major deficit was incurred under the current Prime Minister of Canada, when he was Minister of Finance.

We are not protected from the old ways of the Liberals, and of other federalist parties. They kept running a deficit year after year, always thinking that it could be eliminated the following year, without taking their responsibilities, with the result that these

Private Members' Business

cumulative deficits turned into a debt. We were paying interest on the debt and leaving that accumulated debt to future generations.

Old habits die hard. I remind members that several provincial governments in Canada, including Quebec, and several American states, passed similar legislation banning deficit or rather balanced budget legislation. These states and several Canadian provinces have now balanced their budgets and have surpluses.

However they passed this kind of legislation to protect themselves and future generations, who have and will have to carry the burden inherited from previous generations.

It is so easy for Liberals to slip back into their old habits as witness the initiatives put forward by the government in areas of provincial jurisdiction these past three years.

• (1750)

They have no qualms about creating new programs parallel to existing provincial programs, infringing on areas of provincial jurisdiction, wasting billions of dollars often for nothing.

Let us look at the millennium scholarships. This program is going to cost taxpayers \$2.5 billion. We are not too sure how useful it is going to be. However there is one thing we are sure about, some provinces, including Quebec, already have their own scholarship programs which work very well and have low overhead costs. They have been in place for years.

The federal government prefers visibility to efficiency. When partisan politics and a need for high profile supersede efficiency, the result is perpetuation of the situation that began 25 years ago: no particular concern for a balanced budget, and recurring deficits.

If the Minister of Finance has a deficit of under \$3 billion, the bill requires him to fully repay this deficit the following year, during the next fiscal year, and therefore to present a one-year budget forecast of a \$3 billion surplus the following year, so as to recover the current year's shortfall. A basic deficit is forbidden, but if overshooting the budget leads to a deficit, the Minister of Finance must adjust his aim within a year.

The Balanced Budget Act also makes it possible, under certain circumstances, to go over budget, or even have a deficit, even a recurring deficit. For instance, if there is a natural disaster having a major impact on federal expenditures, large amounts over or under budget are allowed.

If there is a major deterioration in economic conditions requiring the federal government to intervene with social programs, the Minister of Finance is also allowed the flexibility to exceed his

forecast and to end up with a deficit despite this Balanced Budget Act.

There is a similar exception if Canada is involved for example in a military conflict which would require federal government disbursements not forecast in the budget presented by the Minister of Finance.

In these three specific cases, when the federal government has a deficit, it must submit for each year of the deficit a reabsorption plan over six years. It must, over six years, repay all of the deficit incurred in the current, subsequent and third year as well.

In the first three years of this six year plan, it must have repaid 75% of the deficit it incurred in the initial year, and in the remaining three years, it must repay the other 25%.

It must therefore table a specific plan in the House of Commons, a six year plan, and provide Parliament with a schedule for the repayment of the deficit it incurred in the current year over a six year period.

That is what spending and deficit controls involve. I repeat that, despite our being in a surplus period, we must not, especially for the sake of future generations, again find ourselves in a situation similar to what we went through over the past 25 years in which we accumulated deficits. These deficits have become a huge debt worth at the moment over \$550 billion net.

It is therefore important to have a legislative framework to ensure that budget overruns, uncontrolled spending, visibility spending and partisan expenditures that could drive us into a budget cul-de-sac do not recur and that there are very restrictive provisions governing the Minister of Finance and forcing him to repay the entire deficit over six years.

• (1755)

There is a second very important aspect of this bill. It concerns the accountability of the Minister of Finance. As everyone here knows, even our colleagues across the way, since his appointment, the Minister of Finance has been telling us whatever he likes about the estimates, even about expenditures and how revenue is entered. Every year, he is way off in his estimates. But forecasting errors of 62% over six months concerning the deficit are more than just a wrong estimate.

We have said repeatedly, and so has the press, and the public is very much of the opinion that the Minister of Finance lacks transparency when it comes to the estimates. For four years now, he has been telling us just about whatever he likes about the deficit and, since last year, the same is true with respect to the surplus. He is in no way accountable to parliament for his estimates, for the figures he submits, for the overruns and for items that were not in the estimates.

The bill forces the Minister of Finance to be serious, transparent and honest in the estimates he tables and in his economic statement. His statements no longer bear any resemblance to reality.

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I will give examples of things that this anti-deficit bill would help improve. In 1996-97, the Minister of Finance forecast a deficit of \$24 billion. Mid-stream, he revised his forecast. He said the deficit would not exceed \$19 billion. In fact, we had been telling him for a year that the deficit would never top \$10 billion. In the end, the 1996-97 deficit was \$9 billion.

The same thing occurred in 1997-98. Initial projections set the level of the deficit at \$17 billion. At the time, with the figures we had on monthly revenues, it did not make any sense to forecast a \$17 billion deficit in 1997-98. A surplus of over \$2 billion was more likely. For a second time, the Bloc was right. The surplus was around \$3.5 billion.

Initially, in 1998-99, the finance minister forecasted a \$9 billion deficit. He recently revised his projections and is now talking about a tiny surplus. Once more, hard facts will confirm the Bloc projections, because we have always been right each and every year, because the finance minister is not transparent in his forecasts and because there is no mechanism to force him to make honest projections. He has no accountability, but the bill would provide for this.

This year, the minister is talking about a tiny surplus, but we are forecasting a surplus of \$12 to \$15 billion, even if the economy has slowed down because of the crisis in Southeast Asia, and the economic collapse of countries in the former Soviet Union, especially Russia.

The bill would require the finance minister to report to the House on his deficit or surplus projections, and his earlier projections, and to explain the discrepancy. In other words, when he makes certain projections in his budget and he realizes later on that the deficit or surplus will be different, he should be required to explain why.

There is no such requirement at this time. He tells us whatever he wants and, when the margin of error on his six month deficit or surplus forecast is 63%, the only opportunity we have to say anything to him about that, without him having to be accountable to parliament, is when he presents his economic statement to the finance committee. He tells us "Excuse me, our tax revenues were higher than expected so our forecast was off by 62%; things are better than we thought".

An economist in the private sector who made the same kind of error the finance minister made in his forecast would certainly lose his job. He would be fired.

Under this bill, the minister would be required to table a report in the House of Commons. He would have to justify any error in his forecast. That would certainly be an improvement from what we have seen, from what the opposition parties have seen and from what Canadians have seen over the last five years. They are given wrong information, which is not democratic. Passing this bill would certainly be an improvement.

What is even more important, he would be required to inform the House of any changes to his accounting methods and to explain what impact these changes may have on his budget forecast or budget results.

• (1800)

The finance minister is the master of accounting tricks. He does not have his match anywhere, disregarding the practices and strict standards of accounting.

For instance, after signing an agreement with three Atlantic provinces to harmonize the GST with provincial taxes, he reported \$941 million right away, in the 1995-96 fiscal year, as opposed to the year in which it would actually have been expended.

Recently, he did it again with the millennium fund. While the first millennium scholarships will not be handed out until the year 2000, the finance minister has already charged against the previous fiscal year an amount of \$2.5 billion. He did the same thing with the innovation fund.

The minister was strongly criticized by the auditor general for taking such liberties with generally accepted accounting principles, which suddenly change when applied by the finance minister. He was strongly criticized by the Auditor General of Canada, who is the watchdog of public finances and is accountable only to parliament.

Do you know what the finance minister's response was? He said that they had been told by private corporations that it was all right. This is another affront to the institution of the auditor general.

The bill would require a stringent report by the Minister of Finance to the House of Commons, to parliament, on his changes in accounting, interpretations and justifications of the budget level.

I hope, therefore, that I will obtain the support of my colleagues, both those in opposition and those in government, and that bill will be votable next time.

[English]

Mr. Tony Valeri (Parliamentary Secretary to Minister of Finance, Lib.): Mr. Speaker, besides the rhetoric I will actually speak on the bill before us. Essentially, beyond anything else the key to ensuring that the federal budget remains in balance is a strong political commitment to maintain fiscal health.

Past history and experience has shown that legislation itself is not sufficient to deliver balanced budgets. The previous government tried to follow that approach without success. The Spending Control Act, 1992, put legislated limits on total program spending with an end goal of eliminating the deficit. We all know how successful that approach was.

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The government has balanced the budget as a result of the resolve of all Canadians to do so. In 1993-94 we were facing a difficult situation. The federal deficit stood at a record \$42 billion. We said at that time that we would bring down the deficit steadily each and every year until it was eliminated, and we did. In 1997-98 Canada recorded a \$3.5 billion surplus, the first surplus since 1969-70. It is an historic accomplishment for Canadians.

Balancing the budget required difficult decisions and many sacrifices but it is an achievement that all Canadians can be proud of and one that will have permanent benefits.

We did not need balanced budget legislation to do it. We accomplished it with a strategy that has worked. We set two year rolling fiscal targets and have consistently achieved and surpassed them. For budget making purposes we used economic assumptions that were less optimistic than the private sector and we built into our fiscal plans a \$3 billion contingency reserve. It provides an extra measure of back up against adverse errors in the economic planning assumptions.

We will continue to use this approach. It worked so well in the past and it ensured that the budgets will remain in balance for the future.

Instead of debating legislation on how to ensure a balanced budget we prefer to focus the government's resources on the measures needed to strengthen Canada's economy and Canadian society.

The government has a balanced plan to address the challenges we will face in the future. Despite our fiscal success, the debt burden is still too high by historical and international standards and we need to reduce it.

We have a debt repayment plan. We are committed to ensuring that the debt to GDP ratio continues on a permanent downward track. In 1997-98 the debt to GDP ratio fell to 66.9% from 70.3% in 1996-97, a 3.4 percentage point decline.

• (1805)

It is the largest single year decline in the debt to GDP ratio since 1956-57.

As well, we continue to invest in the highest priorities of Canadians. Clearly health care is at the top of the list for all Canadians. The Prime Minister has said in the past that the government will invest more of our resources in the years ahead to reinforce our public health care system.

The final part of our plan involves tax reduction. Initially as it became affordable we were able to provide targeted tax relief where the need was the greatest, tax relief for students, for charities, for persons with disabilities and for children of working parents with low incomes.

In the 1998 budget we started a process of general tax relief, reducing tax rates for 90% of taxpayers and providing \$7 billion in tax relief over three years.

We will build on these measures as we can afford to and we will continue to do so in a measured and responsible way.

Clearly there is no need for this bill. It would allow deficits and we know Canadians want governments to live within their means, just like they do. It is a bill that says to Canadians let's run a little deficit this year and we will make up for it later. I do not think so and Canadians do not think so.

The hon. member brought up the issue of credibility of the forecasts. Eight years ago Tory finance ministers were accused of using inflated economic predictions to mask huge deficits. Now we are being accused of being too cautious. I would rather be called too cautious rather than reckless if it meant we were protecting Canadians' victory over the deficit.

In 1998 the consensus forecast for GDP growth was 3.5% when the budget was introduced. Today the consensus as forecast has fallen to less than 3% and the outlook for next year has fallen from 2.9% to only 2%.

So while the hon. member argues about how the finance minister meets these targets and makes accusations that the finance minister is not being transparent, it is the first time in the history of Canadian governments that we have a budget building process like we have today.

On the average of Canadian economic forecasters with respect to the GDP, the average of what Canadian forecasters say the interest rates will be as we move forward, it is not government or the departments that are setting these forecasts but the private sector, and we are making use of all that expertise as we build these budgets.

For the first time we are saying governments should set a target and in setting that target it should be the very least we could do, always striving to do better.

Rather than debating an issue about legislation to balance budgets, I would submit to the hon. member that it is the political commitment that is required and that is very important. Past efforts have shown quite clearly this government is committed to balancing the budget. We are committed to no deficits. We are committed to keeping the debt to GDP ratio on a downward track. We are committed to continual investing in Canadian priorities.

The finance committee, as it travelled across the country on prebudget consultations, clearly heard that health care was at the top of the list of priorities. This government is committed to reducing income taxes for Canadians.

An hon. member: What about employment insurance?

Mr. Tony Valeri: I have said often in the House that the debate about employment insurance is not whether to reduce employment

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insurance premiums but by how much. This government has clearly demonstrated over the years that there is a commitment to reduce employment insurance premiums.

While the hon. member continues to provide us with rhetoric what I am trying to do is lay out the facts for Canadians as they are.

The government has already pursued a deficit reduction strategy that was deliberate, responsible and successful. Now that the government's finances are on track we have entered a new era of fiscal responsibility that includes debt reduction.

Much like we eliminated the deficit, we have committed to continue to keep the debt to GDP ratio on a downward track. If Canadians look at our record and look at history, this government since 1993 when faced with a \$42 billion deficit committed to eliminate it. We have.

• (1810)

We have committed now to keep paying down the debt and to ensure the debt to GDP ratio is on a downward track. We will continue to so and will not waver from this course.

Mr. Monte Solberg (Medicine Hat, Ref.): Mr. Speaker, it is my pleasure to speak on Bill C-375. It is a good bill and I think the Reform Party can support it.

I am very happy to see that my colleague, who calls himself a social democrat, can agree with somebody like me or I can agree with him as somebody who is a fiscal conservative on the need to have balanced budgets and to put some limits on government. Limited government is what we are talking about here.

My friend across the way spoke a minute ago about the government's great political commitment. Its political commitment had nothing to do with balancing the budget. The fact is government took the easy way out.

In the last five years this government has raised revenues by \$37 billion. It dramatically cut transfers to the provinces by \$7 billion. It is talking about its commitment to health care. There is no question this government has slashed health care more than any government in Canadian history.

To hear the rhetoric coming from the other side is pretty hard to take. I cannot believe the parliamentary secretary stood up with a straight face and shamelessly said his government has a deep commitment to health care. What a joke. It is unbelievable.

I want to talk specifically about my colleague's Bill C-375, a balanced budget act. There are some key points I want to touch on. Effectively the bill serves to prevent the government from producing budgetary deficits as of April 1, 1998. A deficit of less than \$3

billion in one financial year must be followed by a surplus equal to that amount the following year. I think that is quite reasonable.

A deficit exceeding \$3 billion may be occurred over more than one year but only in the event of a natural catastrophe, economic collapse or military conflict. All that is very reasonable.

Deficits for any financial year would have to be estimated during the debate on the budget. I think that makes a lot of sense. We need some frank talk about just how big deficits would be or even surpluses.

For deficits incurred under the provisions which are required to be made up over a maximum period of six years, I think the first 75% of that has to be made up in the first three years. There are other great points in this bill.

I think one of the most important points is the one that my friend from the Bloc alluded to near the end of his speech when he talked about the need to have a report from the minister to the House annually on the impact of changes to accounting. I completely support my colleague from the Bloc on this.

What has happened over the last several years is that the finance minister and the finance department have broken the generally accepted rules that have been laid down through consultation with the Canadian Institute of Chartered Accountants and the auditor general simply so that they can run surpluses they can use for their own political ends.

What we have here is the government in a fundamental conflict of interest position. It is time to end that. We need accounting rules that are binding on the government so that we do not have situations where the government uses the finances of the country for its own cynical, manipulative ends, and that is what is happening here.

My friend across the way was talking about the member criticizing the government for being too cautious. That is completely untrue. We are criticizing the government because it has been calculating and manipulative with the public's finances. We think that is completely unacceptable.

The Reform Party does have a long history of promoting this type of legislation. We do believe in limited government. We do believe there need to be restrictions on government. We do not have blind faith in the government. We know that governments of all kinds are typically stupid. The governments that are the most stupid are the ones that do not recognize how ignorant they really are. Therefore we feel we need some limits on what they do so they cannot go stumbling into areas where they do not belong. We do not want them to stumble into deficits. We do not want them to blow the public's money, which has been the situation for many years in this country.

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• (1815)

My friends across the way talk about how they have been successful in balancing the budget. I remind them that they have done it by raising taxes and in doing so they have lowered disposable income for Canadians. We think that is the wrong way to handle it.

While we support this legislation coming from our colleague from the Bloc Québécois, the Reform Party has called for another companion piece of legislation to go with this which would place a limit on expenditures. We do not want to see governments balancing the budget by continually raising taxes as this government has done. Taxes have gone up. Revenues have gone up by 32% since it came to power. They have gone up by some \$37 billion. That is not growth in the economy. The economy has not grown by 37% over the last few years. Far from it. It has been very sluggish. But the revenues have been growing because they are coming out of taxpayers' pockets and that is not acceptable.

We would support companion legislation or an amendment to this legislation that would require the government to introduce legislation mandating government spending limits. That is from the Reform Party policy book, the point being that not all balanced budgets are equal. We believe that we must balance them not by forever increasing revenues through higher taxes, but by putting a limit on spending.

In the last parliament, in 1996, a very learned colleague of mine, Dr. Herb Grubel, who was the member of parliament for Capilano—Howe Sound, brought forward a private member's bill calling for a constitutional amendment that would have entrenched balanced budgets. There is a tremendous amount of merit in that idea. It is difficult to get any kind of constitutional agreement in this country, let alone on a piece of legislation like Dr. Grubel was proposing. But having said that, it is the right thing to do.

I want to touch on a couple of the points he made. He said that if we have a constitutional amendment it is more difficult for governments to tamper with it. Specifically, he called for the government to balance its budget every year. That is what he was proposing. His argument was that we could have a contingency reserve attached to that so that if there ever was a need to increase spending for some unforeseen reason we would be able to do that.

Second, the spending would be limited to today's levels and only increased to reflect population growth and inflation. That was the spending limit aspect of that legislation. It is a great idea. There is no need for spending to grow beyond population growth and inflation once we get to the point where we have the proper amount of spending.

The final point was that if either the budget is not balanced or spending limits are exceeded then those MPs who supported going

beyond those spending limits, or supported spending us back into a deficit position, would be financially penalized. That makes a lot of sense. That is what they do in Manitoba. The entire cabinet faces financial penalties if the government runs a deficit. It is a wonderful idea.

We must remember that at the end of the day this is taxpayers' money we are spending. We cannot continue to tax people into poverty like we have done in this country over the last 20 years and especially over the last five years. It has to come to an end. We need to impose some real penalties to ensure that people do not continue to run deficits and that governments like the one across the way do not continue to raise taxes forever and ever.

The Reform Party also calls for a referendum on any tax increases. We are saying no more tax increases. If a government wants to increase taxes it should have to go to the public in the form of a referendum.

We support this private member's bill. We wish it was votable. We would go a step further in a couple of areas. But having said that, we find it eminently supportable. It is a real positive sign that members on all sides of the House understand the need to have balanced budgets and that balanced budgets should be entrenched in some kind of legislation. We have to place limits on government. Government is not all knowing. It is not omniscient. It is not always working in the best interests of the country. One way to ensure that we prevent the government from doing wrong is to put limits on it and this proposal would do just that.

• (1820)

Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP): Mr. Speaker, first I want to congratulate my friend for bringing in Bill C-375. I will say from the very outset that I was pleased when I saw this bill on the order paper. I think it is indicative of the kind of debate we need to have in the House.

I have listened carefully to my colleagues. While I support the bill, I wish it was votable. I think it is an important gesture, but I do have some serious concerns. However, I support the bill in principle. I realize this is sort of an opening round of debate and I suspect that we will have this debate in the months ahead in a variety of venues.

First, in terms of the legislation itself, it talks about a balanced budget in any particular fiscal year, with some exceptions, and these exceptions are identified. I appreciate my friend in the Bloc saying that a national catastrophe having a major impact on revenues or expenses would be an exception. Unfortunately, we have seen that reality in the last while in Canada, in terms of the ice storm calamity, in terms of the floods, both in central Canada and in western Canada and—

An hon. member: The farm issue.

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Mr. Nelson Riis: I will come to the farm issue in a second, but in terms of natural disasters, some very serious expenditures were required. That is what our country is all about, so I think this is an important qualification to place.

The other qualification is the involvement of Canada in a military conflict, consequent to its international peacekeeping commitments or when some other crisis arises. When it comes to defending peace and security and our democratic traditions, of course, money ought to play no determining factor. In terms of our peacekeeping commitments, I do not expect that there is a single Canadian who would not say that this would be a legitimate expenditure in order to promote and keep global harmony and peace.

My concern lies with clause 6(b), "a major deterioration in economic conditions", such as the farm crisis in Saskatchewan. My friend from Regina—Lumsden—Lake Centre earlier today, commenting to a very important committee, outlined a whole set of concerns as to why this is in fact an economic crisis, not only for the province of Saskatchewan, but for the prairie region and the country generally.

As a matter of fact, my colleague from Regina—Lumsden—Lake Centre has spoken at least eight times formally and has held 50 or 60 meetings to discuss the issue of the crisis in the farming community.

The collapse of incomes is placing farmers at the same depths or even below the depths of the deep recession and depression of the 1930s. This is indeed a crisis.

I also want to say that I am worried about the wording. We would all agree that this is an economic crisis in the farming community. We can also make the case for the fisheries on both the east and west coasts. Many communities have been completely devastated and will require assistance. I could go on to talk about other sectors as well. In some of the major resource communities of western Canada we have seen a collapse because of the Asian markets. Over-exploitation of some resources has resulted in economic calamity in some communities.

We are also talking about social calamity. For example, with the collapse of the prairie farm industry would come a whole social web of issues that would also be in crisis. I think there would be a major deterioration in economic and social conditions.

We could make the case, as others have, of the crisis in our health care system. I do not think we could find today a single Canadian citizen who would not agree that there is a financial crisis in our health care system. I would be surprised if we could find a single person who would say "No, our health care system is fine".

In our pre-budget consultations, whether they were in a small community or in a large community, whether they were on the east

coast, the west coast, the north coast or wherever, the message was always the same: health care funding ought to be a priority.

● (1825)

Education and training should be a priority. The sewing together of our ripped social safety net should be a priority now that we have a surplus in excess of \$10 billion.

When we talk about economic and social issues that confront the country that have to be dealt with, may I suggest that there is no bigger issue than the calamity regarding poverty, especially child poverty, in our country.

I was moved, as I know many others were, when I listened to the the Conference of Catholic Bishops which said "A government that refuses to address the issue of child poverty is participating in a form of child abuse". I think we all agree with that. It is a form of child abuse when we sit back and allow 1.5 million children day after day to live and grow in a life of poverty in what has to be the richest country in the world. It is the ultimate in neglect.

I was chagrined last Friday when I heard reports that our Minister of Finance said that poverty in our country is a national disgrace. I suspect that if we traced the roots to many of our problems in terms of creating poverty they would go right back to the seat of the Minister of Finance. After all, his programs resulted in the massive slashing to support programs for poor families across the country.

I am getting kind of worked up over this. We put a high priority on debt repayment to foreign bankers. We do not put much priority on the pay equity issue, particularly in terms of the women who are affected. We go on year after year ignoring child poverty.

I was here in 1989 when we passed a motion in this House, moved by Mr. Broadbent of the New Democratic Party and seconded by myself, to eradicate child poverty by the year 2000. We are almost there, but the situation has simply deteriorated year after year after year.

It is a national disgrace. It is an immoral act that we continue to simply ignore this blight in our country. It is a serious issue.

I am all in favour of balanced budgets. I am in favour of having as a goal a balanced budget, particularly over the life of a parliament. But when we have these glaring problems of the crisis in the farming community, when we have obscene levels of poverty, particularly with children in our country, when we have collapsing economies in the east coast and west coast fisheries, when we have a crisis in our health care system, when there is not a person in this country who would not say we need to invest in human resources through education and training, to say that we have to have a balanced budget as a matter of law I think is pushing the envelope.

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I say to my friend in the Bloc, for whom I have a great deal of respect, the principle of this bill we support, but until we get our Canadian house in order, until we can say to Canadians that we have done what is necessary, particularly in terms of providing for those who need this help today, I think we can say that we will address the issue of balancing the budget on an annual basis at some time hopefully in the near future.

Mr. Monte Solberg: Mr. Speaker, I rise on a point of order. I would like to seek the unanimous consent of the House to make this a votable bill.

The Acting Speaker (Mr. McClelland): Is there unanimous consent to make this bill votable?

Some hon. members: Agreed.

Some hon. members: No.

Mr. John Solomon: Mr. Speaker, I rise on a point of order. I would ask for the unanimous consent of the House to have this motion referred to committee for further study.

The Acting Speaker (Mr. McClelland): Is there unanimous consent to have this motion referred to committee?

Some hon. members: Agreed.

Some hon. members: No.

Mr. Scott Brison (Kings—Hants, PC): Mr. Speaker, I am pleased to speak to Bill C-375 today, brought forward by my colleague from the Bloc. The effect of Bill C-375, if passed, would prevent governments from engaging in the types of fiscal profligacies that governments have participated in in the past. It would prevent governments from incurring deficits except under extraordinary circumstances. The Minister of Finance would be more accountable to parliament for his monetary management.

• (1830)

In the 1997 election the PC platform called for making a law that politicians would have to balance the budget on an annual basis, legislation that would force governments to meet their budgets except in cases of wartime or economic crisis, and called for legislation that would cut the pay of the prime minister and cabinet ministers if they were to break that ban.

In our current platform and rooted in principles that we espoused during the time of the election, we are calling for lowering the debt to GDP ratio from 73% to 50%; a continuing low interest rate policy; cutting \$12 billion in identified unnecessary expenditures; and balancing the books but not necessarily at the expense of health care or by raising taxes, which has been the way the government has achieved some of its dubious successes in recent years.

While the legislation deserves support from members of the House, it does not recognize the fundamental problem that deficits can be reduced and eliminated sometimes by making the wrong choices. The Liberal government has made many wrong choices in reaching a point at which we have a balanced budget.

By slashing health care, as the member from the New Democrat Party referred to; by maintaining unnecessarily and damaging rates of taxation which pummel small businesses and individuals and destroy initiative across Canada; and by maintaining the highest taxes of any of the G-7 countries that put our Canadian businesses at a competitive disadvantage to their counterparts in others countries, the wrong choices are being made.

Members opposite in the Liberal government certainly have some experience with deficits. It was under Liberal leadership that deficits grew from zero to \$38 billion. My party cannot claim such a stellar record in building deficits. We only took one from \$38 billion to \$42 billion, which does not seem like quite the level of accomplishment the Liberals were able to achieve under their period of unprecedented fiscal irresponsibility.

Under Conservative governments the deficits between 1984 and 1993 were reduced from 9% of our GDP to 4.8% of our GDP by the time we left office. That took considerably well planned policy decisions that were courageous and involved the types of structural changes to the Canadian economy which were necessary not only to achieve deficit reduction then but to achieve deficit reduction since. I am talking about policies like free trade, the GST, deregulation of financial services, and deregulation of transportation.

It is through those types of structural changes, those types of forward thinking initiatives, that we were able to contribute to the deficit reduction battle. However, since 1993 those efforts have been combined with the slashing of health care and with the maintenance of unnecessarily high taxes. The government has put itself in the black by putting Canadians at an unprecedented high rate in the red. Canadians have the highest personal debt, the highest rate of personal bankruptcy in the history of the country.

Let us look at what has happened to students. Average student debt has grown from \$12,000 back in 1993 to about \$25,000 per graduate of undergraduate programs. The pages in the House have some benefits. They are in an enviable position in being able to work in the House and contribute so gallantly, as they do every day, to our proceedings. I am sure they have many friends who will be graduating with egregiously high debt loads. They will be harnessed to those high debt loads and held back as we enter the 21st century.

Fiscal responsibility has shifted. The deficits that used to be incurred by government are now being incurred by students like the peers of these stellar young pages, the stellar young public servants in the House tonight.

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• (1835)

There is no valour in reducing the public deficit if it is at the expense of the fiscal health of individuals. We must continue to make the right decisions. I have some concerns about balanced budget legislation because it has the potential to contribute further to the ongoing trend of emasculating political bodies like parliaments. Parliamentarians should be more empowered to make the right decisions and I fear any legislation that reduces that power. Over the past 30 years we have seen a secular decline in the power of parliamentarians.

There are things we could do to increase the role of parliamentarians and to increase the scrutiny of public expenditures by the House. It was once the case that individual members of parliament debated line by line the estimates of various departments. That would increase the role of members of parliament as it would increase the level of scrutiny of expenditures. That would be a good move.

We could have a regulatory budget in the House whereby we could take a look at all regulations that are being proposed on an ongoing basis by bureaucrats within the system without being evaluated for cost. Those costs are very complex. Those costs involve the cost of implementation and the cost of enforcement, both of which are government borne. Perhaps most deleterious to Canadians are the costs of compliance which we never take into account.

Those are some of things we need to consider before we make new regulations. Those are the types of things we can do to increase the role of parliamentarians and at the same time have a greater level of scrutiny of public expenditure.

The balanced budget legislation has been successful in provinces like New Brunswick. Quebec had a deficit elimination bill starting in 1996 as well as Alberta and Saskatchewan. Manitoba passed the balanced budget, debt repayment and taxpayer protection and consequential amendments act in 1995. The cabinet minister who introduced that bill was a recent candidate for the leadership of our party, Brian Pallister. His bill was a very forward piece of legislation. It indicates the type of positive steps many of our provinces have taken to do the right thing.

However, at the federal level fiscal policy is extraordinarily complicated and complex. We are combining fiscal policy but there is also a monetary policy responsibility at the federal level. It is much more difficult for balanced budget legislation to be enforceable or tenable at the federal level. That is one difficulty. The American model goes back to 1985 when the Gramm-Rudman-Hollings deficit reduction act established yearly deficit reduction targets.

All these things are very positive but nothing can replace leadership. Political leadership and political will can achieve far more than legislation that requires balanced budgets. We need to ensure we not only balance budgets in Canada but that we do so by making the right choices and the right decisions. We must ensure that as we enter the 21st century Canadians will not be encumbered by wasteful government but will be prepared to compete globally, to succeed globally and to put Canada at the cutting edge of an increasingly global market based society.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, I would like to make several comments. I will start with what the Parliamentary Secretary to the Minister of Finance said in his critique of my bill.

He said it was not necessary, that transparency and clear objectives were far more important. He used the exact same words the Minister of Finance did on February 10, 1998 when the Bloc Québécois members started to speak of a balanced budget act. He has said exactly the same thing, the Minister of Finance. He said that greater transparency and clear objectives were far more important. The parliamentary secretary has learned his lesson well, but he has contributed nothing to the debate.

• (1840)

What I have heard from the other side of the House is propaganda about the government's achievements, transparency and caution. However, the importance of a bill on a balanced budget transcends not only the performance of a government but also the present. We must think of the future. Anything can happen in the future.

The same mistake can be repeated. The error that led us to an accumulated debt of \$550 billion, that is endless deficits over 25 years, can recur in the future. At the moment, it is perhaps less obvious on the government side, but we must think of future generations. My Conservative Party colleague rightly referred to the pages, who will be laden with a real tax burden in the future.

The parliamentary secretary mentioned that they are cautious. This is no longer about caution. When the figures presented are 100% at variance, between 62% and 100%, six months apart or at the most nine months apart, this is no longer a forecasting error. This is no longer a matter of caution. It is a lie. It is totally undemocratic.

The money we have handed over to the government is taxpayers' money. It does not belong to the Minister of Finance. What if you had an account with a bank or a credit union. You deposit your money, and the banker refuses to tell you exactly how much is in the account. What are you going to do? This is a terrible anachronism. And yet this is exactly what the Minister of Finance is doing. He does not give a true picture of the state of public finances. His

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forecasts do not make any sense. This is ridiculous and it does not help the legislator to make sound management decisions.

In addition to providing for some control over public finances, the bill on a balanced budget makes the Minister of Finance responsible and accountable to Parliament.

This being said, I am very favourable to the suggestions made by the opposition parties. The speeches made by members from the Reform Party, the NDP and the Progressive Conservative Party were constructive. Some interesting ideas were put forward and would deserve to be included in a new bill.

I will not stop with this attempt. I intend to table another bill which will take into account the suggestions made by the Reform Party, the NDP and the Progressive Conservative Party. I hope it will be a votable item, because this is an important issue.

I agree with the Reform member who said that, to achieve a balanced budget, the government can either reduce spending or increase revenues. I agree with him that some provisions should be included to control excessive spending, and particularly to deal with the fact that the government can impose any tax increase, year after year, as the Minister of Finance has been doing for the past four years, taking \$37 billion from Canadian taxpayers.

I also listened to the suggestions of the NDP member with regard to his social concerns. I felt I had implicitly provided for these in my bill when I said there could be deficits if there were exceptional circumstances and a significant deterioration in economic conditions. As I see it, a deterioration in economic conditions would imply social deterioration, but I note his suggestions.

As for the suggestions of the Progressive Conservative Party, I will probably discuss them with my Progressive Conservative colleague privately because I was not very clear on the reasons for his reluctance to support the bill. He mentioned the role of parliamentarians.

The role of parliamentarians is strengthened by a bill of this sort because the Minister of Finance is forced to be accountable to parliament, and to us, for any budgetary overrun, deficit and accounting change that could alter the picture of public finances.

Monetary policy has nothing to do with it. An anti-deficit bill can apply to a federal government, just as it can apply anywhere in the world, and monetary policy makes no difference. The fact that the federal government must intervene with respect to monetary policy has nothing to do with its fiscal management.

So I will have a talk with him. I am sure my arguments will convince the Progressive Conservative Party to support this bill or another amended one in the near future.

The Acting Speaker (Mr. McClelland): The time provided for the consideration of Private Members' Business has now expired and the order is dropped from the order paper.

ADJOURNMENT PROCEEDINGS

• (1845)

[English]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

VOLVO CANADA LTD.

Mr. Gordon Earle (Halifax West, NDP): Mr. Speaker, I was astonished with the response by the Minister of Industry to my question of October 22, 1998.

My question addressed the government's involvement, or lack thereof, in finding solutions to the shutting down of the Bayer Lake Volvo assembly plant in my riding. The minister refused to address the issue of what the Liberal government would do to work toward saving jobs.

Volvo's abrupt announcement left 223 workers suddenly fearful for their futures and their families' futures. And abrupt it was. One Volvo worker was quoted as saying:

Few people saw it coming. Sales were up, and the quality of the product from this plant was among the best. That's what they kept telling us anyway. They all had efficiency engineers in watching us do our jobs. I guess that was so they would know what to do when they move our jobs to Mexico.

On September 29 I wrote the minister and included in my letter one suggestion for a manufacturer to replace Volvo, including an executive summary of the business plan of the company. The minister appeared to have better things to do than worry about the loss of a couple of hundred jobs in Nova Scotia.

What is unacceptable is not that the minister did not find the perfect solution but that apparently he had no interest in even trying. To make matters worse, the government shares some responsibility for the closure of the plant. The government planted the bomb, lit the fuse and walked away. It planted the bomb by deciding to lower auto tariffs, then lit the fuse with NAFTA and now it has walked away.

Thanks to NAFTA, Volvo may be producing in Mexico the same vehicles which are currently produced in Nova Scotia. I would like to read a quote from a letter I wrote to the president and chief executive officer of Volvo, Mr. Gord Sonnenberg:

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I am deeply regretful of Volvo's decision to close the plant in my riding.

I certainly wish representatives from Volvo had made the effort and taken the time to work with myself, and representatives from other levels of government, our community and the employees to explore alternatives to shutting your plant down. My understanding is that your company was welcome in our community, and I know our taxation system is generous to the corporate sector.

Demonstrating the common decency of working with our community to find a solution would have been the better route.

I am painfully aware that such an increase of unemployment not only directly hurts those workers affected, but negatively impacts on us all.

I wish I could say that the Liberal government has acted better but I am afraid I cannot.

I do hope in response to my comments the government specifically addresses the issue of the closing of the Volvo plant. While the issues of auto tariffs and the impact of NAFTA are noteworthy, the real issue of substance here is this federal government's apparent disinterest in the economy of Nova Scotia.

Who knows if federal involvement may have assisted in finding a solution. But refusing to work with the community, the workers and business to find a solution can only lead to the conclusion that the government cares little for the futures of these workers and their families.

I close by sincerely offering any assistance I may be able to provide to the minister to facilitate the government involving itself in finding solutions.

Mr. Walt Lastewka (Parliamentary Secretary to Minister of Industry, Lib.): Mr. Speaker, on September 9, 1998, Volvo Canada announced it would close its car assembly plant in Halifax on December 18, 1998. As a result of the closing, I understand that 223 jobs will be lost.

An hon. member: Didn't you work for GM once?

Mr. Walt Lastewka: Yes, I did. I do know the automobile industry a little.

We are profoundly aware of the impact the plant closure will have on the Halifax area. As soon as the Minister of Industry learned of the plan to close the plant he wrote to Volvo to express the disappointment of the Government of Canada about the closure.

The mayor of Halifax, Mr. Walter Fitzgerald, created a task force on the future of the Volvo facility and workforce. The mandate of the task force is to market the facility and the workforce worldwide and to ensure that Volvo continues to tranship automobiles through the port of Halifax. The industry minister immediately accepted Mayor Fitzgerald's invitation for a federal presence on the task force by directing that an executive officer of ACOA, the Atlantic Canada Opportunities Agency, become a member of the task force.

● (1850)

In addition the minister allocated resources within the Halifax office of Industry Canada and also in Ottawa to assist the task force. Industry Canada personnel have been asked to identify potential leads that would fit in with the mandate of the task force, to bring these leads to the attention of the task force and to assist in the development of these leads as much as possible. Several leads have already been identified which the task force is in the process of investigating, although it is too early to say how they will turn out.

We are all aware of the events of last month where workers of the plant took over the facility and picketed the plant. The workers took these actions out of fear for the future but also in an attempt to force Volvo to address some concerns that the workers have.

In closing, we remain acutely aware of the impact of the closing of the plant on the Halifax area and continue to urge all parties to work together to secure a long term future for the workforce and the facility.

CANADIAN FARMERS

Mr. John Solomon (Regina—Lumsden—Lake Centre, NDP): Mr. Speaker, I rise to follow up on a question to the minister of agriculture last Thursday.

I asked him very simply when the farmers in Saskatchewan and western Canada, and particularly the communities in my constituency like Craik, Tugaske, Nokomis and others, could expect him to announce some federal cash and assistance to help with the immediate net farm income disaster. The minister answered to the effect that he found the repeated demands of the NDP for such a program to be a bit of a nuisance, but that he was working on it.

Today his parliamentary secretary seemed to suggest during question period in reply to a question by my colleague the member for Palliser that cabinet had discussed the issue with the minister of agriculture and an announcement would be coming soon. I hope the parliamentary secretary this evening can give us more information on that issue.

Last Friday when I spoke at the Saskatchewan Wheat Pool convention, I heard from many wheat farmers who just could not see the light at the end of the tunnel. Then yesterday I received a letter from Mr. John Germs, the president of the Saskatchewan Pork Producers, who worried that some of his members were contemplating suicide because of the agricultural crisis.

As members of parliament, we often receive very strongly worded representations from constituents and lobby groups but I was really struck by this letter that arrived in my office. I want to quote from it:

Words cannot describe the catastrophic situation we as producers are facing. With the path continuing on this devastating course, I estimate 50% of the producers will be

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forced to exit the industry by spring—. The existing safety nets are not sufficient to carry us through this extreme low period. Many people have invested their life savings in this industry and now are watching it—week by week—quickly destroying their livelihood—. Hog producers in this province are desperate, many producers are suicidal, and live every day in fear of a foreclosure or local utilities disconnected.

Saskatchewan farm income, including that of wheat farmers and hog farmers, is projected to be negative next year for the first time since the depression of the 1930s. Hog prices may rebound for those who survive the year but the situation with wheat prices may not improve for quite some time unless the Europeans and Americans cut back on their market-distorting subsidies.

The current net farm income disaster, and I use that generally overused term advisedly, can be directly traced to the federal Liberal government's record at negotiating international trade agreements where it got suckered by Europe and the U.S. We recall that the government chopped the Crow benefit and other federal agriculture support programs. While Europeans who had 2.5 to three times the subsidies increased their agriculture subsidies, we eliminated all of ours.

Those farmers are growing more wheat in Europe and the United States and the price of wheat is dropping like a stone. Our farmers and our buyers are waiting until the price drops even more. But the bins are full and the U.S. is offering even more support to their farmers. It is crazy.

We need some emergency bridge funding to help especially the wheat farmers and the hog farmers in western Canada and the hog farmers in other parts of the country. We need a national disaster assistance program for all farmers to complement NISA.

I believe that if a forthcoming program was announced tonight or in very short order, the provinces might be willing to participate in this sort of emergency farm aid program financially.

• (1855)

I am calling on the government to recognize the failure in its cutting the Crow benefit which has cost Saskatchewan \$320 million a year and to reinstate in the interim, while the European and U.S. subsidies are negotiated away, this particular farm aid for our farmers.

Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, the Government of Canada is very concerned about the farm financial situation and realizes the sense of urgency and importance.

The hon. member is aware that the farm income situation was the subject of a special meeting the minister convened with provincial ministers of agriculture and farm leaders on November 4.

Since then the minister has had ongoing discussions with his colleagues in the government, in industry and provincial counterparts about the problems Canadian producers are facing. Work will

continue with all stakeholders to put in place solutions to this situation.

We will act as quickly as possible but we will not act rashly, irresponsibly or prematurely. We will develop the necessary tools to improve the effectiveness of our safety net system as quickly as possible. However, all of us agree that inequitable, ineffective and unaffordable ad hoc measures are not the answer.

We will act quickly but we will also take the time necessary to ensure the actions taken are the best ones for farmers and for all Canadians.

HEALTH

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Mr. Speaker, I am pleased to have this opportunity to further discuss a matter I raised in the House on October 21, a matter we have repeatedly raised in the Chamber and which has been treated with indifference, rhetoric and callous disregard. The issue concerns the critical situation facing our health care system today.

Last week the Liberals defeated a motion in the House to reinvest \$2 billion as a minimum in terms of cuts they have made to health care. During that debate the Liberals talked about how concerned they were about health care but refused to provide any specifics with respect to the critical situation. Every Liberal in that debate voted down a motion to shore up our health care system to a minimum of \$2 billion.

Not only did the Liberals refuse to support that motion, they also in the course of that debate dismissed the very real concerns we keep bringing forward to them about the inadequacy of our health care system and the very real worries that people have about whether health care will be there when they need it.

The Liberals continue to deny the reality facing many Canadians. They try to suggest that these very real concerns are a figment of our imagination. The human situation speaks for itself. We only have to look at the health cuts especially in provinces like Manitoba and Ontario where we have a combination of federal and provincial cuts that has resulted in very real pain and hardship for people everywhere.

On October 21, I referred to the situation in Toronto of 17 out of 19 emergency rooms being closed down. I also referred to the situation in Ottawa where paramedics warned that the overload in hospitals was putting patients at risk. This past week in Manitoba we had nurses testifying that they were working 24 hour shifts and letting IV bags go dry because there is not enough nursing staff. Nurses are overworked, stressed out and suffering from complete burnout. They want to care for their patients but because of funding cuts they are facing very critical situations, with very serious emotional consequences for their patients.

We are here today to ask the government if it will listen to all the provinces that have asked for a minimum reinvestment of \$2.5

billion. We are here to ask the Liberals if they are listening to every health care organization in the country demanding a minimum reinvestment of \$2.5 billion.

We want to know specifically if the government will move to stabilize the system which is now in critical condition. Will the government assure us that it will not be entering into side deals with the provinces? Will it assure us that it will not be bypassing the Canada Health Act? Will it assure us that it will not be entering into unilateral arrangements that destroy the medicare model we have in Canada today?

Will it state clearly that it is prepared to stabilize the system? Will it raise the floor in terms of cash payments to a minimum of \$15 billion? Will it embark on a new chapter of co-operation, prepared to work with the provinces, the stakeholders and Canadians everywhere who are deeply concerned about the quality of health care? Will this government stand up for medicare in no uncertain terms?

• (1900)

Ms. Elinor Caplan (Parliamentary Secretary to Minister of Health, Lib.): Mr. Speaker, health care is clearly a priority of this government.

The very first thing this Liberal government did, once our fiscal house was in order, was to increase the cash floor in the Canada health and social transfer from \$11 billion to \$12.5 billion. This \$1.5 billion increase marked the end of cuts and signalled the important priority this government places on medicare.

The Prime Minister has said clearly: "The government will invest more of our resources in the years ahead to reinforce our public health care". In the government's recent economic statement the finance minister said that concerns related to strengthening medicare will be addressed.

Money matters but it must be said that the complex problems that confront health care in Canada will not be solved by dollars alone. The point is not simply to spend more but to spend more in a way that will produce a better result. The fundamental challenge Canada faces is to create a real system that is more responsible and more responsive to Canadians. Meeting that challenge will require focused action.

First, we need integrated health care delivery that meets the needs of people. Although strides are being made, we are still far from providing a seamless web of efficient and effective care, whether in terms of organizing services or providing public funding for them.

Second, a quality health care system is one that can be measured, where performance can be assessed, where all partners are accountable and have a responsibility to report to Canadians. A quality health care system would enable Canadians to determine if their health dollars are being wisely spent. Clearly whatever steps we

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take have to be in collaboration and in full partnership with the provinces. The size and method of the federal reinvestment are subject to discussions with the provinces.

Let us be clear. While money matters, improving the quality of health care means also ensuring confidence that when Canadians need care it will be there for them.

[*Translation*]

SOCIAL INSURANCE NUMBERS

Mr. Jean Dubé (Madawaska—Restigouche, PC): Mr. Speaker, on November 5 of this year, I told the Minister of Human Resources Development that, according to the auditor general, there were some 311,000 valid social insurance numbers for persons over 100 years of age, even though most of these individuals were actually deceased.

I also said that fraud involving social insurance numbers was costing Canadian taxpayers millions of dollars. Yet, not one department is willing to take responsibility for SIN reform.

I then asked the minister whether he would take his responsibilities and act immediately. I think I have been rather generous. I gave the minister a perfect opportunity to redeem himself, more particularly after the lack of power he displayed in the urgent matter of social insurance numbers.

Unfortunately, the minister chose to answer that he had set up five working groups to examine the issue. We already knew that. What we would like to know is whether the minister is ready to take action and to correct the problem. I have a hard time understanding why the minister needs so much time to examine the problem when the auditor general has done all his work for him.

This brings me to another question: Why did the minister wait for the auditor general to examine the SIN problem before he himself took action?

I would like to remind the minister of certain facts showing the seriousness of the situation. There are currently 3.7 million social security numbers too many. Not 100, not 1,000, but 3.7 million. This is incredible!

There are 11.8 million social security numbers that have been attributed without proof of identity, 11.8 million!

• (1905)

In 1996, more than \$500 million in social security and workers compensation payments were made to claimants who had not supplied their social security numbers.

[*English*]

With all these millions floating around the halls of HRDC we would think the minister would want to act quickly to solve these problems. Unfortunately neither the minister nor anyone in his government is willing to touch the issue.

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I am not the one making these allegations. This comes from an article published in the *Globe and Mail* on November 4. The title reads: "Ottawa has no plans to deal with abuse of social insurance numbers. Auditor general identifies fraud, says dead people are still registered, but no one in government accepts responsibility for reforming the system".

I return to my original question. The minister waited for the auditor general's report before looking at the social insurance number problem. His department still refuses to commit itself to reforming the SIN. In the meantime, millions of dollars of taxpayer money are going out fraudulently through illegal claims.

My is simple. When will the minister take charge, when will he show some leadership and sense of direction? When will he present to Canadians a clear outline and timetable for a complete reform of the social insurance number? What more will it take for the minister to act?

Ms. Bonnie Brown (Parliamentary Secretary to Minister of Human Resources Development, Lib.): Mr. Speaker, the Minister of Human Resources Development Canada shares the concerns of the auditor general with respect to the missing information on deaths in the social insurance register. He has already told the hon. member opposite that he is the lead minister, that he is in charge and that he has already established an interdepartmental working group for the purpose of assessing the accuracy and completeness of the personal information currently held in the register.

As suggested by the auditor general, the working group will try to determine how the department can use more fully the current sources of information at its disposal to update the register, sources such as the Canada pension plan, the old age security program and information from Revenue Canada.

In addition, the department hopes to investigate other sources of information such as provincial and territorial vital statistics, provincial health insurance information and Statistics Canada data.

We also hope to overcome any obstacles or stumbling blocks such as system problems which could prevent access to the information necessary to improve the integrity of the register.

I assure the hon. member that this government shares his concerns about any fraudulent use of social insurance numbers and we are taking action to address it.

Last year we investigated about 2,700 such cases and we intend to increase our investigations.

We are also taking a number of steps to improve our ability to prevent fraud. For example, we are improving our contract of service with the RCMP, which investigates the major cases of abuse and fraud, and we are creating a new investigations unit to improve our ability to prevent and detect fraud.

In addition, the parliamentary committee, of which the hon. member is a member, is investigating this phenomenon which the auditor general has uncovered.

The member can be assured the government will do whatever is necessary to ensure the accuracy and completeness of information within the social insurance register and to ensure the integrity of the social insurance number.

[*Translation*]

The Deputy Speaker: The motion to adjourn the House is now deemed to have been adopted. Accordingly, this House stands adjourned until tomorrow at 2 p.m., pursuant to Standing Order 24(1).

(The House adjourned at 7.07 p.m.)

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