



CANADA

# House of Commons Debates

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OFFICIAL REPORT  
(HANSARD)

**Wednesday, May 26, 1999**

**Speaker: The Honourable Gilbert Parent**

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# HOUSE OF COMMONS

Wednesday, May 26, 1999

The House met at 2 p.m.

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*Prayers*

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• (1400)

**The Speaker:** As is our practice on Wednesday we will now sing O Canada, and we will be led by the hon. member for Saint John.

*[Editor's Note: Members sang the national anthem]*

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## STATEMENTS BY MEMBERS

*[English]*

### COMPLEX REGIONAL PAIN SYNDROME

**Mr. John Duncan (Vancouver Island North, Ref.):** Mr. Speaker, the Canadian Reflex Sympathetic Dystrophy Network is holding its annual seminar at the University of Victoria from July 29 to July 31.

RSD or complex regional pain syndrome is a puzzling disorder. According to the McGill pain index, back pain is rated 16, terminal cancer at 26, and RSD at 42.

It can occur after an injury, even a minor one. The injury appears to be healing but the pain intensifies. The sympathetic nervous system becomes overactive, causing continuous and spreading pain that can be unrelenting. Some commit suicide. However, detected in the first several months the syndrome often yields to treatment.

The network chooses to designate July as Complex Regional Pain Syndrome Awareness Month.

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### CHINATRUST

**Ms. Sophia Leung (Vancouver Kingsway, Lib.):** Mr. Speaker, I am pleased to announce that Chinatrust Commercial Bank has opened its first Canadian branch in Vancouver.

Chinatrust is one of Taiwan's biggest financial institutions with assets of over \$26 billion. We can see from Chinatrust that foreign

banks can play an important role in creating jobs and strengthening the Canadian economy.

I would like to wish Chinatrust luck in its Canadian venture.

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### THE LATE BILL STEWART

**Mr. Lou Sekora (Port Moody—Coquitlam—Port Coquitlam, Lib.):** Mr. Speaker, it is with profound regret that I rise to acknowledge the sudden passing of a city councillor who served two British Columbia communities.

Bill Stewart served the city of Port Coquitlam as an alderman from 1983 to 1994. Having moved to the East Kootenays to pursue a new career opportunity, he was elected in 1996 to serve in the city of Kimberley as a city councillor.

Bill Stewart died suddenly in hospital on Sunday, May 16. He is survived by his wife, Alma, a son and a daughter. Bill Stewart served the public well. He will be missed.

\* \* \*

### COMMUNITY ACCESS CENTRES

**Hon. Andy Scott (Fredericton, Lib.):** Mr. Speaker, I am pleased to rise today to recognize the community access centre in my home of Barkers Point, New Brunswick.

It has been named New Brunswick's community access centre for 1999. It is located in what I have often referred to as the best elementary school in the world, a school that has served my family and friends for generations, a school that has had a recent addition of a gymnasium in the name of my father and where my sister teaches kindergarten. I can say that it has made a big difference in our community.

This centre opened in 1997 at the Barkers Point Elementary School and assists local people who wish to access the Internet and take computer courses.

For his contribution, I would like to single out site manager Jim Wilson for his tremendous efforts. As well it should be noted that Jeff Gagnon, a grade 12 student who works at the centre part time, has designed a system that will forward information directly to Industry Canada.

To Jim, Jeff, teachers and students I say congratulations in 1999.

*S. O. 31*

### TRADE

**Ms. Sarmite Bulte (Parkdale—High Park, Lib.):** Mr. Speaker, last week I had the pleasure of attending the first ever Canada-U.S. businesswomen's trade summit in Toronto.

Co-chaired by the Minister for International Trade, U.S. Secretary of Commerce William Daley, and the administrator of U.S. Small Business Administration, Aida Alvarez, this summit allowed Canadian and American businesswomen to develop cross-border business.

Approximately 250 women whose businesses had been identified as export ready from the United States and Canada attended the summit. The summit witnessed the signing of many partnership and business agreements. It also gave participants a forum to share ideas, resources and best practices. In addition, the summit provided an opportunity to discuss international trade issues and public policies of relevance to women entrepreneurs.

I commend the organizing team, spearheaded by Astrid Pregel of the Canadian Embassy in Washington, for its vision in conceiving the summit and I thank our partners, the corporate sponsors, for making this vision a reality.

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### LIBERAL PARTY OF CANADA

**Mr. Werner Schmidt (Kelowna, Ref.):** Mr. Speaker, since the meetings of the Liberal western rescue team are closed to the public and by invitation only, we had to send in spies to hear what was said.

• (1405)

Here are the top 10 phrases overheard at their meetings last week.

No. 10: "Yes, the member from Coquitlam is a yes-man".

No. 9: "Yes, we are all yes-men".

No. 8: "Sure you can come to the meeting. We will just need your Liberal membership number, proof of candidacy and a small donation".

No. 7: "We have done plenty for the west. Remember the national energy program".

No. 6: "When I heard we were coming out west I thought we were going to Winnipeg".

No. 5: "Table for four, please".

No. 4: "We are looking to acquire some land in the Nanoose Bay area".

No. 3: "The next time the Prime Minister tells me how to vote I will be sure to pass along your concerns".

No. 2: "Wow, the railroad does go all the way to B.C. When did that happen?"

No. 1: "Man, we don't have a chance".

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### THE ECONOMY

**Ms. Aileen Carroll (Barrie—Simcoe—Bradford, Lib.):** Mr. Speaker, a report of a study undertaken by the Federation of Canadian Municipalities found that Canada's poorest citizens have been hardest hit by the continuing drop in family incomes.

The poorest 10% of residents in 16 Canadian cities saw their total income drop by 18.8% from 1992 to 1996. During the same period the top 10% of Canadian earners saw their total incomes rise by 6.8%. The old notion that if the affluent are doing well then everybody else will be doing well is clearly not happening in Canadian cities.

We do not have to concern ourselves with the families that pay the highest taxes. We do have to be concerned about the quality of life of Canadians who pay half or more of their incomes for housing as their numbers are increasing.

Affordable housing and adequacy of income are basic determinants—

**The Speaker:** The hon. member for Terrebonne—Blainville.

\* \* \*

[*Translation*]

### PEACE IN YUGOSLAVIA

**Mr. Paul Mercier (Terrebonne—Blainville, BQ):** Mr. Speaker, I am extremely proud to draw attention to a project with great promise, which was thought up and carried out by the young people of my riding.

In these times of great upheaval in Yugoslavia, the students of the Jeunes du Monde school in Terrebonne have decided to work toward peace.

They made up a white flag symbolizing a call for peace in the Yugoslav conflict, addressed to both President Milosevic and to NATO. This flag, signed by all the students and all the staff of the school, constitutes a repudiation of violence.

This symbolic flag will be sent to NATO in the next few days on behalf of young people who wish to propose alternatives to the use of violence in conflict resolution.

I salute the efforts of these representatives of our youth who want to introduce a new era of peace and brotherly love.

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### WORLD POPULATION DAY

**Ms. Raymonde Folco (Laval West, Lib.):** Mr. Speaker, July 11 has been designated by the United Nations as World Population Day.

The objective of this day is to raise awareness of population and development issues such as international migration, whether voluntary or involuntary.

In recent years there has been a marked increase in the number of people crossing international borders. Some of them are in search of better lives from economic and social points of view, while others are fleeing internal or external conflicts or major natural disasters.

I invite my colleagues to support the action plan of the International Conference on Population and Development, which calls upon all of the developed countries to assist the developing countries in implementing economic development strategies that include programs relating to health, education and good governance.

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[English]

### JUSTICE

**Mr. Jay Hill (Prince George—Peace River, Ref.):** Mr. Speaker, when people visit Canada we expect them to follow our laws. If they do not they are punished according to the Criminal Code of Canada. The same goes for Canadians visiting or living in foreign countries. Citizenship does not count when they have committed crimes and the law of the land prevails.

In the case of Stanley Faulder, he knew the penalty for murder in the state of Texas was death. We was tried, convicted and sentenced. Unfortunately we no longer execute cold blooded killers in Canada, but in Texas it is the law and it must be respected.

Access to information documents reveal that the Department of Foreign Affairs has wasted roughly 50,000 taxpayer dollars trying to save the life of this murderer. This does not include money spent by the justice department or the recent MP clemency tour.

I do not believe our justice system is such a shining example that we should be telling the Americans what is wrong with theirs. The fact is a 75 year old Texas woman was killed by a Canadian, and in Texas the penalty is death. End of story.

*S. O. 31*

• (1410)

[Translation]

### SUMMIT OF THE AMERICAS

**Mr. Claude Drouin (Beauce, Lib.):** Mr. Speaker, on May 14, the Prime Minister of Canada announced that Quebec City had been selected to hold the next Summit of the Americas in 2001.

This summit will bring together the elected heads of democratic governments in North America, Central America, South America and the Caribbean.

The magnificent location of Quebec City will provide an excellent overview of Canada's heritage, diversity and dynamism for our neighbours and the world as a whole.

The Summit of the Americas, it must be recalled, will mark the end of a number of years' work by Canada within the hemisphere.

We therefore wish Quebec City good luck in organizing this summit. We are quite sure that this event, so important for our fine country of Canada, will be a great success.

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[English]

### THE ENVIRONMENT

**Mr. Rick Laliberte (Churchill River, NDP):** Mr. Speaker, Canada's environment commissioner tabled his third report in a row which slams the Liberal government's environment record.

The entire Liberal government and its cabinet share this disgrace: the finance minister for a program review that cancelled environment as a priority, the industry minister for putting business interests ahead of ecosystem protection, and the health minister for refusing to identify toxic chemicals which poison Canada's children.

The commissioner states that "we are paying the price in terms of our health and our legacy for future generations".

What does all this talk and no action mean for Canadians? Dangerous chemicals are found in the food we eat, the water we drink, the air we breathe, and children are left in toxic sites.

The Standing Committee on the Environment shared the commissioner's concern and told the government to enforce the laws which protect Canada and its environment and not buckle to industry demands.

The Prime Minister and the Liberal cabinet are the prime suspects for destroying our environment and harming our health.

*Oral Questions*

[Translation]

**MULTIPLE SCLEROSIS**

**Mrs. Christiane Gagnon (Québec, BQ):** Mr. Speaker, May is multiple sclerosis awareness month.

While treatment continues to improve and new medication helps to change the course of the disease and reduce symptoms, we still cannot, even today, either cure or prevent multiple sclerosis.

This illness affects 50,000 people in Canada, particularly women, and arrives unannounced causing distress to all those in its path. Neither the most solid family life nor the best orchestrated career plans escape its shadow.

In support of the work of the many researchers, our financial contributions are important, but they can never replace our physical support and our affection, which make the suffering of MS victims and their families a little easier to bear.

To all MS sufferers, I would say there is hope, hope that pushes us on in the fight to see the light at the end of the tunnel.

\* \* \*

[English]

**AGRICULTURE**

**Mr. Rick Borotsik (Brandon—Souris, PC):** Mr. Speaker, I would like to put the Minister of Agriculture and Agri-Food on notice, informing him of a devastating natural disaster which continues to affect the residents of southwestern Manitoba.

Farmers are especially hit hard by the flooding. Two million acres of land is in jeopardy and the area is only one rain away from total disaster.

June 15 is the crop insurance deadline. If crops are not seeded by then my riding could suffer a potential loss of \$400 million. This could be devastating to an industry in my riding that is still suffering from the impact of a farm income crisis and the problems with the federal government's AIDA program.

As I have mentioned before in the House, as in last year's ice storm in Ontario and Quebec I urge the government to apply the same consistency in the level of compensation to those affected by yet another natural disaster in my riding.

The livelihood of farmers and other businesses in the area is at stake. It is time for the federal government to start developing a long term disaster assistance program. If the Prime Minister's western Liberal task force wants to listen to western Canadians, now is the time to listen.

**HUNTINGTON DISEASE**

**Mr. Ovid L. Jackson (Bruce—Grey, Lib.):** Mr. Speaker, I am pleased to inform the House that May has been proclaimed Huntington Disease Awareness Month by the Huntington Society of Canada.

Huntington disease is a fatal hereditary brain disorder which slowly destroys both the mind and body. Symptoms include involuntary jerking, slurred speech, and mental and emotional difficulties which relentlessly become worse over the lengthy course of the disease. There is no cure or effective treatment. One in every thousand Canadians is affected by Huntington disease: he or she has it, is at risk of developing it, or is caring for someone who has it.

The mandate of the Huntington Society of Canada is to improve the quality of life for these people through service and education programs.

Please join me in wishing the Huntington Society of Canada a very successful Huntington Disease Awareness Month.

**ORAL QUESTION PERIOD**

• (1415)

[English]

**PUBLISHING INDUSTRY**

**Miss Deborah Grey (Edmonton North, Ref.):** Mr. Speaker, only the Liberals can call stiffing the taxpayers a win-win. The Minister of Canadian Heritage has failed again and Canadians are stuck with the bill once again. This is going to mean millions of dollars in taxpayer subsidies.

Just like *Bubbles Galore*, this is going to cost taxpayers dollars galore. Just how many dollars would that be?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, I want to thank the hon. member for her resounding support for Canadian culture.

One of the things that Canadians have told us very firmly is that culture is more than commodities, culture is more than pork bellies and culture deserves the support of the government.

I am very proud that as a result of the Bill C-55 package the Prime Minister and the Government of Canada have committed to ongoing support for the Canadian magazine industry.

**Miss Deborah Grey (Edmonton North, Ref.):** Mr. Speaker, unfortunately, a lot of the minister's colleagues are not terribly impressed by what is going on.

This is a victory for the government, sort of like the GST was a victory: both proud heritage moments. The minister lost and

*Oral Questions*

Canadians lost, and we all know it. Taxpayers now get to buy magazines whether they like them or not.

Why it is that Canadians always get left holding the bag for this minister's cultural crusades?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, I am afraid the hon. member is going to have to get her story straight. On the one hand she is claiming that Canadians lost and on the other hand she is claiming that it is the fault of the Minister of Canadian Heritage.

The fact is that Canada won today. The trade minister, the culture minister, the Prime Minister and the Government of Canada won. Why? Because for the first time in history the Americans have recognized that we have the right in trade to protect our culture.

**Miss Deborah Grey (Edmonton North, Ref.):** Mr. Speaker, I bet those Americans are just trembling in their boots today. Oh yes, they must be.

Taxpayers would rather have their own money in their own pockets instead of having the heritage minister confiscate millions of dollars for 19th century protectionist policies. Taxpayers today are beginning to feel a little bit like a dog trapped in a car on a hot summer's day.

Why will the heritage minister not just let Canadian advertisers choose the magazines they want to support?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, better a dog than a pig.

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

**Mr. Monte Solberg (Medicine Hat, Ref.):** Mr. Speaker, it is a real class act over there. The government constantly says that it cannot afford tax relief, but it always has millions of dollars to bail out the heritage minister. Now it is millions on a useless protectionist policy to avoid the trade war caused by her incompetence.

On behalf of taxpayers who are footing the bill for this face-saving disaster, how much is all of this going to cost?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, I am pleading with the Reform Party to start reviewing some of its policies because I believe that one of the reasons it is at 6% and falling is because it spends more time defending the Americans than it does defending Canada.

• (1420)

One of the reasons the government has come out fighting for Bill C-55, the first law that will protect Canadian magazines in this country, is precisely because the Prime Minister, the cabinet and the government understand that Canadian culture is worth fighting for.

**Mr. Monte Solberg (Medicine Hat, Ref.):** Mr. Speaker, Canadians will protect Canadian culture. They do not need this incompetent minister to do it, frankly. First it was the GST, then MMT and now the magazine spending spree. How many strikes does it take before this minister is out of there?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, I think it is clear that members of the Reform Party have spent the vast part of their political careers covering their butts. This is the same party that on the issue of magazines is prepared to throw to the wolves literally thousands of Canadian jobs and is prepared to tell readers of *Chatelaine*, readers of *Maclean's*—

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

**The Speaker:** Order, please.

[*Translation*]

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, at today's press conference the Minister of Canadian Heritage expressed her delight at the outcome of the U.S. magazine negotiations.

The agreement provides compensation for Canadian publishers.

Can the minister tell the House how much this agreement will cost?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, the Prime Minister has asked me to work closely, and I have already started this morning, with all Canadian publishers in order to determine, first, what is the best arrangement and, second, how we can ensure Canadian content in Canadian magazines. That is what we are working on now.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, that is all very fine and well, but perhaps all this should have been worked out beforehand.

Before such a sweeping and important agreement is signed, I think it only right that the cost be known, and that the Minister of Finance, who is responsible for budgets, perhaps be consulted.

Can the minister tell us today what this undertaking is expected to cost? I think this would show some accountability.

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, we found ourselves in a situation where there was no legislation at all. The World Trade Organization already decided two years ago that there would be no legislation.

We now have legislation protecting 82% of the Canadian market and I think that represents a good balance between a potential trade war that will harm the lumber, steel and plastics sectors and the assurance of Canadian content in culture.

*Oral Questions*

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, we do not disagree with the explanations provided by the Minister of Canadian Heritage.

What we want to know is whether the Minister of Canadian Heritage, or the government, signed an agreement without having any idea of the costs involved.

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, we signed an agreement which, for the first time, protects our culture in an international trade agreement. That in itself is a step forward.

Also, instead of getting the whole pie, as they had been trying to do for two years, the Americans will get 18% of the market. We figured this was the price to pay to avoid a trade war—as we have had—and we all agree that this is a gain for us, for Canada, primarily as regards the Canadian content of magazines.

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, let me now turn to the Minister of Finance.

A government cannot make a commitment of this magnitude without having at least some idea of the costs involved for taxpayers.

I am asking the Minister of Finance what provisions he included in his budget to cover the costs of the program that is supposed to be implemented by the Minister of Canadian Heritage. She does not know how much it will cost, but the Minister of Finance must have an idea of these costs, so I put the question to him.

• (1425)

**Hon. Paul Martin (Minister of Finance, Lib.):** Mr. Speaker, first, I can tell the member that these costs are within our budget. That being said, I want to congratulate the Minister of Canadian Heritage and the Minister for International Trade, who both did a tremendous job. The Minister of Canadian Heritage was successful in protecting Canadian culture.

[*English*]

**Ms. Alexa McDonough (Halifax, NDP):** Mr. Speaker, my question is for the Prime Minister. The Minister of Canadian Heritage told Canadians that Bill C-55 was necessary to protect Canadian culture and that it was WTO proof. Perhaps it is WTO proof, but the real threat to Canadian culture comes not from without, it comes from within, from a government prepared to sell out Canadian magazines.

Will the Prime Minister acknowledge that his cave-in on Bill C-55 has left the heritage minister with no credibility whatsoever on Canadian cultural matters?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, it is because of the hard work and determination of the Minister

of Canadian Heritage that for the first time the Americans have recognized that we have the right to protect Canadian culture.

**Ms. Alexa McDonough (Halifax, NDP):** Mr. Speaker, with this government Canadian culture is nothing more than a few flags or subsidies.

Let us revisit for a moment the heritage minister's words on Bill C-55: "We intend to win this fight because it is an important fight for Canada. This is not just about magazines, it is about a country's capacity to protect and promote their own culture. We must not back down to threats by the Americans".

Why did the government back down?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, we have a better deal than we ever expected to have. The minister did a great job. She came to the House, she showed her determination and everybody in Canada was asking us for a fair deal. This is a very good deal and I am very proud of it.

**Mr. Mark Muisse (West Nova, PC):** Mr. Speaker, the Minister of Canadian Heritage said "If we back down on the magazine issue, tomorrow it will be softwood lumber, the day after it will be steel. We must not back down to threats by the Americans". The minister has backed down. She has failed. She has lost the respect of the Canadian people and the very industry she was supposed to protect.

Can the minister explain why she agreed to sell out Canadian culture so easily?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, we did not back down. We have an agreement. From the beginning of the process we have always said that if we can reach an agreement with the Americans, if they put something on the table that is reasonable, if they recognize the right of Canada to protect its culture, an agreement is far preferable to either the WTO or a trade war.

**Mr. Mark Muisse (West Nova, PC):** Mr. Speaker, the Minister of Canadian Heritage has failed. She has failed to convince her cabinet colleagues, she has failed to support the Canadian magazine industry and she has failed to support Canadian culture against the U.S.

In light of these failures, is the Prime Minister prepared to demand her resignation?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, last week it was open season for the Americans on Canadian magazines. There was not a single law in place to protect Canada. This week we have managed to secure 82% of the magazine market for Canada. I say that is a win for Canadian magazines. It is a win for the government. Above all, it is a win for my daughter who will have a chance to read her stories in her country for the next century.



• (1430)

### CANADA DEVELOPMENT CORPORATION

**Mr. Chuck Strahl (Fraser Valley, Ref.):** Mr. Speaker, prior to 1986 the finance minister was a director of a crown corporation that made money by selling tainted blood, blood which then infected thousands of Canadians.

As finance minister of the government 12 years later, was this minister at the table when the decision was made to deny those same victims compensation?

**Hon. Paul Martin (Minister of Finance, Lib.):** Mr. Speaker, the hon. member is factually incorrect. I was a director of the Canada Development Corporation. Connaught Laboratories was a subsidiary of a subsidiary of the Canada Development Corporation. Each of the companies had their own independent boards of directors.

As I have already stated, I have no recollection of any discussions at the CDC board level on this matter. As a matter of fact this has been discussed by my office with a number of other directors and they have no recollection of the matter being discussed.

**Mr. Chuck Strahl (Fraser Valley, Ref.):** Mr. Speaker, the question remains: Was he at the table when the decision was made to deny compensation to the pre-1986 victims of tainted blood? That is the first question.

The second question is this. I think Canadians want to get to the bottom of this as does the Prime Minister and the minister himself. Would the Prime Minister ask the ethics counsellor, Howard Wilson, to investigate this matter and report back to parliament, not to the Prime Minister, and clear the air on this once and for all?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, these are the same people who were supposed to introduce new politics a few years ago, who are now at the level of throwing dirt, which is the only thing they can do.

The Minister of Finance has said that he does not recall anything. He has explained the file. These people do not seem to have anything substantial to do but to try to tarnish the reputation of a great public servant.

[Translation]

**Mrs. Pauline Picard (Drummond, BQ):** Mr. Speaker, as the Minister of Finance has explained, he was a member of the board of the Canada Development Corporation in the early 1980s. This corporation owned Connaught, which was heavily implicated in the tainted blood scandal.

When the minister was involved in the cabinet's decision not to recognize any responsibility to victims prior to 1986, was he aware that he was putting himself in a delicate position?

### Oral Questions

**Hon. Paul Martin (Minister of Finance, Lib.):** Mr. Speaker, how was I supposed to give notification of an event of which I had no recollection?

**Mrs. Pauline Picard (Drummond, BQ):** Mr. Speaker, when it comes to maritime shipping, we are told that the Minister of Finance withdrew from discussions in order to not be in a conflict of interest.

In the matter of the tainted blood, why did the minister not withdraw from cabinet discussions? Is the code of ethics different when tainted blood is concerned rather than shipping?

**Right Hon. Jean Chrétien (Prime Minister, Lib.):** Mr. Speaker, I would like to respond.

The Minister of Finance has clearly told this House—and there is a code of honour that applies here—that he does not recall ever having discussed this with anyone whatsoever under any circumstances whatsoever.

It was therefore impossible for him to notify us of something of which he had no knowledge. This is so clear to me that I wonder why the opposition is wasting its time.

\* \* \*

[English]

### NATIONAL DEFENCE

**Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.):** Mr. Speaker, NATO is planning on beefing its force in the former Yugoslavia to 50,000 troops. The defence minister is continually sending mixed messages as to whether or not we are going to participate in that troop involvement prior to a peace agreement.

My question is very simple. Is Canada going to send troops into this force in advance of a peace agreement, yes or no?

**Hon. Arthur C. Eggleton (Minister of National Defence, Lib.):** Mr. Speaker, I have made it quite clear on many occasions that there are no plans by Canada or any other country to send in ground troops prior to a peace agreement being reached. That has clearly been the plan of NATO and that is the plan that we continue to operate under.

Meanwhile, we are sending over 800 troops to pre-position them in Macedonia to be ready when they are able to go into Kosovo as part of a peacekeeping mission.

**Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.):** Mr. Speaker, we know that the government does not have a plan. It is continually following on the tails of the Americans.

There have been serious accusations on the part of the auditor general and the department of defence saying that the equipment our soldiers have to engage in this is less than adequate. How can the minister tell the House that he is confident in the capabilities of

*Oral Questions*

our soldiers and their equipment when they do not have the equipment to do the job?

• (1435)

**Hon. Arthur C. Eggleton (Minister of National Defence, Lib.):** Mr. Speaker, what an insult to the fine dedicated men and women of the Canadian forces.

When I was over in Brussels I met with General Short who is the head of the NATO air campaign. He called our people first teamers. Do members know why are they first teamers? It is because they do an excellent job, are well trained and have excellent equipment. They are amongst his first teams.

\* \* \*

[Translation]

**FISHERIES**

**Mr. Yvan Bernier (Bonaventure—Gaspé—Îles-de-la-Madeleine—Pabok, BQ):** Mr. Speaker, last year the Minister of Fisheries and Oceans delayed revealing his groundfish plan, thereby creating the problems experienced in the Gulf of St. Lawrence.

This year, we are approaching June, and the department has yet to reveal its fishing plan.

Did the Minister of Fisheries and Oceans not learn his lesson last year? And if he did, why is he not acting and making public his fishing plan for the season, which is to start shortly?

**Hon. David Anderson (Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, the details will be provided to the hon. member and to all other members and fishers by the end of the month.

**Mr. Yvan Bernier (Bonaventure—Gaspé—Îles-de-la-Madeleine—Pabok, BQ):** Mr. Speaker, the minister says “by the end of the month”, but it would appear that the groundfish have arrived ahead of the minister.

I would, nevertheless, like to add that this same minister, who has just said that his fishing plan will, all being well, be tabled by the end of the month, is currently buying back groundfish licences.

On what basis is he buying them back, since at the moment, nobody yet knows what approach he will take in fishing this year? Does he know where he is headed in the licence buyback and does he know where he is headed with fishing in the future?

**Hon. David Anderson (Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, the fishing licence buyback program was established following a number of years of consultations with fishers and members of the Bloc, the Liberal Party, the Conservative Party and other parties.

This policy is well known, but if the member is not familiar with it, I can provide him with the details.

\* \* \*

[English]

**FRASER RIVER PORT AUTHORITY**

**Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.):** Mr. Speaker, in 1996 and 1997 the Fraser River Harbour Commission, a now defunct federal agency stuffed to the gills with Liberal hacks, donated \$4,820 to the Liberal Party of Canada.

We do not yet know what the harbour commission donated in 1998 but we understand that its successor, the new Fraser River Port Authority, purchased a table at the Minister of Finance's Vancouver fundraiser.

Does the Minister of Transport believe that it is proper for public entities to financially support the Liberal Party of Canada with public money?

**The Speaker:** The question is out of order. If the hon. minister wants to answer he may.

\* \* \*

[Translation]

**THE ENVIRONMENT**

**Ms. Jocelyne Girard-Bujold (Jonquière, BQ):** Mr. Speaker, in the report he tabled yesterday, the environment commissioner showed very clearly that, to all intents and purposes, control of toxic substances, including pesticides, was non-existent.

The situation has considerable import for public health, and more particularly, the health of children, who are most at risk.

My question is for the Prime Minister. How long do we have to wait before he reacts and proposes powerful means of eliminating toxic substances?

[English]

**Hon. Christine Stewart (Minister of the Environment, Lib.):** Mr. Speaker, the government has demonstrated that it is very concerned about the management of toxic substances in our environment.

In the last two budgets we committed over \$82 million to the research and management of toxic substances. Bill C-32, the renewed Canadian Environmental Protection Act, will go further in protecting our environment. We will be able to analyze 23,000 substances currently in use in the country and use prevention planning to eliminate them. We will use virtual elimination to get rid of the most toxic substances.

*Oral Questions***FORESTPRODUCTS**

**Mr. Alex Shepherd (Durham, Lib.):** Mr. Speaker, my question is for the Parliamentary Secretary to the Minister of Natural Resources.

There is a worldwide campaign of misinformation directed at the purchasing of Canadian lumber products, especially those from British Columbia.

What is the government doing to counteract this unwarranted attack on the Canadian forestry industry that has the potential of putting tens of thousands of forestry workers' jobs at risk?

• (1440)

**Mr. Gerry Byrne (Parliamentary Secretary to Minister of Natural Resources and Minister responsible for the Canadian Wheat Board, Lib.):** Mr. Speaker, Canada has the best forestry practices in all the world. We owe apologies to no one.

Where we can do better we will. We are employing resources and measures to make sure that we do so. We will always defend partial or inadequate information about Canadian forestry practices and we will do so very aggressively.

Last week I headed a Canadian delegation that went before the Council of Europe to make sure that European parliamentarians understood that Canadian forestry practices are among the best if not the best in the entire world.

\* \* \*

**CITIZENSHIP AND IMMIGRATION**

**Mr. Grant McNally (Dewdney—Alouette, Ref.):** Mr. Speaker, thanks for that infomercial.

A convicted heroin dealer, sentenced to eight years in prison, was granted a refugee hearing by the Supreme Court of Canada. The Minister of Citizenship and Immigration could have declared this convicted heroin dealer a danger to the public. She did not. Now he may well be granted refugee status.

Does the Minister of Citizenship and Immigration believe that a convicted heroin dealer is a good candidate for refugee status in Canada?

**Hon. Lucienne Robillard (Minister of Citizenship and Immigration, Lib.):** Mr. Speaker, in this country we follow the rule of law. We also respect our international obligations according to the Geneva convention. This is exactly what we are doing in this case.

**Mr. Grant McNally (Dewdney—Alouette, Ref.):** Mr. Speaker, I guess the Minister of Citizenship and Immigration is saying that it is okay for a convicted heroin dealer to be granted refugee status here when she could have taken action.

The Minister of Foreign Affairs has recently announced that he was going to be cracking down on drug trafficking. He has described illicit drugs like heroin as the quintessential human security challenge. However, his cabinet colleague, the Minister of Citizenship and Immigration, does not feel it is necessary to step in when a convicted heroin dealer may be about to receive refugee status.

Which minister is speaking for the government: the so-called hard on drugs minister, the Minister of Foreign Affairs or the soft on thugs minister, the Minister of Citizenship and Immigration?

**Hon. Lucienne Robillard (Minister of Citizenship and Immigration, Lib.):** Mr. Speaker, it is clear that in our situation we have all the tools necessary not to admit people who are convicted of criminality in this country. We have all these tools. More than that, when we passed legislation in the House to help us to achieve this goal the Reform Party voted against it. Now it is asking us to act. It is clear that we will act.

\* \* \*

**BILL C-55**

**Ms. Wendy Lill (Dartmouth, NDP):** Mr. Speaker, Margaret Atwood once said, in the wake of the signing of the free trade agreement, that it is fitting that Canada has as a national symbol the humble beaver, the animal which when cornered bites off its own testicles and hands them to his adversaries.

I ask the Minister of Canadian Heritage is this not exactly what her government has done today with Bill C-55?

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

**The Speaker:** Order, please. The hon. Minister of Canadian Heritage.

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, I trust that question was not directed to the hard on crime minister.

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

**The Speaker:** Order, please. The hon. member for Dartmouth.

• (1445)

**Ms. Wendy Lill (Dartmouth, NDP):** Thank you for that answer. Mr. Speaker, I have one more question and it deserves a more serious response.

Is there anyone on the government side of the House, the ministers of culture, trade, environment, anyone, who is willing to stand up and just say no to the Americans?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, on a serious note, I respect the fact the member has posed a very serious question.

*Oral Questions*

With this bill for the first time in the history of this country we are going to have certainty for the long term for the Canadian magazine industry. For the first time the Americans have agreed in an international agreement to respect Canadian content. That was an unprecedented pill for the Americans to swallow. The fact that we have this agreement is a win for Canadian culture into the 21st century.

[Translation]

**Mr. André Bachand (Richmond—Arthabaska, PC):** Mr. Speaker, my question is for the Minister of Canadian Heritage.

Where in this agreement are the cultural protection and exemption she has mentioned so often? With the agreement announced this morning, the spirit and the letter of Bill C-55 have died.

Will the minister promise to recall Bill C-55 from the Senate and introduce a completely new bill in the House?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, I can understand that the Progressive Conservative members are a bit embarrassed.

When we introduced Bill C-55 in the House, approximately half of them voted against it. Now they are here to support it.

I hope that, when amendments are introduced in the Senate on Monday, they will have the courage to admit that we are now protecting 82% of the Canadian advertising market for Canadian magazines. And I hope that those who voted against Bill C-55 at the outset will support this policy, which guarantees Canadian content in Canada in the future.

**Mr. André Bachand (Richmond—Arthabaska, PC):** Mr. Speaker, if that is what we have to show for cultural protection and exemption on the eve of WTO negotiations, it is very dangerous.

The minister has used parliament and the other place to negotiate with the Americans.

Will she at least have the decency to recall Bill C-55 so that we can have a full debate in this place? Otherwise, she should kiss her cabinet colleagues goodbye.

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, although I do not agree with the Reform Party's anticultural policy, I see that they are all of one mind.

The Progressive Conservative members were half for and half against Bill C-55.

On Monday in the Senate, amendments will be introduced that will preserve Canadian content, provide financial assistance to the Canadian magazine industry and, for the first time in the history of the United States, recognize that cultural protection is a vested right of Canadians.

This is a step forward for Canada and I hope that the member will be in the House next week—

**The Speaker:** The hon. member for Notre-Dame-de-Grâce—Lachine.

\* \* \*

[English]

**ABORIGINAL AFFAIRS**

**Mrs. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.):** Mr. Speaker, recently in the House we have had a couple of great progress reports on aboriginal self-government negotiations in western Canada. There are quite a few aboriginal communities and nations in the province of Quebec. I would like the Minister of Indian Affairs and Northern Development to tell us what if any negotiations are going on for aboriginal self-government in my province of Quebec.

[Translation]

**Hon. Jane Stewart (Minister of Indian Affairs and Northern Development, Lib.):** Mr. Speaker, I was very pleased to be in Quebec City a week ago to sign a framework agreement among the Micmac of Gespeg, the province of Quebec and the Government of Canada.

[English]

This shows clearly that we can work together to improve the self-reliance of first nations in Quebec and in Canada.

I would like to recognize the hard work and the vision of the Micmac of Gespeg and to say that, as is consistent with Gathering Strength, the Government of Canada will continue to work with them toward an agreement in principle on self-government and then a final agreement.

\* \* \*

**NATIONAL REVENUE**

**Mr. John Duncan (Vancouver Island North, Ref.):** Mr. Speaker, Revenue Canada has moved processing of income tax returns from Ottawa to Shawinigan. On several occasions members of the official opposition asked the Minister of National Revenue how many jobs were moved to Shawinigan. Twice the minister told us that only one job was transferred. We know that this year 723,000 returns were moved from Ottawa to Shawinigan. Is that not a lot of returns for only one person?

● (1450)

**Hon. Harbance Singh Dhaliwal (Minister of National Revenue, Lib.):** Mr. Speaker, it is incredible that members of the Reform Party bring this issue up. Why are they not saying that processing all the applications at the immigration office in Vegreville is wrong? Why do they not say it is wrong where we process

*Oral Questions*

applications in the rest of the country? Why is it only in Shawinigan?

Obviously they are not interested in efficiency. They are not interested in making sure that we operate in the best possible way to provide the best service to Canadians. We will continue to do so to make sure that we provide service to Canadians across the country, everywhere from coast to coast.

\* \* \*

[Translation]

**BILL C-77**

**Mr. Michel Guimond (Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, BQ):** Mr. Speaker, whether it is with regard to regional transit by bus or urban transit, Bill C-77 creates major problems in Quebec.

I realize that the Minister of Transport, who is responsible for the greater Toronto area, made promises to his Ontario counterpart.

However, considering the serious impact of Bill C-77 in Quebec, does the minister not realize that the only option is to delete from his bill the whole part that has to do with the deregulation of bus transportation?

**Hon. David M. Collenette (Minister of Transport, Lib.):** Mr. Speaker, amendments to the Motor Vehicle Transport Act are being considered. This bill is the result of five years of consultations with the provinces. The hon. member may have amendments to propose, which is why legislation is debated here in the House of Commons.

I believe there is strong support for the proposed measures across the country, including in the province of Quebec.

\* \* \*

**FISHERIES**

**Ms. Angela Vautour (Beauséjour—Petitcodiac, NDP):** Mr. Speaker, this year the early spring resulted in a disastrous herring fishery in southeastern New Brunswick. Hundreds of fishers and plant workers are affected. These are the same people who find themselves without income year after year because of the employment insurance cuts.

It is one thing for a herring not to follow the calendar, but it is quite another thing for a minister not to realize that a season can start earlier than usual.

Can the minister explain to us why he did not listen to the fishers, and will he in future allow his department to have a flexible date to allow for an early opening of the spring herring fishery?

[English]

**Hon. David Anderson (Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, in the herring fishery area in question, it is rare to have substantial landings before May 1. The fishery did open in late April.

The fishery certainly appears to be down. There are fluctuations in fisheries which occur for natural reasons. We will be following this closely as we go along. We obviously are concerned about it, as is the hon. member. I think she should recognize that at the present time we have to wait until we get more results from the fishery before we can conclude what measures might be taken in whatever area.

\* \* \*

**PRIME MINISTER**

**Mr. Jim Jones (Markham, PC):** Mr. Speaker, the wagons are circling among eager Liberal backbenchers to protect the Prime Minister. Debbie Weinstein has spoken freely to the media about the Prime Minister's blind trust, yet the Liberals have done everything to keep her from answering questions from parliamentarians.

Will the Prime Minister tell us why his trustee is allowed to speak to the media but not to elected parliamentarians?

**Hon. Herb Gray (Deputy Prime Minister, Lib.):** Mr. Speaker, the Prime Minister has acted perfectly properly in these matters. The hon. member is trying to bring to the floor of the House during question period something that happened during a hearing of a parliamentary committee. I think that is quite contrary to our rules and practices.

\* \* \*

**FOREIGN AFFAIRS**

**Mr. John Cannis (Scarborough Centre, Lib.):** Mr. Speaker, my question is for the Secretary of State for Asia-Pacific.

I understand that he was recently in Pakistan where he met with his counterpart. Was the secretary of state able to raise the issue of the arrest of the leader of the Ahmadiyya Muslim community in Pakistan?

**Hon. Raymond Chan (Secretary of State (Asia-Pacific), Lib.):** Mr. Speaker, we are very concerned about religious persecution in Pakistan. On my recent trip to south Asia, in Islamabad particularly, I raised the concern with the minister of state for foreign affairs as well as with the minister of justice, law and human rights, Mr. Anwar. We expressed our serious concern and asked them to look into the matter.

*Oral Questions*

● (1455)

**ARTS AND CULTURE**

**Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.):** Mr. Speaker, my question is for the heritage minister.

There has been a lot of talk recently about the National Film Board being censored by a person who is the subject of one of the board's films, something about a custodian. I want to know why the minister did not stand up for the National Film Board. Why did she not protect Canadian filmmakers' rights to freedom of expression?

**Hon. Sheila Copps (Minister of Canadian Heritage, Lib.):** Mr. Speaker, again the Reform Party has to make up its mind. Last week Reformers were accusing me of personally making decisions about every film that was made under the Canada Council. This week they are telling me that I should intervene to protect the editorial content of the NFB. The NFB and the Canada Council are arm's length organizations. I do not think politicians should be deciding what is art.

\* \* \*

[Translation]

**MARIJUANA**

**Mr. Bernard Bigras (Rosemont, BQ):** Mr. Speaker, by voting heavily in favour of my motion on the legalization of marijuana for therapeutic purposes, this House has clearly demonstrated its desire to move quickly in order to bring relief to patients in need of this drug.

Today, everyone is asking the same question: when will the Minister of Health table his calendar of clinical trials so that this drug may be legalized as quickly as possible?

**Hon. Allan Rock (Minister of Health, Lib.):** Mr. Speaker, what was passed yesterday by the House of Commons was the amendment proposed by the government.

As I have made perfectly clear, we intend to act soon. Before this House breaks in June, in fact, I intend to table the details of the research we are going to propose.

\* \* \*

[English]

**FISHERIES**

**Mr. Peter Stoffer (Sackville—Musquodoboit Valley—Eastern Shore, NDP):** Mr. Speaker, we know that the government has much difficulty in dealing with the Americans when it comes to protecting Canadians' interests.

My question is for the fisheries minister. We understand from British Columbia and the coastal communities on the west coast that a Pacific salmon treaty deal is very near. Can he assure the House that that deal will indeed take into consideration the

interests of coastal communities on the west coast? Will it protect the interests of northern and southern fishermen in British Columbia?

**Hon. David Anderson (Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, in response to the first question, absolutely. In response to the second question, absolutely. In response to the third question, absolutely.

\* \* \*

**GOVERNMENT GRANTS**

**Mr. Jim Jones (Markham, PC):** Mr. Speaker, no ordinary person can meet with their local MP and get \$600,000 of taxpayers' money with no questions asked. No ordinary person can summon well connected Liberals to squeeze another \$100,000 from the government.

The questions mount, but the Prime Minister's non-answers persist. If the Prime Minister wants Canadians to trust him, why will he not release every single document related to these shady hotel deals, or will he continue to let the industry committee chair fight his battles for him?

**Hon. Pierre S. Pettigrew (Minister of Human Resources Development, Lib.):** Mr. Speaker, there is nothing shady about this transaction.

There is the access to information law. All information could be accessed quite easily if the member bothered to do his job seriously.

The Prime Minister, the member for Saint-Maurice, has absolutely done his job to promote employment in his region.

I can tell the hon. member that the transactions were absolutely kosher, absolutely acceptable, and they were approved by everyone else in the region.

\* \* \*

**NATIONAL REVENUE**

**Mr. John Duncan (Vancouver Island North, Ref.):** Mr. Speaker, by Revenue Canada's own numbers, it takes 140 people to process 723,000 returns.

Why does the minister engage in smoke and mirrors whenever we ask a question about Shawinigan? Would the minister like to revise his earlier numbers which said there is only one person involved in processing 723,000 claims?

**Hon. Harbance Singh Dhaliwal (Minister of National Revenue, Lib.):** Mr. Speaker, obviously the member does not listen very well.

● (1500)

First, the member from Calgary asked if we had moved hundreds of jobs in Ottawa. I stood and said that we had moved one job.

Obviously the hon. member does not understand the difference between moving people and processing tax returns.

I want to tell the hon. member that we will ensure that we provide the best possible services in a way that is efficient and cost effective to all Canadians.

\* \* \*

#### PRESENCE IN GALLERY

**The Speaker:** I draw the attention of hon. members to the presence in the gallery of Mr. Tota Singh, Minister of Education for Punjab, India.

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

\* \* \*

#### POINTS OF ORDER

BILL C-55

**Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC):** Mr. Speaker, earlier today I saw on television two ministers of the crown who referred to each other throughout the announcement as Sheila and Sergio. They indicated that the government had decided to significantly change the content and the operation of Bill C-55.

They said that the Senate would be sending the bill back to the House of Commons next week for alteration. It appears that the Minister of Canadian Heritage and the Minister for International Trade are part of the Senate public relations team.

May I inquire, Mr. Speaker, as to whether you have received notification of the intention of the government to make ministerial statements either today or tomorrow concerning Bill C-55? I know the Chair will agree that any—

**The Speaker:** It is out of order to ask the Speaker any questions. The hon. member might want to wait until Thursday to find out the order of business.

#### ORAL QUESTION PERIOD

**Mr. Lee Morrison (Cypress Hills—Grasslands, Ref.):** Mr. Speaker, during question period I raised a question regarding the disbursement of public funds and was ruled out of order for doing so. The business of the House is to consider how public money is spent. By what criteria did you shut me down?

**The Speaker:** I refer the hon. member to citation 410, subsection (17).

**Mr. Chuck Strahl (Fraser Valley, Ref.):** Mr. Speaker, during question period the member for Cypress Hills—Grasslands asked a question of the Minister of Transport that dealt directly with the role of the minister in his capacity as the keeper of the gate, so to speak, for a crown corporation. That crown corporation—

#### Routine Proceedings

• (1505)

**The Speaker:** With all due respect to my hon. colleague, the opposition whip, I made a decision. I referred to the rule. I would refer him to the rule. I consider the matter closed.

### ROUTINE PROCEEDINGS

[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 six petitions.

\* \* \*

#### INTERPARLIAMENTARY DELEGATIONS

**Hon. Charles Caccia (Davenport, Lib.):** Mr. Speaker, pursuant to Standing Order 34(1), I have the honour to table, in both official languages, the report of the Canada-Europe Parliamentary Association on the meeting held in London between March 7 and 9, 1999 on the occasion of a meeting with the European Bank for Reconstruction and Development.

[English]

Pursuant to Standing Order 34(1) I have the honour to present, in both official languages, another report on the meeting which took place with the European Bank for Reconstruction and Development on behalf of the Canada-Europe Parliamentary Association.

\* \* \*

#### COMMITTEES OF THE HOUSE

FOREIGN AFFAIRS AND INTERNATIONAL TRADE

**Ms. Colleen Beaumier (Brampton West—Mississauga, Lib.):** Mr. Speaker, I have the honour to present, in both official languages, the eighth report of the Standing Committee on Foreign Affairs and International Trade.

In accordance with its order of reference of Friday, April 30, 1999, your committee has considered Bill S-22, an act authorizing the United States to preclear travellers and goods in Canada for entry into the United States for the purposes of customs, immigration, public health, food inspection and plant and animal health, and has agreed on Tuesday, May 25, 1999, to report the bill without amendment.

JUSTICE AND HUMAN RIGHTS

**Mr. John Maloney (Erie—Lincoln, Lib.):** Mr. Speaker, I have the honour to present, in both official languages, the 22nd report of the Standing Committee on Justice and Human Rights.

*Routine Proceedings*

Pursuant to the order of reference of Tuesday, April 20, 1999, your committee has considered Bill C-79, an act to amend the Criminal Code (victims of crime) and another act in consequence, and has agreed to report it without amendment.

**Mr. Jay Hill:** Mr. Speaker, I rise on a point of order. I would ask the indulgence of the House. I will not be in the House tomorrow to introduce my private member's bill. I would respectfully request unanimous consent to introduce it today.

**The Deputy Speaker:** Does the hon. member for Prince George—Peace River have unanimous consent of the House to proceed with the introduction of his bill at this time?

**Some hon. members:** Agreed.

\* \* \*

**CRIMINAL CODE**

**Mr. Jay Hill (Prince George—Peace River, Ref.)** moved for leave to introduce Bill C-513, an act to amend the Criminal Code (conditional sentencing).

He said: Mr. Speaker, I thank all hon. members present this afternoon and my hon. colleague from Calgary Northeast for seconding the bill.

• (1510)

Conditional sentencing was introduced in the 35th parliament in Bill C-41. Since that time over 18,000 conditional sentences have been handed down. Most of these sentences are for petty crimes. However, many have been handed down for crimes as serious as sexual assault, manslaughter, drunk driving and drug trafficking.

In 1997 the B.C. Court of Appeal stated in a decision regarding conditional sentencing that "if parliament had intended to exclude certain offences from consideration it should have done so in clear language".

My bill does exactly that. It lists the offences to be excluded from any possibility of receiving a conditional sentence. Canadian victims and their families have been wronged and in many cases revictimized by sentences that do not reflect the crime. We have an opportunity to correct this mistake and prove that the justice system is meant to protect Canadians and punish criminals and not the reverse.

A recent national poll states that 84% of Canadians are in favour of the bill, so I encourage all members of the House to support the bill and the overwhelming majority of Canadians.

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

**PETITIONS**

## PROTECTION OF ANIMALS

**Hon. Charles Caccia (Davenport, Lib.):** Mr. Speaker, I have the honour to present on behalf of my constituents and people in the broader area of Toronto and Hamilton a petition addressed to the House of Commons.

It calls on parliament to enact animal protection legislation that provides for the abrogation of any part of the Criminal Code which reduces animals to the status of property, that provides for the imposition of sanctions upon those convicted of cruelty to animals in a variety of ways, and that provides for the severest penalties when crimes against animals are committed for the purpose of financial gain.

## MARRIAGE

**Mr. Art Hanger (Calgary Northeast, Ref.):** Mr. Speaker, I have two petitions to present. The first bears 26 signatures.

The petitioners call upon parliament to enact legislation such as Bill C-225 so as to define in statute that a marriage can only be entered into between a single male and a single female.

## EUTHANASIA

**Mr. Art Hanger (Calgary Northeast, Ref.):** The second petition, Mr. Speaker, bears 750 signatures. It deals with suicide or euthanasia.

The petitioners call upon parliament not to repeal or amend section 241 of the Criminal Code in any way and to uphold the decision of the Supreme Court of Canada of September 30, 1993, to disallow assisted suicide or euthanasia.

## PESTICIDES

**Hon. Sheila Finestone (Mount Royal, Lib.):** Mr. Speaker, pursuant to Standing Order 36 I present the following petition from Mount Royal riding constituents concerned with the use of chemical pesticides for cosmetic purposes, that is for use on lawns and golf courses as an example.

The petitioners believe that an immediate moratorium on these products should be enacted until it has scientifically been proven that these chemicals are safe and do not affect the water or the lives and health of our children.

[Translation]

## PROFESSIONAL SPORTS

**Mrs. Pauline Picard (Drummond, BQ):** Mr. Speaker, I have the pleasure of tabling in this House a petition bearing the signatures of 155 people from the riding of Drummond.



This petition reads as follows: "We, the undersigned, residents of the Province of Quebec, call the following to the attention of the House:

"Whereas the elimination of taxes on sports millionaires is of considerable concern to us; whereas our representatives in the House of Commons have both the responsibility and the duty to pass legislation that will maintain fiscal balance among all Canadians and ensure, first and foremost, a basic income to the most disadvantaged;

"Therefore, we present to parliament a petition entitled 'No to the abolition of taxes on sports millionaires' and request that members of parliament pass the measures needed to ensure greater fairness in Canada for taxpayers."

#### HOUSING IN NUNAVIK

**Mr. Guy St-Julien (Abitibi—Baie-James—Nunavik, Lib.):** Mr. Speaker, I wish to table a petition from the Inuit community of Salluit in Nunavik.

• (1515)

According to the petitioners, between 16 and 23 people are living in three bedroom dwellings during the winter in Salluit. The Inuit find the housing conditions in Nunavik extremely distressing. They consider the situation totally intolerable. It contributes to the high incidence of tuberculosis, infectious diseases and social problems.

The federal government must assume its obligations under the James Bay and Northern Quebec agreement on housing in Nunavik.

[English]

#### HEALTH CARE

**Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP):** Mr. Speaker, it is a privilege to present a petition signed by hundreds of Canadians from across the country on the critical issue of health care facing all citizens of Canada.

The petitioners call upon the government to recognize that the Canada Health Act must reign supreme, that the principles of that act must be seen as paramount and that the government must do everything in its power to guarantee national standards of quality, publicly funded health care for every Canadian citizen as a right.

#### ANIMAL ABUSE

**Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP):** Mr. Speaker, it is an honour and a privilege to stand once again on behalf of petitioners from Quebec, Ontario, New Brunswick, Nova Scotia, P.E.I., Newfoundland, the prairie provinces, British Columbia and the territories.

#### Routine Proceedings

The petitioners point out that while the Criminal Code imposes serious sentences on people who abuse animals in a variety of ways, judges, by and large, do not take cruelty to animals too seriously in terms of the record. Therefore, the petitioners call upon the Government of Canada to impose harsher penalties for serious offences against animals and to establish an education program for judges to help them understand society's abhorrence and condemnation of acts of cruelty to animals.

#### CHILD PORNOGRAPHY

**Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP):** Mr. Speaker, I wish to present another petition from petitioners from British Columbia.

The petitioners state that at some point during the production of child pornography either a child or children have been victimized, that child pornography hurts children, that it can never be justified and that the possession of child pornography perpetuates the production of children pornography.

Therefore, the petitioners call upon the Parliament of Canada to recognize that Canadians reject the legalization of the possession of child pornography and ask the government to intervene on this matter to establish and strengthen laws relating to the possession of child pornography to ensure that it will never be legalized.

#### FRESHWATER EXPORTS

**Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP):** Mr. Speaker, I wish to present a petition concerning trade. The concern of the petitioners is that there seems to be growing pressure to export fresh water from Canada. They are very concerned and call upon parliament to do whatever is necessary to safeguard the future of fresh water in Canada.

#### PUBLIC SECTOR PENSIONS

**Ms. Angela Vautour (Beauséjour—Petitcodiac, NDP):** Mr. Speaker, I have a petition from citizens from across New Brunswick, from Fredericton, Shediac, Cap-Pelé and Robichaud.

The petitioners are very upset about Bill C-78, the pension bill. They would like to see it stopped. They are very upset about the \$30 billion that the government is taking from them. We must remember that these petitioners are the same people who are experiencing no satisfaction because the government will not recognize pay equity, so they are falling into the same group.

It is a pleasure to introduce this petition with hundreds of names of workers and retirees who are very upset.

#### IMPOVERISHED NATIONS

**Mr. Peter Adams (Peterborough, Lib.):** Mr. Speaker, I rise to present a petition on behalf of citizens of Peterborough who believe

*Routine Proceedings*

it is time to cancel the unpayable debts of the most impoverished nations.

The petitioners call upon the Government of Canada to cancel the debts owed to it by the 50 most impoverished nations by the year 2000. They also call upon the Government of Canada to urge the lending countries at the upcoming G-8 summit in Cologne to cancel the backlog of debt owed by the 50 most impoverished nations by the year 2000.

The petitioners call upon the Government of Canada to urge these leaders to take effective steps to prevent high levels of debt from building up again by promoting sustainable economic and social development instead of supporting measures demanded by international financial institutions that erode health care, education and the environment, further impoverishing the poorest populations of the world.

\* \* \*

• (1520)

[Translation]

#### QUESTIONS ON THE ORDER PAPER

**Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, the following questions will be answered today: Nos. 121, 123 and 189.

[Text]

Question No. 121—**Mr. Mike Scott:**

Could the government provide a complete list of all reserves in Canada that showed a deficit or an accumulated debt on their last band audit?

**Hon. Jane Stewart (Minister of Indian Affairs and Northern Development, Lib.):** The government could not provide such a list given that the financial statements of first nations and their organizations are mandatorily protected by paragraph 20(1)(b) of the Access to Information Act. In addition, a federal court decision of June 27, 1985 judged that information regarding Indian moneys was confidential and not subject to release by the Department of Indian Affairs and Northern Development.

First Nations are required to make their audited financial statements available to members of their community. Officials of the Department of Indian Affairs and Northern Development cannot release the audited financial statements because of the third party nature of the audit.

Individuals interested in reviewing a first nation's audit can contact the chief and council to request it. It is up to the chief and council whether they wish to disclose audits to non-band members.

Question No. 123—**Mr. Mike Scott:**

Could the government provide a complete list of Jack Anawak's, Interim Commissioner of Nunavut, travel expenses from January 1996 to the present including: (a) the destination; (b) the number and names of the staff that attended; (c) the total cost of travel; (d) the name and cost of accommodation; (e) whether the spouse attended and at whose cost; (f) the name of the airline used; (g) the cost of the flight for each individual; (h) the ticket class for each individual; (i) the name of restaurants attended; and (j) the cost of meals for each individual?

**Hon. Jane Stewart (Minister of Indian Affairs and Northern Development, Lib.):** The travel expenses information being requested is not in the possession of the Department of Indian Affairs and Northern Development. The information is in the possession of the Office of the Interim Commissioner of Nunavut.

The Minister of Indian Affairs and Northern Development undertakes to exercise her authority under section 71 of the Nunavut Act to direct the Interim commissioner to supply the hon. member for Skeena with travel expenses information being requested that is in the possession of his office.

Question No. 189—**Mr. John Cummins:**

With regard to the herring spawn-on-kelp fishery and the response to the directive of the Supreme Court of Canada in Gladstone that a new trial be held to establish the extent of licences that ought to be available to the Heiltsuk band: (a) how many spawn-on-kelp licences were in existence in 1996, 1997 and 1998, and how many of these were held by non-natives; how many were held by the Heiltsuk band, and how many were held by individual Heiltsuk band members; (b) is the government currently negotiating with aboriginal groups in regard to the nature and extent of their claim to an aboriginal right to commercially harvest spawn-on-kelp, and if so, name the aboriginal groups; (c) how many and on what basis were additional licences issued to the Heiltsuk in 1997 and 1998; were they issued to accommodate an aboriginal right; what is the limit of the Heiltsuk aboriginal right; how many licences are required to satisfy that right; what evidence was considered in making that decision; was any effort made to determine what the limit of aboriginal commercial right is and how many licences were required to accommodate that right; (d) what role did the threat of disruption of the fishery by the Heiltsuk play in the decision to provide additional licences in 1997 and 1998; how many additional spawn-on-kelp licences were issued to the Heiltsuk; is there a plan to issue further licenses to the Heiltsuk or other aboriginal groups; and (e) what was the extent (in pounds) of Heiltsuk food allocations for spawn-on-kelp in 1997 and 1998; what is the number of Heiltsuk band members; have annual reviews of the possible extent of illegal sales of these food allocations been undertaken; and what were the findings and recommendations of these reviews?

**Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** I am informed by the Departments of fisheries and Oceans and Indian Affairs and Northern Development as follows:

(a) The number and status of spawn-on-kelp licences for 1996 to 1998 is the following:

Year	Total	Total Commercial	Commercial Non-Native	Heiltsuk Commercial	Heiltsuk Communal
1996	39	39	11	2	0
1997	43	39	11	2	4
1998	46	39	11	2	7

*Routine Proceedings*

All Heiltsuk licences are issued to the Heiltsuk Tribal Council, not to individuals. First Nations people participate in both commercial and communal fisheries.

(b) No, the Department of Fisheries and Oceans, DFO, is not negotiating with aboriginal groups regarding the nature and extent of the claim to an aboriginal right to commercially harvest spawn-on-kelp.

(c) The Supreme Court of Canada, in the Gladstone decision, 1996, found that the Heiltsuk tribal Council had an unextinguished aboriginal right to trade herring spawn-on-kelp on a commercial basis. While the court held that there was no internal limit on this right, it stated that external limitations could be placed on the exercise of the right and that the right did not provide exclusivity of priority. Some guidance was provided on matters that might be considered to determine whether the external limitations were justified. As part of aboriginal fisheries strategy, AFS, discussions DFO consulted with the Heiltsuk on the number of licences to be issued for the 1997 and 1998 seasons. In accordance with the agreement reached, six licences were issued to the Heiltsuk Tribal Council for the 1997 season and nine for the 1998 fishing season. The agreement, however, does not define aboriginal rights or their extent.

(d) Licences were issued to the Heiltsuk Tribal Council on the basis of negotiations, not in response to threats or other actions. The Heiltsuk were issued a total of six licences in 1997 and nine licences in 1998. In 1999 a total of nine licences will again be issued to the Heiltsuk Tribal Council. There are no plans to issue spawn-on-kelp licences to any other group.

(e) The Heiltsuk food allocation for 1997 and 1998 was 440 tonnes of herring, whole fish, per year. This allocation can also be taken as spawn-on-kelp. The estimated equivalent weight for spawn-on-kelp is approximately 200,000 pounds of product. The total registered population for the Heiltsuk First Nation is 2,014. There is no annual review of the possible extent of illegal sales of the Heiltsuk food allocation. There is, however, ongoing enforcement in all fisheries.

[*Translation*]

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

[*English*]

**Mr. John Cummins (Delta—South Richmond, Ref.):** Mr. Speaker, I appreciate the fact that Question No. 189 was answered today. I just want to point out to the parliamentary secretary that the last time I asked about questions he said that answers were running at about 78% on time. With respect to the questions that I asked it

has taken, on average, 127 days to answer. I think that is unreasonable.

I have two questions outstanding and I would surely like to have them answered before parliament rises. They are matters that should have been dealt with by the government a long time ago. We are talking about things that occurred back in 1992-93. There was a commission of inquiry report in 1997 on these matters and the auditor general reported on them in 1999, so I am not too sure why the questions have not been answered. I would like to see those answers.

**Mr. Peter Adams:** Mr. Speaker, I understand that we have responded to at least some of the member's requests. As I have explained before, some questions involve inquiries of every department of government and in some cases twice. We go to one department and then another, and that requires us to go back to the other. However, I assure the member that I am looking after his remaining questions.

**The Deputy Speaker:** Shall the remaining questions stand?

**Some hon. members:** Agreed.

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**MOTIONS FOR PAPERS**

**Mr. Peter Adams (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, would you be so kind as to call Notice of Motion for the Production of Papers No. P-39 in the name of the hon. member for Skeena.

Motion P-39

That an Order of the House do issue copies of the most recent band audits at all reserves in Canada that showed a deficit or an accumulated debt on their last band audit.

In dealing with this motion I would point out that the financial statements of first nations and their organizations are mandatorily protected by paragraph 20(1)(b) of the Access to Information Act. Portions are mandatorily protected under subsection 19(1) which protects personal information.

In addition, a federal court decision of June 27, 1985 judged that information regarding Indian moneys was confidential and not subject to release by the Department of Indian Affairs and Northern Development.

First nations are required to make their audited financial statements available to members of their community. Officials of the Department of Indian Affairs and Northern Development cannot release the audited financial statements because of the third party nature of the audit.

Individuals interested in reviewing a first nations audit can contact the chief and council to request it. It is up to the chief and council whether they wish to disclose audits to non-band members.

*Government Orders*

I therefore request that the hon. member withdraw his motion.

**The Deputy Speaker:** I see that the hon. member for Skeena is not here. In the circumstances, I wonder if it might be appropriate to withhold the request to withdraw until the hon. member could be present and we could deal with the matter then. Clearly, he has certain rights in the circumstances to accept the parliamentary secretary's explanation or request that the matter be transferred for debate. I think it might be more appropriate if we wait until the hon. member is here, if that is agreeable to the parliamentary secretary.

Is that agreed?

**Mr. Peter Adams:** Agreed.

**Mr. Rahim Jaffer (Edmonton—Strathcona, Ref.):** Mr. Speaker, I would like Motion No. P-54 to be called.

Motion P-54

That an Order of the House do issue for copies of all documents, reports, memos, letters, correspondence, minutes of meetings, and notes used by the government to substantiate its claim that the Patented Medicine Prices Review Board is responsible for driving down drug prices.

**The Deputy Speaker:** Motion P-54 is transferred for debate pursuant to Standing Order 97(1).

**Mr. Peter Adams:** Mr. Speaker, I ask that all Notices of Motions for the Production of Papers be allowed to stand.

**The Deputy Speaker:** Is it agreed that all remaining Notices of Motions for the Production of Papers stand?

**Some hon. members:** Agreed.

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## GOVERNMENT ORDERS

• (1525)

[English]

### BANK ACT

The House proceeded to the consideration of Bill C-67, an act to amend the Bank Act, the Winding-up and Restructuring Act and other acts relating to financial institutions and to make consequential amendments to other acts, as reported (with amendment) from the committee.

**Hon. John Manley (for the Minister of Finance)** moved that the bill, be concurred in.

**The Deputy Speaker:** Is it the pleasure of the House to adopt the motion?

**Some hon. members:** Agreed.

(Motion agreed to)

**The Deputy Speaker:** When shall the bill be read a third time? Now?

**Some hon. members:** Agreed.

**Hon. John Manley (for the Minister of Finance)** moved that the bill be read the third time and passed.

**Hon. Jim Peterson (Secretary of State (International Financial Institutions), Lib.):** Mr. Speaker, it gives me great pleasure to present Bill C-67 for third and final reading in the House of Commons.

The legislation before us would allow foreign banks to establish branch operations in Canada.

[Translation]

The idea is to increase competition in our banking sector. This should help increase sources of funding for small and medium size businesses, and certain types of consumer loans.

Competition will be greater because for many foreign banks the establishment of a Canadian branch will be more profitable than the current system. A branch could use the funds of its parent bank to finance its loan operations in Canada, while foreign bank subsidiaries must use separate funds.

This bill will also make the Canadian system compatible with that of the other OECD countries, with the exception of Mexico.

[English]

Let me briefly summarize what we are now proposing in this legislation and how it will meet our goal of enhanced competition in Canada.

Currently, foreign banks can take retail deposits in Canada by setting up a fully regulated subsidiary corporation here. Under this new regime this option is going to remain open to them, but in order to give these foreign banks greater flexibility with respect to their lending operations in Canada this bill proposes two branching operations, either a full service branch or a lending branch. The full service branch would be entitled to take deposits of greater than \$150,000, whereas a lending branch could not take any deposits, large or small.

The benefit of offering two branching options is that the level of regulatory requirements can be tailored to match the banks' activities in Canada. Since lending branches would not be taking deposits of any sort they would face fewer regulatory requirements than would full service branches.

I believe that these measures will help foreign banks to enter our current market and will help the 45 foreign banks that are currently here to expand their existing operations.

Bill C-67 contains a number of technical changes to the financial institutions statutes.

*Government Orders*

[*Translation*]

The proposed system is the result of extensive consultations. The idea of establishing a branch system came up during the consultations that preceded the 1997 review of the legislation governing financial institutions.

• (1530)

At the time, the House and Senate finance committees had published reports recommending that the government allow foreign banks to establish branch operations in Canada.

Later, the Minister of Finance released a consultation paper and consulted all stakeholders extensively. This consultation paper was examined by the House and Senate committees, as well as the MacKay task force. These three groups supported the bill.

In fact, throughout our consultations we found broad support among stakeholders, including SMBs, Canadian banks and especially foreign banks for the establishment of foreign bank branches.

[*English*]

We tabled this bill on February 11 in the House. Since then it has gone through second reading and before the House of Commons Standing Committee on Finance, which was a couple of weeks back, we introduced a few amendments. These amendments were the result of consultations we had had between the time the bill was actually tabled and when it went before committee.

I would like to go through some of these amendments briefly. They came about as a result of extensive consultations and working very closely with our banking community. There are five I want to talk about.

First, as I have mentioned, full service branches will not be able to take deposits of under \$150,000. This was intended to ensure that only sophisticated depositors would be making these deals with the foreign banks. As the hon. member of the NDP opposite knows very well as he is an expert on these things, we have deposit insurance for retail bank deposits. These deposits of \$150,000 and more are not insured. Therefore we want to ensure that only sophisticated people make these deposits at the banks.

We had a de-minimus provision of 1% in place. One per cent of a branch's total assets could be deposits of less than \$150,000. This is to account for business flexibility, such as if one has foreign exchange accounts. The foreign bank community pointed out to us that in most cases this 1% de-minimus would not be enough. We expanded that amount in order to ensure that they could operate effectively and in conformity with their commercial requirements but without causing undue risk or risk to retail depositors.

The second amendment related to the funding options for lending branches. The bill allows lending branches to borrow from financial institutions but it prohibits the subsequent sale of any

debt obligations, bankers acceptance or guarantee issued by that lending branch. Our amendment would permit these instruments to be subsequently traded but mainly to other financial institutions, again to sophisticated buyers.

The third amendment we introduced was to extend the time allowed for filing of auditor's reports from 60 days to five months. That is the period allowed for Canadian branches of foreign insurers.

The fourth amendment related to taxes. We agreed that if a deposit is made in the branch of a foreign bank here in Canada that for purposes of our pension funds or our RRSPs this would not be considered a foreign property and therefore subject to the 20% rule. This makes sense since it is a branch of a foreign bank that is here in Canada, but it is a deposit that is made here in Canada and is subject to Canadian rules.

• (1535)

The fifth change was also a tax change. This was to aid the transition from the current subsidiary status for the 45 banks that are here today to the branch format. We have offered a temporary limited rollover so that the taxes otherwise payable when a subsidiary corporation is wound up will be deferred until the funds are actually withdrawn from Canada or the Canadian operations of the branch are eventually wound up.

Why did we grant this? Because initially we did not give the option, as we do in every other area of the law almost, for the foreign banks to enter Canada in the branch form, which is the accepted mode throughout the world. We insisted that they come here under the 1980 laws as a subsidiary corporation. We have changed that. We want to seek a continuity in expansion of operations of these 45 banks that are here today, rather than create a disruption and a penalty, so that they can restart perhaps at a lower level of ongoing Canadian operations.

These changes respond to the informed comment, concerns and research brought to us. No doubt in the future there will be more changes that the foreign banks would like to see and that our Canadian banks would like to see. These will have to wait for our response to the MacKay task force. It would not be proper to bring forward benefits for foreign banks which were not available at the same time to our Canadian banks.

[*Translation*]

In conclusion, this bill follows through on the commitment to allow foreign banks to engage in more productive competition in Canada.

By eliminating pointless regulatory obstacles this bill will encourage competition in our banking industry. By encouraging the healthy presence of foreign banks we are ensuring that Canadians have access to more financing sources.

*Government Orders**[English]*

We will be getting more competition here. This legislation opens the door to more competition but without sacrificing the current level of safeguards for consumers.

The most important thing is that these banks will bring more activities to Canada. With that comes what is perhaps one of their biggest contributions to Canada, not just the lending activities that they carry out, but the expertise. Bankers trained throughout the world in other systems in other countries under other regimes know other techniques. When they come to Canada they bring that expertise with them, expertise which can benefit not only our consumers and our companies, but their fellow bankers here in Canada.

I urge the House to move quickly to pass this important legislation.

Before I sit down, may I beg the indulgence of you, Mr. Speaker and the House to say thank you to the House of Commons finance committee and to the Senate banking committee which have studied these proposals, given us the benefit of their doubt and have approved them. I thank the House of Commons finance committee which gave the bill all-party approval.

• (1540)

I also want to thank the Canadian banks. We would think they would not want to suffer increased competition and increased capacity of foreign banks coming in here to compete with them. But no, they said that this is the way of the world. Canada has to be up to scratch and has to have the most competitive financial services sector in the world so they will not stand in the way of competition.

That speaks a great deal about the confidence which our banks have. It reflects the great success our banks have had in doing business throughout the world and in providing first rate services to Canadians which can compare with those of any other banking sector in the world.

I would like to thank the members of the foreign bank section of the Canadian Bankers Association who worked with us long before 1997 to develop this foreign branch regime. This group was initially headed up by Mr. Fred Buhler of the Bank of America who has since retired and returned to the United States. He did a great deal of the groundwork in working with finance and in bringing the foreign banking sector together. For the past year or so following Mr. Buhler's retirement, although he has still been available for consultation, this task has been carried out by Gennaro Stamatii of the Banca Commerciale Italiana.

Mr. Stamatii has been a great support in bringing to us, particularly since February 11 of this year, some facts on which we

could make some difficult decisions, the need for the tax rollovers and things such as that. We have appreciated very much the spirit of co-operation he has brought to this effort. Mr. Stamatii will be leaving Canada in July to head up BCI's operations in Paris and we wish him well.

I am very grateful for the support of all members of this House for this bill. We look forward to its early passage.

**Mr. Gurmant Grewal (Surrey Central, Ref.):** Mr. Speaker, I rise on behalf of the people of Surrey Central to support Bill C-67, the government's proposal to allow foreign banks to branch directly in Canada. We can support this change because it is long overdue. The Liberals have dragged their feet on this issue which of course is not unusual for that party.

At the World Trade Organization in 1997 the Liberals agreed to the letting into Canada of subsidiaries of foreign banks by June 1999. Bill C-67 will permit foreign banks to accept deposits of over \$150,000. This means that foreign banks will not be constructing branches all across Canada and their competition with domestic financial institutions will be limited.

Let us look into the current banking environment in Canada. The presence of foreign banks in Canada has been steadily declining. It has been declining from a 12% share of total banking sector assets in 1990 to just 10% today. There was a peak of 59 foreign banks in Canada in 1987 and it was down to 45 in 1998.

Foreign banks cannot currently operate branches directly in Canada. They must operate as subsidiaries largely unconnected to the parent bank in terms of capital, governance and accounting. Bill C-67 proposes a new regime for foreign banks in Canada as well as some miscellaneous changes to financial sector regulations.

This proposed legislation would allow foreign banks to operate as branches of their parent banks with the ability to draw on parent capital, to make loans and to conduct other banking business. New full service foreign bank branches will primarily serve the corporate market. Foreign banks that want to take retail deposits, that is deposits below \$150,000, will still have the option of establishing a separate subsidiary in Canada. New lending branches will not be permitted to accept deposits or borrow except from other financial institutions.

• (1545)

It is hoped these foreign banks will serve as sources of funds for both small businesses and credit card users. Both full service and lending branches will be allowed access to Canada's clearing and settlement system with the approval of the Bank of Canada.

As I understand it, changes to the Income Tax Act to place these new foreign banks in a comparable tax position to Canadian resident banks will be introduced as future legislation.

*Government Orders*

I would like to briefly explain why we support Bill C-67. The Reform Party supports allowing foreign banks to set up branches in Canada to provide more choice in banking for consumers and businesses as well as to allow for the offsetting of reduced domestic competition created by any future Canadian bank mergers.

As the hon. member said, direct foreign bank branching is the norm in most other countries. The Liberals have been promising the same for Canada since February 1997. The Liberals' introduction of Bill C-67 is two years overdue. The government has been sitting on its hands for two years.

Foreign bank regulations have not been substantially upgraded since 1980, 20 years ago, when foreign banks were granted the authority to establish Canadian subsidiaries. We will take what we can get from the government and take the opportunity to urge the government to work harder to keep up with other economies in the world and reform our financial services sector.

The changes proposed in Bill C-67 represent the least that Canadians want in terms of updates to the regulations governing foreign banks operating in Canada.

The government is taking a piecemeal approach to financial services sector reform when broad reform is needed to increase competition. We regret that but it does not take away from our support for Bill C-67. Large foreign banks generally would rather compete electronically but the government has done nothing about that.

The MacKay task force in September 1998 recommended that foreign banks should be able to carry on any banking business in Canada other than, of course, the taking of retail deposits below \$150,000 through branches of the foreign bank as well as through their subsidiaries.

After reading through Bill C-67, I am convinced that there are some safeguards for Canadians which I will briefly touch on. The bill proposes that foreign banks obtain the approval of the Minister of Finance and the Superintendent of Financial Institutions before setting up a shop in Canada. That is pretty good.

The minister must be satisfied that the foreign bank will be in a position to contribute to Canada's financial system and its entrance would be in the best interests of the Canadian financial system. The foreign bank must be a bank in its home country of sufficient size, experience and financial health and be satisfactorily regulated in that country.

Authorized foreign banks must establish a customer complaint procedure with staff located in Canada. The foreign bank must also disclose to its customers all service charges, fees, the cost of borrowing, the penalties if there are any, et cetera, to customers before agreements are entered into.

• (1550)

The Office of the Superintendent of Financial Institutions, OSFI, will be authorized to seize all assets of a liquidated foreign bank to satisfy claims of depositors and creditors of the foreign bank branch in Canada, including going to the parent bank for such seizures if there need be.

Let us look at the reasons that the Liberals should have brought this legislation to the House at least two years ago. The Canadian economy has not had access to as much credit as would otherwise have been made available by foreign banks, so that opportunity is lost.

Canadian companies have not had access to the range of products and services available from foreign banks that would have assisted them in better managing their business risks and facilitating growth internationally. Foreign bank competition will push domestic banks to be more innovative concerning the kinds and amounts of services they currently provide to Canadians.

The Canadian financial services industry has not benefited from learning from the technological developments that foreign banks provide the industry all over the world. The presence of foreign banks in our economy would increase the responsiveness and accountability of domestic banks, which is badly needed.

The domestic financial services industry bears a disproportionate share of the credit risk associated with the Canadian economy. Consequently, when major credit events occur, such as declines in the energy and real estate sectors, the stress to the domestic financial services industry is significant. The opportunity is also lost.

While the Canadian government is expending significant resources to boost the export of Canadian products, the ability of foreign banks to make the advantages of their global networks available to all Canadian companies is severely hampered.

In addition, foreign banks are keen to finance Canadian exporters who target emerging markets around the world, the sort of risky ventures that Canadian banks often avoid.

Canada has forgone tax revenues at both the federal and provincial levels due to marginal profitability and constraints on growth on foreign banks. Such tax revenue could be funding our beleaguered social programs such as health care and education.

The average retail banking consumer may not see a direct benefit from foreign bank branching. However, trickle down benefits are expected to come to them by way of increased financing to small and medium size businesses for starting up and/or expanding and thereby creating more competition in the consumer goods marketplace.

As foreign bank branches establish in Canada there will be increased investment in the Canadian economy by way of foreign

*Government Orders*

banks purchasing goods to run their businesses in Canada, capital cost expenditures for infrastructure and real estate leasing and purchasing, among others. This increased investment will translate into more employment for Canadians.

In conclusion, while we on this side of the House are supporting Bill C-67 with no resistance at this time because we believe that the bill is offering advantages to Canadians, we should take the opportunity to scold the government for its foot dragging on implementing further changes to the financial services industry that need to occur.

This includes reforming the ombudsman system in the banking industry, reducing federal-provincial regulatory overlap and duplication, and reviewing the taxation regime encountered by banks with an aim to improving competitiveness in Canada.

As I said earlier, the Liberals agreed to allow foreign banks into Canada in 1997 as part of a commitment they made at the World Trade Organization. However, they dragged their feet and did not introduce legislation until this month, May 1999, which is the last possible moment that they could have done that.

They did the same with changes to the equalization program. As we know, the federal government updates the equalization program every five years.

• (1555)

The Liberals had five years to allow members of the House to debate the changes. Instead, the Liberals introduced that legislation into the House at the last possible moment, like this one, and had to invoke time allocation on that bill in order to get it passed before the deadline. This is a government that lacks vision. This is the way organizations proceed when they have no real long term vision or long term plan.

The Liberals are dragging their feet on changes to our youth criminal justice system. They have frozen the progress of the changes to the divorce laws that would give each parent an equal amount of responsibility for children. I can count a number of instances like this. They are also way behind in many other areas where Canadians want changes, including our immigration and refugee system. Today we heard the minister agreeing to allowing a criminal, who has been convicted of drug trafficking in this country, to become a refugee. This will allow him to continue his drug trade and continue to feed drugs to our children.

Help from the government for our law enforcement agencies, such as the RCMP in B.C., is very slow, and in returning integrity to the accounting practices of the Minister of Finance who has been cooking the books in the country.

The government is lagging behind in many areas of innovation in the way we govern ourselves. It will not do anything about leaked

House of Commons committee reports. It just wants to study them. We still do not have televised House of Commons committees even though it was agreed to by all parties. It is still dragging its feet and not allowing Canadians to monitor and educate themselves on what we do in the House.

Bill C-67 should have been passed a few years ago, before our dollar dropped so severely and before our taxes got higher and they get higher during every session of parliament under this government. Those were the days, two years ago, before the Asian economic melt down, when if we had allowed foreign banks into Canada then perhaps we might not have suffered in that meltdown.

The government is using incremental policy when it comes to our financial sector. That means it is doing very little or nothing, or certainly only what it absolutely must do. This is a shame.

Along with the passage of legislation like Bill C-67 that would update the laws concerning our financial sector, we would see improvements in our economy. Our economy could grow. Jobs could have been created in the country. The Liberals leave the House with a thin soup legislative agenda and they do as little as possible.

The government goes as slow as possible and only does something when it absolutely has to. It has no intention of allowing a full debate on the legislation introduced in the House. We have seen 52 motions for closure or time allocation in the House. The government may also want to apply closure or time allocation on this bill to ensure it gets passed without exposing too many secrets that Liberal backbenchers know nothing about. They only need to know how to vote and the Liberal hierarchy tells them how to vote.

Yesterday we saw some Liberal backbenchers voting against the government on Bill C-78 and one member simply sitting on his hands. That bill will allow the government to take away the \$30 billion surplus from the pension plans of our public servants, our RCMP and our Canadian forces personnel.

The list continues to grow and it goes on and on. This is the government that looks through the lens of political stripes and not through the lens of the issues. It should be ashamed.

• (1600)

[*Translation*]

**Mr. Serge Cardin (Sherbrooke, BQ):** Mr. Speaker, I am particularly pleased to speak today. I gladly accepted to do so.

Before getting into specifics, I wish to remind the House that on May 11, the Secretary of State for International Financial Institutions acknowledged before the committee that, because of tax complications in the bill, this initiative had become practically useless for foreign banks operating in Canada.



*Government Orders*

In relating what the Secretary of State for International Financial Institutions said, I wanted to emphasize the fact that, improvisation aside, if the government had had a bit more vision we might not be here today debating Bill C-67 because the government would have sent it back to the committee to make it even better.

Nonetheless, it is with enthusiasm that I speak to this bill, which deals with the establishment of foreign bank branches in Canada.

Before explaining the position of the Bloc Québécois on this bill, I must say that the attitude of the finance minister shows he is true to himself. This minister is unable to look at the big picture with respect to national finances. He has lost all credibility as our national treasurer, because of both his budgetary forecasts and his financial achievements. The Minister of Finance always tries to deal with complex and general situations using careless approach and in a piecemeal fashion.

We will recall how he dealt with the MacKay report on the future of financial services. The minister decided to ignore the true issues raised in this massive report and dealt with only one aspect of the document, bank mergers.

Acting unilaterally, and without waiting to see what would come out of the proceedings of the Standing Committee on Finance, the minister took a position on the bank merger issue and, based on incomplete preliminary data, decided to oppose the merger "for the time being", adding that he would see later what could be done.

The Minister of Finance, who improvises on a daily basis and is an amateur financier with no strict timeline for his political agenda, continues along the same line with Bill C-67, an act to amend the Bank Act. This bill will allow the establishment of foreign banks.

To have legislation allowing foreign banks to open branches in Canada without affording any protection to financial institutions in Quebec and Canada is to open our market without protecting ourselves. How reassuring it is to be represented by such a government on the eve of negotiations with the World Trade Organization.

Like his colleague the Minister of Agriculture, who weakened Canada with his recent positions, the Minister of Finance is about to act incoherently by opening our market against the interests of our institutions. Did the finance minister take the time to read the MacKay report? Is he really aware of the impact of this review? I doubt it.

Since we are talking about banking systems, I will take a moment to look at the state of the Canadian banking system.

Out of the 51 Canadian banks that existed in 1874, there were only 22 left in 1914 and a dozen in 1946. In 1955 the Bank of

Toronto and the Dominion Bank merged to form the TD Bank. In 1956 there was a merger between the Barclay Bank and the Imperial Bank and in 1961 the merger between the latter and the Canadian Bank of Commerce gave birth to the CIBC.

In the late 1960s Canada went through a period of intense economic nationalism and became increasingly concerned about foreign capital taking control of its economy. In that spirit, in 1967 a major reform of our banking legislation established the 10-25 rule, which provides that no individual shareholder can hold more than 10% of shares in a Canadian bank and non-Canadians cannot collectively hold more than 25% of shares in our banks.

• (1605)

Since 1967 the picture of the Canadian banking industry has basically remained the same, and we still have all the same key players, the so-called big five. However, there have been a number of changes in smaller institutions.

Six new banks have been set up in the west, two of which went bankrupt in 1985. In Quebec, the Provincial Bank took over the Banques populaires, formerly the Banque d'économie du Québec, in 1970, Banque l'Unité in 1976, and the Financière Laurentienne in 1979 before it merged with the Bank Canadian National to become the National Bank of Canada, in 1980.

Later on, this bank bought the Mercantile Bank in 1985 and in 1987 the Savings Bank became the Laurentian Bank.

In 1988, with the free trade agreement, the limit of 25% foreign ownership of shares of Canadian banks was abolished for American residents, and NAFTA granted the same privilege to Mexican residents.

In 1995 the negotiations of the World Trade Organization, or WTO, on financial services led to an interim agreement eliminating in all countries party to the agreement restrictions on foreign ownership of national businesses. The 25% rule will be eliminated for good when the agreement is signed, by January 1999. I take this from section 6.2 of the document of the World Trade Organization.

In March of 1998, there were eight banks in Canada, namely the Royal Bank—the "big five" as I said earlier—CIBC, the Bank of Montreal, the Bank of Nova Scotia, the TD Bank, as well as the National Bank, the Laurentian Bank and the Canadian Western Bank.

Nowadays we also have in Canada some 50 foreign banks, about 50 trusts, 2,500 credit unions, with nearly 1,700 of these in Quebec alone, 150 insurance companies and 80 mutual funds.

One has to wonder what the future will hold. Although there may be as many visions for the future of the Canadian financial industry as there are experts in the field, there seems to be a general

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consensus that new technologies will stir up the competition through the arrival of both new stakeholders and new services.

What with globalization, the growth of financial markets from which Canada and Quebec cannot hide, the ever changing business world, the rapidly changing needs and lifestyles of the consumers, today's financial system is facing huge if not unprecedented challenges.

Given the demand for increased efficiency and competitiveness at the international level, we must react. The future world banking industry is not yet fully set up, but is starting to take shape. The future of the Canadian financial sector is up to us. The decisions we will be making will greatly influence events for decades to come.

Let us examine the banking system used elsewhere in the world. There are, of course, no universal formula or general models for a banking system. In the United States, there are almost 9,150 different banks. The five biggest of these manage less than 10% of the total assets of the financial services industry. Then come 400 banks. The five biggest of these manage close to 80% of the total assets of the financial services industry.

Some countries like the Netherlands have opted for universal banks that can provide every financial service one can imagine: banking services, securities, insurance, mortgages et cetera.

• (1610)

Other countries, such as Sweden, appear to favour specialized niches and companies. Sweden has savings banks, commercial banks, investment banks, development banks, independent mortgage societies and brokerage houses, as well as more than 500 different insurance companies which cannot provide both life insurance and damage insurance. In short, they have a relatively regulated system with a number of players.

Although each country has developed a banking system peculiar to it, we note that generally the smaller countries have a more concentrated banking industry than the larger ones.

In nearly all countries, as well, there is a trend toward liberalization of the industry, which takes the form of an unprecedented wave of mergers and acquisitions on the one hand and a greater decompartmentalization between the various financial sectors on the other.

Negotiations within the WTO framework accelerated this trend, which is liable to be accelerated still more by the MAI. Judging by the extent of the Asian crisis, which most observers attribute to an

opaque and corrupt financial system, there appears to be a consensus that the solidarity of a banking system lies primarily in the quality of its regulation. Without proper and sufficient regulation to supervise and monitor institutions, and to force transparency, at one point any country could fall prey to a crisis of confidence which would be catastrophic to its economy.

The finance minister, like his Liberal colleagues, hastens to say he consulted various socio-economic stakeholders involved in this issue. I submit that is pure bunk.

I would like to know if the finance minister consulted the deputy premier of Quebec before introducing Bill C-67. Was the president of the Mouvement Desjardins, Claude Béland, consulted? If so, how?

The analysis of Bill C-67 leads us to the conclusion that this piece of legislation introduced by the Minister of Finance is an attack on the know-how and expertise of Quebec.

I draw your attention to clause 128, which amends the Office of the Superintendent of Financial Institutions Act. Let us have a closer look at clause 7.1, which reads:

7.1 (1) The Minister may, with the approval of the Governor in Council, enter into agreements with the appropriate authority of a province

(a) with respect to the administration, application and enforcement of provincial legislation in respect of trust, loan or insurance companies incorporated or regulated by or under an Act of the legislature of the province;

(b) in order to authorize the Superintendent to exercise or perform the powers, duties and functions on behalf of the appropriate authority of the province, that the Minister may determine, in respect of trust, loan or insurance companies incorporated or regulated by or under an Act of the legislature of the province; and

(c) in order to (i) make applicable the Trust and Loan Companies Act, the Insurance Companies Act or this Act, or any provisions of these Acts, and the regulations made under any of these Acts, with the modifications that the Minister considers necessary, in respect of trust, loan or insurance companies that are incorporated or regulated by or under an Act of the legislature of the province, and (ii) limit the application of provincial legislation in respect of trust, loan or insurance companies that are incorporated or regulated by an Act of the legislature of the province.

We can see once again an undisguised attempt by the Minister of Finance, through this legislation, to get involved in areas that come under Quebec's jurisdiction.

Every day the Bloc Québécois condemns the numerous federal intrusions in areas of provincial jurisdiction, including those of Quebec. This is why we are opposed to the principle of the bill and will vote against it.

We could have voted differently, of course, had satisfactory amendments been made to section 7.1, which allows the federal government to squarely intrude into Quebec's areas of jurisdiction.

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• (1615)

This one-way provision would allow the government to appropriate and control Quebec's know-how. This is why the Bloc Québécois is asking for the following amendments, which are essential in the current context.

First, any agreement mentioned in section 7.1 should be the result of government-to-government negotiations. Second, section 7.1 should be amended to provide for reciprocity. Under such reciprocity the appropriate authority of a province, and a provincial government, would enjoy the same privileges as those enjoyed by the superintendent and the federal government under section 7.1. In other words, the Inspector General of Financial Institutions and the Government of Quebec could subject federally chartered financial institutions to Quebec laws.

Let us now take a look at the main amendments found in Bill C-67. The amendments set the general requirements that must be met by a foreign bank to establish a branch in Canada, the type of business that such a branch can conduct, and the standing regulatory requirements that will have to be met. The bill also includes a number of changes concerning access by foreign banks to the financial services sector.

Under the proposed system, on top of being allowed to establish a Canadian subsidiary, foreign banks will be able to set up either a full service branch or a loan branch.

We bemoan the lack of overall vision on the part of the government regarding the future of the Canadian banking system and financial markets.

Since 1993, the finance minister, who does not know where he is going on this issue, has been improvising. He is putting at risk one of the pillars of our economy, the financial services sector. He should listen to what the Bloc Québécois has been telling him for years now, namely, first strengthen our national industry, then open the market, and finally liberalize.

The Bloc Québécois has always been of the opinion that the merger debate should be seen as part of a broader debate on the future of financial institutions. The same is true of the bill before us today.

The government is acting irresponsibly. By refusing to proceed cautiously according to the logical order suggested by the Bloc Québécois, it is leaving Quebec and Canada open to inconsistencies and discrepancies in the quality of services between poor and rich regions.

Let us not forget that under the federal Insurance Companies Act a federally chartered insurance company or a foreign company cannot sell policies in Canada to an insurance company set up

under provincial legislation. Only a federally chartered insurance company, with the approval of the Minister of Finance, can buy these blocks of business. This situation is unfair to Quebec insurers.

This situation shows clearly that, while our financial markets are about to become more and more open to financial institutions, there are still barriers between our own institutions and we do not have full competitiveness within our own borders.

I remind the House that the Bloc Québécois has proposed a three-step approach that provides for a methodical opening up of financial markets.

As a first step, the Bloc Québécois asked the federal government to change the ownership rules for banks and some of the accounting rules in order to allow and foster the grouping of medium and small size financial institutions into financial holdings. For instance, a bank could join with a life insurance company, an investment funds company and a brokerage.

This first step would allow the establishment in Quebec and in Canada of giant financial institutions which would be able to truly compete with megabanks.

• (1620)

The government should allow a period of two to three years for the establishment of these holdings, which would be subject to the 10% rule and whose operations would remain compartmentalized, as is already the case for banks. We should begin by taking the necessary means to encourage competition with the help of new major national players.

Second, the federal government could then allow bank mergers. For instance, we would have on the Canadian market eight to ten players of similar size and strength and we would therefore have sound competition in our domestic financial sector.

Sound competition is vital if we want consumers and small and medium size businesses throughout the country to have easy access to services at competitive prices. In the interest of fairness, the bank mergers should occur at the same time that the multisector holdings become operational. All players should be able to start at the same time.

At the same time, the Bloc Québécois would call for a greater democratization of banks and financial holdings along the same lines as the proposals of the Quebec association for the protection of savers and investors. We would also ask for a mechanism to encourage and measure the investments of banks and financial holdings in communities.

In view of the human aspect and of the socio-economic effects of this reform, the Bloc Québécois will support measures aimed at

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protecting access to financial services for the whole population throughout the territory.

We will also be calling for a mechanism for parliamentary follow-up in order to measure the impact of the changes made on competition, service charges, employment, access to credit, transparency, and services to outlying and disadvantaged communities so as to be able to make the appropriate corrections and adjustments as we go along, if need be.

Third, the federal government could open up the Canadian financial services market completely to international competition. Having made it possible for the small players in Quebec and Canada to join forces, there are less grounds for concern that they will disappear or pass into the hands of foreign companies as soon as the market is opened up to international competition.

I remind hon. members that our concern has always been, and will always be, to increase the competitiveness of all sectors of financial services in Quebec and in Canada, and to increase competition in all of Quebec and Canada.

More competition means better and better-priced services for consumers and small and medium size businesses throughout the country. Enhancing competition is one of the concerns of the Bloc Québécois.

Our third concern is that these changes be made equitably. All those involved in the financial sector must have an equal opportunity to make changes so as to enhance their domestic and international position, for example, by allowing financial holdings which bring together institutions from various sectors.

Hon. members will agree with me that today's debate is liable to have a great impact on our society. We must always remember that public interest comes first and that there are people behind the figures.

In this sense, the Bloc Québécois has always advocated the establishment of a parliamentary committee to oversee banks and financial institutions, which would periodically check whether consumers and SMBs are well served at competitive prices throughout Quebec and Canada, regardless of their personal wealth. We have advocated the entry of new players into the market to increase competition and thus improve service to consumers.

I should mention that Quebec is at the forefront in protecting consumer interests. In October 1998 Quebec announced the establishment of the Bureau des services financiers to protect the public.

It receives public complaints, ensures the law respecting the distribution of financial products and services is applied, sets up an insurance information and reference centre to give consumers access to clear and complete information, establishes a fund to provide compensation in the event of fraud, keeps a record of

offices, independent companies and independent representatives and issues certificates to representatives.

• (1625)

To avoid duplication, the federal government should give Quebec the role of protecting consumers in the area of financial services.

The Bloc Québécois also advocated greater democratization of the banks. We share the concerns of Yves Michaud in this regard.

Moreover, I want to remind the House that the Bloc Québécois is the only party to have tabled a bill on community reinvestment. We want the banks and other financial institutions to not only fulfil their social role, but also to be transparent about the means and objectives involved.

To conclude, I repeat that, barring appropriate amendments to permit government to government negotiations and reciprocity, we will vote against Bill C-67.

[English]

**Mr. Peter Stoffer (Sackville—Musquodoboit Valley—Eastern Shore, NDP):** Mr. Speaker, I think the House needs a little livening up of the debate on Bill C-67. I do not know if I am more nervous for the millions of Canadians who will feel the effects of the bill down the road, or for my daughter who has a piano recital tomorrow and my other daughter who has a gymnastics competition on Saturday.

I commend my hon. colleague from Kamloops and my hon. colleague from Regina—Qu'Appelle who have done outstanding work in the finance committee to bring the issue to a forefront, allowing Canadians to know what is going on behind the bill.

The Secretary of State for International Financial Institutions said he was looking for our support for this bill. Unfortunately I have to disappoint him one more time because parts of the legislation came out of the south end of a northbound cow. We certainly find it unacceptable that this is the way the government is doing it.

I will provide a little background on Bill C-67. In December 1997 the federal government signed a financial services agreement, the FSA, under the auspices of the WTO, the World Trade Organization. The FSA aims at relaxing the rules governing the entry of foreign banks into domestic economies of participating countries. More than 100 countries signed the FSA and Canada faces a June 1999 deadline to pass the enabling legislation.

We have heard that the government has consulted the stakeholders on this bill, but we wonder if the government actually consulted Canadians on the bill, the average Canadian from Sointula, B.C., to Alert, Nunavut, to my riding of Sheet Harbour, Nova Scotia. I wonder if people in small rural towns and coastal communities

were consulted. I suspect not. I suspect it was the friends of the government and of the official opposition, the Reform Party, who were consulted. We cannot help notice that they are financial contributors to the government and the opposition.

The government has succumbed in its international negotiations again without benefiting Canadians. Bill C-67 will benefit very few, a small percentage of very rich and capital wary investors to the tune of anyone with \$150,000 or more. It certainly does not appeal or even go to the average Canadian who does not have \$150,000 to invest.

It will also put more pressure on Canadian domestic banks, credit unions and caisses populaires in Canada because it will bring back merger argument. The banks have already been told by the finance minister that merger is not in the cards. That is now. He never said it was permanently off the table.

The international financial institutions will come into Canada. Most of them will be virtual reality. They will not even have any bricks or mortar here. It will be through the Internet or through a 1-800 Wells Fargo number or whatever it is they wish to call it. They will take the cream of the deposits out of this country, the 2%, 5%, or 10%.

As the House should know, every bit of capital that leaves the country puts more pressure on the credit unions, the caisses populaires and the chartered banks in Canada today, which puts more pressure on the government to allow domestic banks to reach their ultimate goal of merger. Eventually they will say that in order for them to compete with international financial institutions they will need to merge.

● (1630)

That is one of the elements of Bill C-67. It will allow Canadian banks to have a back door entry to a merger, which is really what they have always wanted.

This bill will put more pressure on our auto leasing and insurance companies because the banks have been putting a lot of pressure on the government to get access to these markets in order to increase their profits for their shareholders.

What will happen is, as their profits erode because of the competition from financial institutions, they will in turn go back to the government requesting access to the insurance and auto leasing markets. That will create a lot of hardship in small rural communities and even larger communities because there will be bank closures, branch closures and insurance companies will be put under a tremendous amount of pressure. In the end that pressure will filter down to Canadians.

Foreign banks operating branches in Canada will be subject to the capital adequacy requirements imposed by the bank's home

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country. These banks will not be required to comply with the Canadian capital requirements applicable to Canadian banks. That means that the tax measures of Bill C-67 are very complex. The intent is for the FBBs to remain in the same position as the schedule II banks. However, Canadians will not have a full knowledge or understanding of whether foreign banks or institutions are being taxed at the same levels as Canadian banks.

Bill C-67 does not deal with the virtual banks, which I mentioned earlier, such as the U.S. equivalent of the ING Bank from Holland. The Liberal government does not know what to do with these banks, which only have an Internet presence in Canada. So far these banks have been kept out of Interac and the Canadian payment system. However, it is just a matter of time before they gain access to that as well and that will put even more pressure on Canadians.

Bill C-67 may erode the market share of charter banks in lucrative, high end private banking niches. Access of highly sophisticated American and European banks will compel Canadian banks to rely more heavily on their regular Canadian consumer base to extract their profits. Charter banks will likely offset these losses by jacking up the price of bank services on Canadians who have no access to the foreign banks.

One of the biggest complaints of Canadians from coast to coast to coast is the poor service provided by the banks as well as the high service charges. There are service charges on literally everything they do.

A while ago I was at one of the chartered banks because I wanted to open up an account for one of my daughters. I deposited \$100. Then, realizing that my wife had already deposited money at another bank, I wanted to close the account, take the money and transfer it to the other bank. I was told by the bank that in order to close the account I would be required to pay \$15. I only had \$100 in the account and the bank wanted to take \$15 for having the money for a day. I found that to be absolutely unacceptable. We can imagine how the banks are ripping off millions of Canadians right across this country.

What we should be doing is concentrating on improving our banks and allowing our credit unions more access to the capital that is available. Do we really need foreign banks to ensure a greater level of domestic competition? The real issue is not whether we should allow more foreign competition; the issue is what needs to be done to increase the accountability of our banking system and to increase the competition between our domestic financial institutions. The key is to provide better services for Canadians; all Canadians, not just a select few.

To increase accountability and ensure better banking services for Canadians the government should force banks to disclose more information on lending activities. This would reveal any unequal lending patterns to lower income neighbourhoods and small businesses. This would be similar to the Community Reinvestment Act

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in the U.S., where over \$650 billion U.S. has been reinvested as a result of these laws. The laws are supported by 200 major cities and over 600 economic development groups in the United States alone.

My colleague for Regina—Qu'Appelle has been asking for community reinvestment legislation for a long time. Basically what that means to the average lay person is that if a bank, for example in the community of Upper Musquodoboit, is making a profit from deposits, investments and loans, then it should be forced to reinvest some of the profit into the community in which it is located. That would create economic growth in the rural communities across the country from coast to coast to coast. It would allow businesses to develop and grow in these small communities.

• (1635)

One of the scourges of Atlantic Canada is that communities such as Halifax are the bread basket of education for the country and yet most of our young people have to leave Atlantic Canada to find work elsewhere within the country or abroad. That is unacceptable. One of the ways the government could stop the exodus of our young people, our greatest asset and resource, would be to institute community reinvestment legislation.

What they have in the United States, which we do not have here, is the ability to write off mortgage insurance on taxes. What a novel idea, allowing young people, or anybody for that matter, to own their own home. It is a wonderful dream for millions of Canadians who cannot buy homes to be able to have pride in being able to say "We own this house".

One of the ways we could do that is to follow the example of the United States and allow them to write off the interest, or part of the interest, on their mortgages. That would promote economic growth in the country that we would not believe. It is a great idea. I do not see why the government cannot concentrate on sound policies of that nature which would benefit the average Canadian.

I know the government has difficulty when we use the term average Canadians, but what average Canadians would like to see is leadership from their government and opposition parties in putting forth policies that actually are of benefit to Canadians, their children, neighbourhoods, communities and small business enterprises. They would then be able to stay in their communities and have a good quality of life.

It would also enhance competition by broadening access to the Canadian payment system and it would allow insurance companies, large mutual fund companies and investment dealers to offer banking services.

It is worth noting that in England the post office has banking services. I understand that there have been conversations between the Canada Post Corporation and the Government of Canada about financial transactions. Although I do not have a firm opinion on

that myself, it is one of the aspects the hon. member for Regina—Qu'Appelle is seriously looking into.

This is something that should really be done to benefit small communities and Canadians throughout the country: the power of credit unions should be enhanced. God love those credit unions. Credit unions are a democratic alternative to the big banks. Unlike the banks they have a mandate to plow profits right back into the communities they serve, helping everyone who is a member of those credit unions.

I notice that my colleague from Selkirk, Manitoba is a member of a credit union, as well as myself and another member on the Liberal backbench. Even members of parliament believe in the credit union system and what a credit union does for a town.

We should be promoting financial institutions like the credit unions or the *caisse populaires* in Quebec. For instance, we could change the Credit Union Central Act to give credit union provincial centrals, the CUPCs, more flexibility and powers. I note that the finance minister had very positive meetings with members and stakeholders of the credit unions a couple of weeks ago. We are very hopeful that the finance minister will take their recommendations to heart and implement some of the programs they have initiated to help average Canadians.

CUPCs could provide services not just for credit unions, they could directly serve individual members. This would allow provincial centrals to enhance the viability of smaller credit unions which cannot afford to provide directly certain services like wealth management and mutual funds because they cannot take advantage of economies of scale. That is the big problem. A lot of small credit unions would like to offer the same services as the bigger ones or other financial institutions, but unfortunately they cannot because they just do not have the size or the capital to do it. What we should be doing is encouraging and enhancing the ability of credit unions in the country to do that.

The banks should also be forced to facilitate to honour their commitment to ensure that the poor have access to banking services. This is something that I am sure all of us have noticed when we go into a bank. When an elderly person goes into a bank with their little bank book in their shaking hand, if they are fortunate and do not have to wait long in line for a teller, they may get one who is quite compassionate who will assist them in filling out forms and so on.

• (1640)

I cannot count the number of times I have gone into a bank to hear a teller say that because of the pressure put on the customer service representatives by management to get the people in and out, to reduce services and the hours that the branches are open, people have to fill out their own deposit forms because the tellers are too

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busy. These people are generally elderly people. In the year of the older person I would think they could have a little more compassion and sympathy. There should be more services for these individuals.

Bill C-67 will allow international financial institutions to provide services of that nature. They will turn around, take the cream off the top and put more pressure on our individual banks, which in turn will put more pressure on the consumer, the average Canadian.

The government should create an independent financial service ombudsman with teeth. We love the term with teeth. That individual should answer to parliament and not to the government of the day. The independent ombudsman would provide stronger protection to consumers and small businesses than the current banking ombudsman who is paid and controlled by the banks.

The finance minister has said that he is preparing to revamp the financial services sector in response to the MacKay task force. A white paper is expected later this year. These are the kinds of policy measures that the NDP would like to see forthcoming.

I wish to thank my hon. colleagues from Regina—Qu'Appelle and Kamloops, Thompson and Highland Valleys for their intervention on this bill. We would like to say that we could support the bill, but we cannot. Unfortunately it does not go nearly far enough. It does not protect our institutions. It does nothing for the credit unions and it does not do anything to protect average Canadians from coast to coast to coast who use the banking services.

If the government really wanted to spend some time on amending the Bank Act it would have committee hearings from coast to coast in the small towns to ask Canadians what they would like to see in their financial institutions, instead of going to Bay Street to ask what the government could do to appease the people on Bay Street in order to make life easier for the international institutions.

In the end, all of us believe in competition. It is healthy. However, we do not believe in competition which sucks the capital out of our country and invests in other countries.

**The Deputy Speaker:** It is my duty, pursuant to Standing Order 38, to inform the House that the question to be raised tonight at the time of adjournment is as follows: the hon. member for Halifax West, Canadian forces.

**Mr. Scott Brison (Kings—Hants, PC):** Mr. Speaker, it is a pleasure today to speak to Bill C-67.

Bill C-67 is designed to increase and improve access to the Canadian banking industry through foreign participants and foreign banks.

The financial sector, both within Canada and globally, is in a period of immense change and has been for some time. This change is fuelled by a number of factors. Within Canada we have seen the decline of the four pillars of the financial industry and their dissolution is imminent. Technological advancements are having an immense effect, particularly on the banking sector.

For instance, let us look at one element, bank machines. Through the Interac network, through the telecommunications, the computerization and the automation of this sector, these machines are effectively everywhere. They are in many grocery stores. Every teller has the capacity to give people money through the debit system. Consumers have the ability to withdraw money or to purchase goods and services. That technological shift and advancement has improved banking services immeasurably for Canadians. That is just one of the areas where that has occurred.

Globalization has played a very important role. That is what we are talking about today. The government is responding to the WTO agreement on financial services that it signed. In fact the government has to respond prior to June 1 and that is what Bill C-67 is all about.

• (1645)

Foreign bank participation in Canada has grown somewhat since the early 1980s but it has continued to be stymied by regulations and tax policies that have limited the growth of foreign banks in Canada. Ultimately this has limited the services provided to Canadians and the access to capital for instance that small businesses need.

Despite the government's policies that have been discouraging to foreign banks, we have seen the growth of companies like MBNA banks including Capital One and Bank One. In the brokerage industry we have seen Merrill Lynch purchase Midland Walwyn. We have seen Charles Schwab, a discount brokerage, grow in Canada. These companies are real and these banks and this competition is real.

During the merger discussion the minister and some other members on the government side were saying that foreign competition is not playing that key a role. In fact, the role of foreign competition in the Canadian banking sector has grown somewhat.

One example is Wells Fargo which about two years ago had 10,000 customers in Canada. In a 12 month period its 10,000 customer base grew to about 120,000 customers in Canada, yet Wells Fargo employs less than 100 Canadians. It is able to expand so significantly with so few people in Canada because of telecommunications and the nature of technology and its impact on banking and the nature of globalization and its impact on banking.

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In the banking sector on a global basis there have been a huge number of mergers in recent years. In countries such as Italy, Switzerland and the U.S. significant levels of merger activity have occurred. Banks are getting larger to develop economies of scale in order to afford the types of technologies to compete in a global environment which is increasingly competitive.

The intent of this legislation is logical. It is designed to ensure that we are complying with the 1997 WTO agreement on financial services. As I have said, the presence of foreign banking in Canada has grown even before this agreement if we look at companies like Wells Fargo and their success in lending particularly to small business but also to medium size business. This agreement will provide further access for foreign banks to the Canadian market.

This legislation, despite some of its flaws to which I will be speaking, should improve the competitiveness of the Canadian financial services sector and ultimately the services and products available in the banking sector to Canadians.

Ultimately one of the biggest challenges facing Canadian small business for some time has been access to capital. As a small business person I know that one of the difficulties faced by small business is access to capital. Part of the problem has been the concentration of banking in Canada over a period of time.

I spent some time in the U.S. I was amazed with the number of U.S. banks and as a small business person the fact that if someone with a business proposal was turned down at the Bank of Bath in Maine, he could go to the Bank of Bangor with the proposal and maybe get the loan. In Georgia if someone was turned down by the Bank of Snellville, he would be able to go to the Bank of Loganville. Both are actual banks. The Bank of Loganville has been there for 150 years.

In Canada in recent years, certainly after the banks stopped doing what they used to refer to as character lending, banks started using something called ratio lending. If ratios did not work for one bank, they probably would not work for any bank. It was very difficult for a small business person to get the money. It seemed for a lot of small business people the only way they would be able to get the money was if they did not need it which is counterproductive.

This legislation is designed to provide greater access to capital for small business people. It may reach those goals. However some issues need to be addressed.

Bill C-67 in its original form did not allow foreign banks to carry losses forward to be applied against future profits to reduce their taxes. Wisely the government changed this. There would have been a competitiveness issue relative to the foreign banks that currently exist in Canada as compared to those that enter Canada after Bill C-67. On May 11 the Secretary of State for International Financial

Institutions acknowledged before the House of Commons Standing Committee on Finance that Bill C-67 would be virtually useless to foreign banks in Canada without some changes in this regard.

• (1650)

Wisely the secretary of state has announced some changes to several sections of the Income Tax Act. There will be alterations for a limited time so that foreign banks operating in Canada can take advantage of this legislation.

The tax rule will allow the foreign banks' subsidiaries to transfer assets such as property to their new branches without being taxed for the next three years to allow for the transitional period. Furthermore the retained earnings of the subsidiary will be transferred to the new bank branches. The government will also give the foreign banks a three year transition period to enact all these transfers.

The Canadian Bar Association is still critical of the bill. It has numerous concerns. For example, foreign banks will still need ministerial approval for some transactions that Canadian banks do not face, for instance in the area of takeovers. Foreign banks will also be at a competitive disadvantage because they will be subject to provincial laws as opposed to federal laws. Domestic banks in Canada are subject to federal regulations. That is a complication we would like to see addressed.

The Canadian Bar Association has also warned that Bill C-67 does not meet the goal it was intended to, and that was to open up the Canadian banking market to foreign competition to be in compliance with the WTO.

Ultimately I believe that while this legislation is heading in the right direction it does not go quite far enough. The legislation will help domestic competition in the Canadian banking sector as I said earlier, particularly in the area of small business lending.

I would like to see greater competition in the Canadian banking sector, for instance changes to the co-operatives act as recommended by the MacKay task force, which would allow credit unions to compete directly with banks. That would be extremely positive, as would a loosening of the ownership rules to make it easier for Canadian individuals and companies to start up banks to increase competition in the Canadian financial sector, again in compliance or agreement with the recommendations of the MacKay task force.

We are waiting to see the government's response to the MacKay task force in the spring with the white paper. I would certainly hope that the government moves to change the co-operatives act, to loosen the ownership rules and also to improve and broaden access to the payment system to create greater competition domestically.



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These changes in addition to the changes brought about by Bill C-67 will improve foreign access to the Canadian domestic market. They should achieve certain goals as articulated by MacKay in terms of improving the quality of banking services to Canadians and the competitiveness of the Canadian banking sector.

The bill is positive but as I said there are some design issues and some flaws in specific areas.

The MacKay report made 131 recommendations. One of those recommendations was that a process be set out whereby if Canadian banks wished to merge they should have to face a process within which they would be given the opportunity and the challenge to address the legitimate concerns of Canadians. Some of these concerns included lending to small business, services in rural communities, bank service charges and commitments on jobs and hiring. Criteria like these would have to be met in the processes articulated and represented in the MacKay task force report.

With bank mergers Canadians feel that this type of process would have been a good idea. A *Maclean's* poll in December indicated that while 53% of Canadians were opposed to the bank mergers, 57% of Canadians would be in favour if the banks were to make commitments and meet the conditions and criteria that were important to Canadians.

When the MacKay task force report first came out, the Minister of Finance actually spoke positively of the process that MacKay had put forward in terms of approving bank mergers but having to meet the conditions and making commitments to Canadians first. MacKay went as far as to actually recommend that these commitments be legally binding for the banks and for the directors of the banks.

• (1655)

In response to some of the demands by Canadians to improve services and to improve lending to small businesses and to commit to better services for rural communities, some of the merger proponents including the Royal Bank and the Bank of Montreal made some very serious commitments during that merger discussion. They said that they would reduce service charges. They made a commitment to reduce service charges to Canadians by 10%. Furthermore they said they would actually be increasing their customer service staff as well as continuing the services to rural communities. They were willing to make commitments in that regard and increase their number of outlets.

One of the greatest commitments they made was to double the amount of money that they were lending individually as a merged entity. They would double the amount they were lending to small business from \$25 billion to \$50 billion. It was a 100% increase in the amount of money they would commit to lend to small business.

They were willing to set up a new separate bank focused solely on the small business community. These were very positive commitments the banks were willing to make.

The Minister of Finance however, even though earlier he had stated that he felt favourably toward the MacKay task force recommendation on a process for merger approval, in my opinion and in the opinion of our party simply said no to the mergers for political purposes. This was done before a proper negotiation, before an opportunity for the merger proponents to make the commitments on the types of services that were important to Canadians and the types of commitments that could have benefited Canadians.

We had an opportunity to negotiate with the banks. We had some leverage. We gave all that up because of the Minister of Finance's political ambitions for the next Liberal leadership campaign and for the next federal election. It is unfortunate that the focus of the members opposite is solely on the next election. Canadians really need a government that is focused on the challenges of the next century.

What has been the impact? We have had a few months to see the short term impact. The Dominion Bond Rating Service has downgraded the credit rating of the Canadian banks citing directly the minister's decision on the bank mergers. When the Dominion Bond Rating Service or any bond rating service reduces the credit rating of a bank, a company, an individual, or even a province, that means that entity, in this case the banks, pays more money for its capital. Its capital is more expensive. Ultimately that will lead to a higher price for consumers and/or downward pressure on bank earnings.

There are many people who whenever the banks come out with their earnings speak critically of the banks. The fact is over 50% of Canadians directly or indirectly through their pension funds, through their mutual funds, through their union pension funds are bank shareholders. It is very difficult to invest in the Canadian equities markets without buying bank stocks. They dominate the Canadian equities markets.

Canada has an 80-20 rule where 80% of pension investments and RRSPs have to be in Canada and not external. At the same time we have to recognize that only 1.5% of the global equities markets are Canadian. Those equities markets are dominated by banks. It is almost impossible to have a diversified portfolio in Canada in terms of the equities markets without owning a bank stock.

The government's policy of the 20% limit on foreign investment for Canadians in their RRSPs and also for pension funds, combined with its backward policies in preventing without proper negotiation Canadian banks the opportunity to develop the economies of scale to compete globally will result significantly in reduced retirement incomes for Canadians in the future.

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There has been a significant downward impact on Canadian bank shares in recent months as a direct result of this decision.

• (1700)

In terms of the general equities markets in Canada, we have seen a 60% growth in the TSE since 1993, but during the same period we have seen 180% growth in the Dow Jones Industrial Average in New York. This is a very important issue because as Canadians are getting poorer while our neighbours to the south are getting richer.

In formulating public policy, we have to be very careful that it is not only focused on leadership campaigns and the next federal election, but focused on the opportunities and challenges faced by Canadians in a global environment as we enter the next century.

The best analogy of public policy is that it is more like making a cake than it is eating from a buffet. The difficulty is that the minister is treating public policy and the MacKay task force, those 131 recommendations, a little bit like a buffet in that he is choosing from that buffet what he considers to be politically palatable and he is leaving the rest.

Public policy, and particularly a piece of public policy like the MacKay task force, is more like a cake recipe. If we put some of the ingredients in the cake but not others we could end up with a flat cake.

I am concerned that this mishmash, haphazard, knee-jerk reaction, crisis management approach to public policy that the government is utilizing will result in the types of public policy in Canada that would be analogous to the pastry chef's flat cake. That is effectively what we are seeing with this government. It is actually not focused on a holistic approach to these complex issues and is only focused on short term politics.

The minister said that the upcoming white paper will respond more fully to the MacKay recommendations. In the government's response, we would like to see more flexible ownership rules on banks, a broadening of the access to the payment system and a change to the co-operative act to allow credit unions to compete directly with banks. We want to see improved competition for Canadians and improved services for Canadians. At the same time, we do not want to sacrifice our banks' competitiveness globally. The Canadian financial services sector is one of the growth areas of the Canadian economy and we do not want to lose that.

We also do not want to see the types of policies that the government implements in terms of denying mergers without proper consultation and negotiation and at the same time exposing Canadian banks to foreign competition while they are handcuffed by a government that will not allow them to achieve the economies of scale they need. It is very important that the government become much more careful in developing public policy.

We will be supporting Bill C-67, but we hope the government does not continue to hinder and handcuff the Canadian financial services sector that will continue to lead to job creation in Canada.

The government has a role to lead and to develop public policy. The economic policies in Canada that have led to growth in the late 1990s have been as a result of a forward-thinking government in the late 1980s and early 1990s with free trade and the GST, et cetera. We want to see the same type of leadership from this government that will prepare Canadians to not only compete globally but to succeed into the 21st century.

**Mr. Peter Stoffer (Sackville—Musquodoboit Valley—Eastern Shore, NDP):** Madam Speaker, it is always a privilege to hear my colleague from the other part of Nova Scotia, Kings—Hants, speak up.

I have to ask the member a question about one thing he said at the very end. Does he honestly believe that his government, the Conservative government of 1984 to 1993, was really forward-thinking when it brought in the GST and its dreaded cousin the HST, and when it ran up the debt and deficit of the country to astronomical limits which put tremendous pressure on a lot of public programs for the average Canadian? I am just wondering if the hon. member really believes that is forward-thinking.

**Mr. Scott Brison:** Madam Speaker, I appreciate the question from my colleague from Sackville—Eastern Shore. In answer to his question, absolutely yes.

The policies of that government, including free trade, the elimination of the manufacturers' sales tax, which is a euphemistic way of saying the implementation of the GST, the deregulation of the financial services sector, the transportation sector and energy sector were all pivotal in the economic growth that we have seen in the late 1990s. This is not just my opinion. The 1998 global preview of the *Economist* magazine stated that the structural changes made in the Canadian economy in the late 1980s and the early 1990s had resulted in the Liberal government's ability to reduce and ultimately eliminate the deficit. It then went on to list those initiatives.

• (1705)

Deficit reduction began back in 1984. The leader of Her Majesty's Official Opposition, the Reform Party, said in the House that the deficit reduction effort in Canada began in 1984 under the government of Brian Mulroney. The deficit as a percentage of GDP was around 9% in 1984 and was reduced to about 5% by the time that government was politely asked to leave office in 1993.

Tax reform has considerable political risk and the GST was an example of that. It is very difficult to market a new tax, the GST in this case, even though it was replacing the manufacturers' sales

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tax, when only 17% of Canadians were aware that the manufacturers' sales tax existed in the first place. Instead of the government of the day replying on pollsters and focus groups to develop economic policy, it realized that the manufacturers' sales tax was killing jobs in a global environment that engages and embraces the opportunities of free trade.

Instead of accepting the status quo because of politics, that government had the courage to face the opportunities of the future and implement what was and may still continue to be an unpopular tax. However, it was the right public policy then and has helped to lead to the economic growth that has benefited all Canadians and in particular the gentlemen and ladies opposite in the Liberal government.

**Mr. Howard Hilstrom (Selkirk—Interlake, Ref.):** Madam Speaker, I am certainly old enough to remember the 1984 to 1993 timeframe. I also remember the change from the manufacturers' sales tax to the GST. When I compare the two, I see that in fact the take from the GST is probably 50 to 100 times larger than the take from the old manufacturers' sales tax.

I would like to ask the member from the Conservative Party if the changes that were instituted by Mr. Mulroney and company were not the start of the gigantic tax increases that we are living with today? I would like to have an answer to that.

**Mr. Scott Brison:** Madam Speaker, the tax burden in Canada during the period 1988 to 1993 actually decreased in terms of income tax due to the replacement of the manufacturers' sales tax. That was developed as a revenue neutral tax reform designed at that time to eliminate a counterproductive, productivity killing tax policy that would have inhibited economic growth.

A witness to the soundness of that policy is the economic growth we have seen, in particular in our export sector since 1993. Forty per cent of our GDP now comes from exports. If the Reform Party member had an opportunity to respond, I would ask him if he would prefer that we tax the manufacturers that are exporting? Would he prefer to see a counterproductive tax that would reduce our economic growth in the export market? I do not believe he would.

I know that most of the recommendations made by the Canadian Tax Foundation and other tax think-tanks would like to see a further shift to a consumption based tax and potentially some changes and adaptations to ensure progressivity in a consumption based tax which would be very important.

If given the opportunity we would like to see significant tax reform now as we saw in the late 1980s and early 1990s under the previous and courageous government of the Progressive Conservatives. Unfortunately, the Liberals are not providing us with the meaningful, broad based tax reform that Canadians need in a competitive environment.

• (1710)

Far from apologizing for the proactive and innovative leadership of that government, I think Canadians, including members of the Reform Party whose leader stated in the House that deficit reduction started back in 1984, should be commending and recognizing the innovation and leadership of that government in providing the foundation for Canadian economic growth in the late 1990s and into the 21st century.

**Mr. Peter Stoffer:** Madam Speaker, I rise again as a result of the member's statement about the GST being good for Canada.

The auditor general just recently announced that \$7 billion of underground economy is resulting in losses to the federal government and \$5 billion to the provincial government. That is \$12 billion of underground activity.

If the member for Kings—Hants asked me as a contractor to repair his roof and I said I could do it for \$2,500 cash or \$3,300 with a receipt, what amount do members think the average Canadian would agree to? They would agree to cash under the table because of the dreaded GST.

Where the member and I live we are compounded with the HST. I know the member is very proud of being a Conservative member and I respect him for that, but he cannot honestly say that the GST-HST is a good thing for the average Canadian. Average Canadians get hurt in their pockets every time they purchase something, especially reading materials and electricity. It is a burden on Canadians and results in an underground economy. I would like the member to respond to this.

**Mr. Scott Brison:** Madam Speaker, the one thing I can say about the NDP members is that they are consistent. They opposed the GST when it was introduced and they continue to oppose it. At one point they opposed free trade and they continue to oppose it. We at least know what the NDP members are thinking and they have been consistent over a period of time.

The Liberals on the other hand do not suffer under the yoke of policy consistency or integrity on public policy and can thus move back and forth wherever they want on these issues.

I think most people would agree that a large part of the underground economy is due to the fact that taxes are too high in Canada. Income taxes are too high, capital gains taxes are too high and payroll taxes are too high. We have to evaluate which types of taxes have the most dilatory effect on the Canadian economy.

I would argue that it is not the consumption taxes in a global environment. In a traditional sense, consumption taxes would

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reduce the consumption of Canadian produced goods which would reduce growth in the economy. In the new economy, it is income taxes that reduce the ability of Canadians to save and invest. Productivity levels are very closely related to investment. It is capital gains taxes that prevent Canadians from unleashing their capital and selling assets to invest in new and innovative opportunities. Those are the taxes that are punishing Canadians and reducing Canadian growth in the new economy. It is not the GST.

I would argue that the underground economy has more to do with the general rates of taxation, in particular income taxes, which are reducing the personal disposable income of Canadians. The hon. member said that if he were a contractor and approached me and asked me if I would pay him under the table, I would not do that. I pay my GST.

**Mr. Richard M. Harris (Prince George—Bulkley Valley, Ref.):** Madam Speaker, while the member for Kings—Hants was speaking, I was thinking that there are probably 500 or 600 comedians out of work in this country and he is trying to break into the business. That was hard to take.

Just for the record, the Tory legacy left behind by Mulroney will always be remembered for the dreaded GST that was rammed down the throats of not only his backbenchers but all Canadians. He also tried unsuccessfully to ram the Charlottetown accord down the throats of Canadian people. It is also important to note that a \$45 billion deficit was left to this Liberal government, as well as a \$500 billion debt. That is the record no matter what the member says. Apparently that allowed the Liberals to eliminate the deficit. That is interesting because what allowed them to eliminate the deficit was extracting an extra \$40 billion in taxes from the Canadian people since 1993. Let us be clear about that.

• (1715)

We are here to talk about Bill C-67. My party supports Bill C-67. We think it is a good bill. It will certainly add to the financial landscape of the country. The only thing I can ask the Liberal government is what took so long. It took six years for the finance minister and the government to make some positive steps in the financial services industry. That is a long time for a government that says it is on top of things.

We support the quick passage of the bill and the implementation of the changes to the regulations. We also anticipate sooner than later the changes to the regulations governing credit unions which will allow them to do some things such as pooling their resources to take advantage of opportunities and perhaps becoming more bank-like in some respects.

We would also encourage the government to do a very thorough review of the tax regime, taxation as it applies to our players in the financial services sector including bankers.

We want to close this debate and get the bill passed. I say once again that we support the bill. It is a good bill for Canada, particularly business in Canada, and the Reform Party will be supporting it.

**Mr. Howard Hilstrom (Selkirk—Interlake, Ref.):** Madam Speaker, certainly we support the bill. I heard the Parliamentary Secretary to the President of the Treasury Board mention that the bankers of Canada, the Canadian banks, the big five, also agreed that it was good.

Is there a possibility of any connection between the agreement of Canadian banks to this competition coming in and the possibility of the government having agreed in return to support the mergers in the upcoming session in the fall?

**Mr. Richard M. Harris:** Madam Speaker, I cannot speak for the finance minister on the question of mergers. We have spoken. In my November 1998 report "Competition: Choice you can bank on" we clearly said that given a far more competitive environment in Canada among the financial industries it would be possible to look at the mergers in a totally new light.

The finance minister would not be well served to make a trade off deal. I am not sure if he did. I do not think so. I think he realizes there is a lot of steps to be taken before he can talk about the merger issue again.

However, as we talk about the banking industry and the possibility of mergers in the House, all over the world major banks are repositioning themselves and restructuring to become bigger and stronger so that they can be leaders in the global marketplace.

We in Canada must recognize it is important to get some changes made to the industry to create a more competitive environment so that our banks will also be able to put forward a reasonable merger proposal. We in parliament can then have a look at it. If it meets all the criteria we expect from our industry then possibly those would be the steps to be taken so that our banks could compete in the global economy. It is important to Canada's economy that we have very strong world banks.

• (1720)

**Mr. Peter Stoffer (Sackville—Musquodoboit Valley—Eastern Shore, NDP):** Madam Speaker, I heard my colleague from the beautiful area of Prince George—Bulkley Valley talk about bank mergers. I have a letter from the Canadian Vehicle Manufacturers' Association. It is very concerned about the banks entering into auto lease agreements as are insurance companies about banks entering into the insurance industry.

Would the member not agree that if the banks were allowed to merge and there is less competition in Canada domestically, the

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foreign operators would not set up bricks and mortar branches? There would eventually be virtual banking. Do he and his party not believe that would have a detrimental effect on other industries in Canada, which means a detrimental effect on workers and their families, as well as on the service charges people are now being forced to pay to banking institutions?

**Mr. Richard M. Harris:** Mr. Speaker, I clearly said that the government has to begin very quickly to change the competitive environment of the financial industry in Canada. Then and only then could mergers be considered in a new light and then and only then could they be approved on the particular merits of each merger. I am sure that is what the member heard me say but did not reflect in his question.

With regard to the auto leasing and insurance businesses, we are convinced in our party that the insurance business is well served by the people involved in it. It is a vibrant industry. It is very competitive. We think Canadian people are well served by the current structure of the insurance industry, as well as the auto leasing industry.

If a sector of the industry as large as the banks were to enter into either of those two industries, given their vast databases and the information they have it would have profound effect on both industries. We do not think it would be beneficial.

Therefore our position was stated in my report. I would be glad to send the member a copy of it. It clearly states that it is not advisable that banks be permitted to retail insurance products at their branches or enter the auto leasing business.

[*Translation*]

**Mr. André Harvey (Chicoutimi, PC):** Madam Speaker, the Reform Party keeps going after the former government, which proved to be effective. I have here a study ranking former Canadian prime ministers based on the following criteria: the fight against inflation and unemployment and the decrease in interest rates and the GNP growth rate. Out of 10 former prime ministers, Mr. Mulroney ranks second.

I would like to know what my Reform colleague thinks of this report that confirms the effective management of the former prime minister. I would point out that the inflation rate stood at 1.5% in 1993, the lowest in 30 years. Interest rates were at their lowest levels in 20 years. The growth rate was higher than the International Monetary Fund had predicted.

I also want to indicate that the deficit is usually expressed in terms of the gross national product. The deficit was 8.7% of the GNP in 1984 and had been brought down to 5.8% of the GNP by 1993.

Figures do not lie. This study ranking all Canadian prime ministers is based on objective and American criteria.

[*English*]

**Mr. Richard M. Harris:** Madam Speaker, we have the Tory legacy of \$44 billion in their final year in office, and thank goodness it was their final year, \$500 billion of debt, and massive mismanagement of our country's finances. End of story.

• (1725)

[*Translation*]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Madam Speaker, I am pleased to speak at third reading of Bill C-67. I only have a few minutes, but it will be enough to present the Bloc Québécois' views on this bill.

We are concerned about this bill, especially section 7.1 which grants extraordinary powers to the Office of the Superintendent of Financial Institutions. The superintendent has the power, among others, to negotiate with appropriate provincial authorities—which are not defined in the bill—any measure which could result in the superintendent applying federal acts to provincial jurisdictions such as, for example, insurance and securities companies.

However, there is no reciprocity. The bill does not provide that negotiations may take place with the appropriate provincial authorities, so that these authorities can apply provincial laws to federally chartered institutions. By contrast, the superintendent of financial institutions will enjoy enhanced powers in Quebec.

The bill could have included reciprocity provisions regarding the enhanced powers of the superintendent of financial institutions, even for federally chartered institutions such as banks or insurance companies, with regard to the implementation of acts in Quebec. However, there is no mention of such reciprocity. The bill enhances the powers of the superintendent of financial institutions and allows him to get involved in provincial jurisdictions, but the reverse is not true.

Two and a half years ago there was the case of a Quebec insurance company, L'Entraide assurance-vie du Québec, which was and still is governed by a provincial charter. Because of its provincial charter that company was not able to conclude a major transaction to acquire blocks of insurance from a federally chartered insurance company.

Bill C-67 implements some of the recommendations of the MacKay task force, as well as some of the recommendations of the Standing Committee on Finance. We discussed this possibility of allowing provincially regulated companies to buy blocks of insurance from federally regulated companies. We would have thought the Minister of Finance would have taken advantage of this bill to include reciprocity and thus ensure fair treatment for Quebec insurance companies in particular.

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Furthermore, we are opposed to this bill because it puts the cart before the horse. For instance, it makes it easier for foreign banks or financial institutions to enter the Canadian market. That is putting the cart before the horse. At the finance committee hearings on the follow-up to be given to the MacKay report we proposed a three-stage strategy. First, everything possible must be done to strengthen the Canadian financial and banking industry.

No matter what people say, the Canadian financial industry is not the world's most competitive. The day we fully open our borders to international competition, we will see that even the largest Canadian banks are not big enough to stand up to some of the banks now evolving internationally, which have assets 10, 20 and even 30 times greater than those of the largest Canadian bank.

The financial sector has to be strengthened. The ownership rules also have to be changed so that large financial holdings can be created and banks allowed to join forces with a trust company or an insurance company in order to form solid and sizeable financial holdings.

We do not see this in the bill, and that is why we will be voting against it.

**Mr. Bob Kilger:** Madam Speaker, I think we still have time to vote on this, unless there are questions and comments. I understand there have been discussions among the parties to conclude the debate on Bill C-67 today. I may be mistaken, but perhaps you should ask the question.

**The Acting Speaker (Ms. Thibeault):** Is the House ready for the question?

**Some hon. members:** Question.

**The Acting Speaker (Ms. Thibeault):** Is it the pleasure of the House to adopt the motion?

**Some hon. members:** Agreed.

**Some hon. members:** No.

**The Acting Speaker (Ms. Thibeault):** All those in favour will please say yea.

**Some hon. members:** Yea.

**The Acting Speaker (Ms. Thibeault):** All those opposed will please say nay.

**Some hon. members:** Nay.

**The Acting Speaker (Ms. Thibeault):** In my opinion the yeas have it.

*And more than five members having risen:*

**The Acting Speaker (Ms. Thibeault):** Call in the members.

*And the bells having rung:*

**The Acting Speaker (Ms. Thibeault):** Division on this motion stands deferred until tomorrow following Government Orders.

• (1730)

[*English*]

**Mr. Bob Kilger:** Madam Speaker, there have been discussions with representatives of all parties and I believe you would find consent for the following:

That the recorded division just deferred on the motion for third reading of Bill C-67 be further deferred until Monday, May 31, 1999, at the expiry of the time provided for Government Orders.

**The Acting Speaker (Ms. Thibeault):** Is there unanimous agreement to proceed in such a fashion?

**Some hon. members:** Agreed.

(Motion agreed to)

[*Translation*]

**The Acting Speaker (Ms. Thibeault):** It being 5.30 p.m., the House will now proceed to the consideration of Private Members' Business as listed on today's order paper.

## PRIVATE MEMBERS' BUSINESS

### COMPETITION ACT

The House proceeded to the consideration of Bill C-235, an act to amend the Competition Act (protection of those who purchase products from vertically integrated suppliers who compete with them at retail), as reported (with amendment) from the committee.

#### SPEAKER'S RULING

**The Acting Speaker (Ms. Thibeault):** Motions Nos. 1 to 3 will be grouped for debate and voted on as follows: a vote on Motion No. 1 applies to Motions Nos. 2 and 3.

[*English*]

I shall now propose Motions Nos. 1 to 3 to the House.

#### MOTIONS IN AMENDMENT

**Mr. Dan McTeague (Pickering—Ajax—Uxbridge, Lib.)** moved:

Motion No. 1

That Bill C-235 be amended by restoring the title thereof as follows:

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"An Act to amend the Competition Act (protection of those who purchase products from vertically integrated suppliers who compete with them at retail)"

Motion No. 2

That Bill C-235, in Clause 1, be amended by restoring Clause 1 thereof as follows:

1. The Competition Act is amended by adding the following after section 50:

50.1 (1) In this section,

"affiliate" has the meaning given to it in subsection 77(5);

"market area" means an area in which a seller customarily sells a product at retail or offers it for sale at retail.

(2) Every vertically integrated supplier who manufactures and sells a product at retail, either directly or through an affiliate, and also sells the product or a similar product to a purchaser who is not an affiliate but who is in the business of selling the product at retail, and who charges the purchaser a price that exceeds

(a) the supplier's own retail price in the same market area as that in which the purchaser customarily sells the product or offers it for sale, less

(i) the supplier's own cost of marketing at retail, and

(ii) the supplier's reasonable return on the retail sale in the case of a direct sale, or

(b) the price charged to the affiliate, in the case of a sale through an affiliate, is guilty of an indictable offence and liable to a fine not exceeding ten thousand dollars for every day on which the offence is committed, in the case of a first offence, and twenty-five thousand dollars for every day on which the offence is committed, in the case of a second or subsequent offence, or to a term of imprisonment not exceeding two years, or to both fine and imprisonment.

(3) Notwithstanding subsection (2), a vertically integrated supplier is not required to sell a product to a retailer at a price that results in the supplier receiving a lower return on the retail sale of the product when sold by the supplier or its affiliate than the customer's return on the retail sale of the same product supplied by the supplier, in the same market area.

Motion No. 3

That Bill C-235, in Clause 2, be amended by restoring Clause 2 thereof as follows:

"2. Section 78 of the Act is amended by deleting the word "and" at the end of paragraph (h), by adding the word "and" at the end of paragraph (i) and by adding the following after paragraph (i):

(j) by a vertically integrated supplier, coercing or attempting to coerce a customer who competes with the supplier at the retail level in the same market area, in relation to the establishment of the customer's retail price or pricing policy."

• (1735)

He said: Madam Speaker, I remind the House that the rumours of the death of this bill have been greatly exaggerated. Many people probably know the bill has been returned as a blank sheet of paper. We are obviously entering new territory as it relates to private members' bills.

However, I want the House to understand that the bill is the product of many years of work. It is a recognition that in an era of globalization and megamergers in the place of productivity we are actually witnessing the need to have effective legislation, effective guidelines to protect the people who represent the backbone of our communities, small business persons.

The process that got us here was a very interesting one. I am pleased the House has seen fit to passing the bill at second reading. I thank the member for Cambridge and the member for Notre-Dame-de-Grâce for their support notwithstanding some of the objections by many who do not want to see a change to this important piece of legislation.

The competition bureau has pretty well demonstrated, as has the committee, that in five short days it could not possibly understand the complexities of our market, let alone the ambiguities and the shortcomings of our Competition Act, sufficiently to protect, most important, consumers and small businesses alike.

It is with that in mind that I argue why these motions are necessary. There will be a motion by Mr. Perić to make an amendment that would give wholesalers an opportunity to compete effectively.

**The Deputy Speaker:** Order, please. I am sure the hon. member meant to refer to the hon. member for Cambridge rather than his name. I know he will want to comply with the rules in that respect.

**Mr. Dan McTeague:** Mr. Speaker, you are correct. It is a tough but very complex issue. I assure members that when we get down to it we will be telling more about what the bill really means.

It is clear those who opposed the bill—the Business Council on National Issues, the Chamber of Commerce, the CAA and others—were doing so because of the vested interest which exists in protecting the status quo.

We have come to that conclusion as 50 members on this side and many members on the other side went through the gas report on the shortcomings of the Competition Act. On page 156 of a very telling book by Peter C. Newman it was put very succinctly. The Competition Act, as it is currently written, was written by the very people it was meant to police. Canada is one of the few nations that has found itself in a position of self-interest with a document which is there to protect consumers and businesses alike from not doing that.

I can only say that against the weight of the telecommunications side of Industry Canada and against the weight of the Competition Bureau which surprisingly enough went out of its way to contact hundreds of businesses to study the implications of the bill.

It became very clear to me that short of an act of contempt of parliament, which I felt was not important enough to raise but was nevertheless the case, we are dealing with a David versus a Goliath. Against the chambers of commerce, against the large interests of the country that want to maintain the status quo, are the Canadian Federation of Independent Business and thousands of retailers that may be struggling to stay afloat simply because they are being pitted against the very suppliers that are trying to put them out of business.

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• (1740)

I am not talking through my hat. I am sure the hon. member for Markham will be interested in knowing that there has been study after study by provincial governments. The latest one by the Ontario government, ironically through the provincial member for Markham-Stouffville, shows that something is awry with the state of competition when there are 462 complaints and only three convictions and when the competition bureau has virtually been allowed to be correctly characterized as the bureau for monopoly enhancement.

In an era of globalization and mergerization, rather than dealing with the questions of productivity, with the questions of standards of living and with the questions of brain drain, we are consistently allowing our country to be sold by offshore interests whose interests are to maximize profits at the expense of competition at home.

There have been many criticisms levelled at the bill and the fact that it does not cover all the issues attendant within the Competition Act. One criticism levelled at the bill was the fact that it somehow had a very strong criminal sanction.

A bill that only narrowly attacks a certain part of the act cannot possibly deal with the entire question of sanctions. However, on the questions of sanctions it is very interesting that the competition bureau and many other organizations like the chambers of commerce have an interest in trying to bring down the penalty. It is obvious that civil sanctions are not the case at all. In fact they carry no general application and they carry no injunctive application.

The problem is that it virtually requires for someone to be knocked out of business and to be proven bankrupt before the competition bureau will assess and recommend to the tribunal that the particular activity against the person so ordered should cease and desist. This is contrasted to the legislation in the United States which has an intent to protect consumers. Protection of consumers comes in a number of ways but mostly through civil remedies.

I understand the committee after trashing the bill, after basically erasing it from existence, wants now to study the Competition Act. I am pleased that is the case. I am however concerned about the fact that it could very well be a whitewash. I say that because once again with the competition bureau we have police investigating, a judge, a jury and an executioner. If the bill is any indication of the direction of the competition bureau and those who support the status quo, it seems to me the outcome will be flawed.

During committee meetings a book by a man well known for his knowledge of competition law was bandied about. I encourage members to read it. It is the 1999 annotated notes. It very clearly states that it is not accurate to characterize reviewable trade practices as practices which are prohibited with civil sanctions. He suggests that the Clayton Act should be more appropriate.

On the other side of the equation it seems to me that there are those who have been gravely concerned about the application of the bill. The member for Pickering—Ajax—Uxbridge and many others studied the question of gasoline and looked a bit at the issue of groceries, but somehow it should not apply beyond that. That argument, which was posited by the Minister of Industry in his objections of October 19, is simply wrong in its direction.

There is no section of the Competition Act which applies uniformly to one industry. That would be laughed out of every court in the country as discriminatory. Therefore, we need, as the Americans did 100 years ago in 1890, the equivalent of a Sherman Act which was applied to the Rockefeller dynasty that was controlling oil at the time. It applies to every commercial line in the country.

Other objections that have come about were sort of picked out of thin air. There were issues such as how this might discriminate against farmers or might somehow hurt a supplier or a wholesaler.

The bill deals with the vertically integrated supplier, somebody who is in the business of supplying his or her competitor and competing in the same area. Let us put away the nonsense and all the aberrations which have been heaped on the bill for what it is not. The bill is not about regulating price.

It is very interesting to note that anybody in the business would have to ask why a vertically integrated supplier would charge its best wholesale customer more for a product than it is willing to charge the general public. Every person involved in the business knows that it costs less to sell a product at wholesale than at retail. The only reason that a vertically integrated supplier competitor wants to discipline the retail competitors and in some cases eliminate them entirely from the marketplace is simply because they are not prepared to compete with them.

• (1745)

This issue is not something that is confined strictly to one area of our economy. I implore parliamentarians to look at the examples of how small businesses are being undercut by their suppliers.

Legislation exists in other countries. The Americans and British have effective legislation to combat this particular problem. It is not acceptable for our competition police, the Competition Bureau, to act as lapdogs in the face of these watchdogs.

More important I believe in Canada, a Canada which is without its abilities to fight for the small person. I believe my country includes businesses that will compete on a level playing field. I believe that my country is a nation which above all is prepared at every turn to ensure that we do not have more than 10 players dominate the entire spectrum of the economy.



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That is exactly what this bill is for. I urge the House to put aside its differences and support it.

**Mr. Rahim Jaffer (Edmonton—Strathcona, Ref.):** Mr. Speaker, I am pleased to speak to Bill C-235.

I applaud the efforts of the hon. member for Pickering—Ajax—Uxbridge. He is a passionate and tireless champion for what he believes is right. He is rare among the members of the Liberal caucus in that he is prepared to stand on principle even when he stands alone. That takes both integrity and courage.

However, this legislation is not about the hon. member for Pickering—Ajax—Uxbridge. Despite the respect and admiration I have for the member and his commitment to his constituents, I cannot ignore that the legislation before us would shackle Canadian industries and punish Canadian consumers.

As members of this place know, this legislation would prevent a company that is both the producer and the retailer of a product or service from selling the product or service at a retail price that is below its own wholesale costs and the wholesale costs charged to its retail competitors.

The purpose of this bill is to prevent vertically integrated companies from using their corporate structure to compete against their non-vertically integrated competitors on price. It was intended to address the alleged problem in the gasoline retail industry where vertically integrated companies are accused of attempting to squeeze independent gasoline retailers out of business by offering consumers a retail price that is below the wholesale cost paid by independent gasoline retailers.

It has been argued that vertically integrated fuel companies can incur a loss at the pump that non-vertically integrated companies do not because the vertically integrated companies can make a margin on their wholesale price that allows them to remain profitable.

It is often the case that gasoline retailers will lose money at the pumps during price wars where prices fall below wholesale costs. This situation has fuelled innovations like car washes, food services, mechanical services, and the list goes on. In other words, competition in the retail gas industry involves more than just gasoline.

In an attempt to address the alleged problem in the gasoline retail sector, the bill will unintentionally regulate all vertically integrated companies. The impact of this legislation therefore would extend the intended scope. It would place controls and regulations on vertically integrated companies that would not apply to non-vertically integrated companies. A non-vertically integrated company with deep pockets could use this legislation to compete with its vertically integrated competitors by selling its product or

service below cost while its competitors would be prevented by law from doing the same.

On a practical level below cost selling, or the practice of offering a retail price that is below the wholesale price, occurs every day in the business community. When inventory is cleared or a new product is introduced to the market, this price is typically set below the wholesale cost.

Additionally, companies providing a charitable service may offer a product or service at a cost that is below the wholesale price. For instance the federal government is currently engaged in partnership with the private sector to provide Internet access to Canadian schools. This partnership would be deemed illegal if the proposed amendments to the Competition Act were adopted.

• (1750)

I would like to take the time to address the economic arguments upon which this entire bill rests. Predatory pricing, below cost selling, is an attempt to drive competitors out of business. It is an extremely rare and unsustainable practice.

Businesses that internalize the cost of manufacturing a product or delivering a service in order to provide consumers with a price discount incur a serious opportunity cost. While their competitors are spending capital on innovations, they are spending their capital on subsidizing the cost of their own product or service. This is an unwise business approach with no long term viability. Subsidizing the price of a product will mean that eventually a company will drain its resources and be left with a product or service that is outdated. Consequently it is rarely practised.

Additionally, competition laws in Canada and the U.S. punish those companies that attempt to compete aggressively on price while others may aggressively compete on innovation or superior service with impunity. Companies that invest their profits in innovations for instance are forced to incur a short term loss in order to attempt to capture a larger market share by providing a superior product or service in the future. Strictly speaking, this is a form of short term below cost predation but competition law does not preclude it. It is okay to spend money to make a product better but not to make a product cheaper.

The Competition Bureau has investigated the predatory pricing situation presented by the author of Bill C-235 and has determined that the impact on consumers will be detrimental. I was very impressed by the presentations made by the commissioner of competition and am now much more confident that the Competition Act will not be used as a tool to regulate Canadian business, strangle the Canadian economy and punish consumers.

The commissioner of competition stated succinctly that the Competition Act is intended to protect competition and not competitors. Those companies that are not vertically integrated may find themselves at a disadvantage to those companies with a

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superior corporate design. However, it is not the role of government to intervene in private sector decision making.

Small businesses have always struggled to survive against large businesses. They do so by providing a superior product or service, by finding niche markets not properly served by larger competitors, or by building a reputation for a certain service. It is not easy but the government should not be in the business of protecting competitors from competition. The Competition Act instead must serve consumers.

The creation and maintenance of competitive markets is of the highest priority for the Reform Party, make no mistake about it. However, we have a fundamental disagreement with the author of this bill and with big government solutions to market failures.

The key to competition is free trade. We must work to create contestable markets. Companies that succeed in driving their competitors out of business by providing consumers with a product they want at a price they find reasonable will not subsequently raise prices if a contestable market exists.

Yesterday at the Standing Committee on Industry I attempted to address the issue of creating contestable markets to ensure domestic competition but every Liberal member of the committee rejected my proposal. We are attempting to use the Competition Act to address problems in the market that should be solved through trade liberalization.

Let me give the House an example. It involves Norm Wallace of Wallace Construction Specialties Limited. As a result of a 1998 CITT decision, Mr. Wallace has not been able to get access to a supply of jacketed pipe insulation at a price that would allow him to be competitive because a punitive 70% anti-dumping duty has been levied against those companies that import this product from the U.S.

The vertically integrated Canadian producer-retailer of this product, Manson Insulation, now has an effective monopoly in this market and refuses to supply Wallace Construction Specialties Limited with this product. Manson Insulation is arguably in violation of the abuse of dominant position and the refusal to deal provisions of the Competition Act. The cause of the problem however is the CITT anti-dumping policy which falls outside the direct jurisdiction of the Competition Bureau.

Competition and free trade are interconnected. The threat of competition will force businesses to behave as if they have numerous competitors. The number of actual competitors in the market is a very poor indicator of the intensity of the competition. There are hundreds of farmers in Canada yet these farmers do not actively compete against each other. There may be only two cellular phone providers in an area but they compete vigorously for business. It is therefore wrong to suggest that if small business loses out to larger vertically integrated companies consumers will pay more.

• (1755)

The Reform Party is committed to small business. We have never moved from the resolve to lower taxes and remove the regulatory barriers that hinder the success of small businesses. Small business is the backbone of our economy but there may be products and services that are better provided by large companies, just as there are business ventures that can only be managed by small organizational structures. The Reform Party is therefore reluctant to give government the power to protect businesses from competition at the expense of the Canadian consumer.

I come from a small business background. I know firsthand how difficult it is to compete. Canadian small businesses only survive due to long hours and hard work. Instead of punishing small businesses with more government regulations, let us reward them with tax relief and deregulation.

[Translation]

**Mrs. Francine Lalonde (Mercier, BQ):** Mr. Speaker, I would like to begin by congratulating my hon. colleague on his private member's bill, and as well on all the work he has done to develop awareness, which I am sure will leave its mark.

It was hard work, especially since there has been a reform recently—I should say a so-called reform—of the Competition Act, which, in our opinion, weakened the powers and the influence of the commissioner.

Doubtless, arriving afterward with a measure that tightens the Competition Act is no easy job, but the member did not falter at the prospect and should be congratulated for it. We know that he fought a hard fight.

That said, our job here as parliamentarians is not to praise worthy intentions, intentions that we share, but rather to see whether this bill responds to the concerns and the problems giving rise to it.

Let me try to explain the bill simply. The member wants all integrated suppliers, that is, all companies producing and selling, to be prevented from selling directly or through an affiliate a product that is above the conditions set. That means that an integrated supplier cannot sell at a cost lower than the cost he charges someone who is not a company, a subsidiary or himself directly.

Originally, it was to prevent the major oil companies from selling gasoline at a price to retailers higher than the price they set for sales to their affiliate vendors or their own selling price. We can understand how unacceptable it is for small scale and larger retailers to be sold gasoline that has been refined—because the oil companies have factories to refine gasoline—at a price higher than the price at which it is sold to affiliates.

That is the problem. What is the solution? It should be noted that the right to set prices is not under federal jurisdiction. The competition commissioner, through his representatives, has held that the federal government does not have the jurisdiction to set prices.

• (1800)

At this very moment there is legislation in Quebec aimed at solving the major problem in the petroleum sector which the hon. member wanted to address and there is a parliamentary commission which has been hearing witnesses for some time now. The outcome is still pending.

I recently saw some consumers on television who were concerned about the effects of having a base price to which would be added a specific minimum of operating costs so as to allow the small retailers to survive.

There is a debate between the retailers' right to survive—not just the small ones—and the consumers' right to pay a reasonable price. That debate is going on at this very moment, and I am anxious to see what the outcome will be.

For me, in particular, there is a question of the relationship between this bill and what is going on in Quebec at the present time. There are other questions as well, however. The main one is the extension of this model, which had been designed for the petroleum sector, to all other sectors, because it refers to every vertically integrated supplier. There is no reference to size, to how many billion dollars it has to earn annually: It merely refers to “every vertically integrated supplier who manufactures and sells a product”. It could be a co-operative manufacturing and selling through affiliates.

A vertically integrated supplier could also be a smaller manufacturing and selling company, which this bill would prevent from selling in its store at lower prices than customers could get elsewhere. This bill would raise its prices simply because the products are available elsewhere.

It might be possible to change these provisions if we looked only at the issue of integrated suppliers. However, these provisions are necessary, because there are other sectors which, at some point, realized that they might be affected and that they should take a look at this issue. A lot more work should have been done, and it might also have been appropriate to find other solutions to settle the issue.

I congratulate the hon. member, because this is a first step. However, as regards the issue that I just mentioned, namely the expression “every vertically integrated supplier”, there is no mention of the size of the business involved. We should look at this aspect.

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There is more. A large Quebec or Canadian company that invests because of deregulation, for example in the telecommunications sector, and pours money into research and development, would not benefit from a return on its investment in research and development.

We must question this, particularly since the expression “every vertically integrated supplier” would not apply to an American supplier. A product may come from the United States and be sold here. When it is sold here, it is not deemed to be sold by a vertically integrated supplier. We could therefore have competitive conditions that would adversely affect a vertically integrated Canadian producer. One can think of several sectors.

I am sure this is not what the hon. member had in mind. As the committee kept raising more issues, I became convinced that this bill could not be passed in its current form.

Again, I understand the hon. member's intention, which is primarily to strengthen the Competition Act. For starters, the Standing Committee on Industry, or another one, could have even arranged for the competition commissioner to have a larger operating budget. The commissioner has realized, from the testimony he has read and heard, that many small businesses in Canada and Quebec are worried because they do not think he is doing his job right.

• (1805)

He was so taken aback that he himself said there should be a review. It was this review, suggested by my Reform Party colleague, that members across the way would not go along with. Another way must be found.

In conclusion, I congratulate the member on his work, encourage him to continue, and tell him that the Bloc Québécois and I will continue to agree with his intentions but, because of the act itself and the legislation that makes it necessary to extend his initial intention to all sectors, the bill cannot, in my opinion, be passed by this parliament.

[English]

**Mr. Peter Stoffer (Sackville—Musquodoboit Valley—Eastern Shore, NDP):** Mr. Speaker, I am going to do something I have not yet done in the House. I propose to share my 10 minutes with a Liberal backbencher, the member for Cambridge, so that he can also have a few moments.

**The Deputy Speaker:** Is there unanimous consent that the hon. member share his time as indicated, five minutes each?

**Some hon. members:** Agreed.

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**Mr. Peter Stoffer:** Mr. Speaker, that is great co-operation. It is only too bad that the industry minister does not show that type of co-operation to the hon. member for Pickering—Ajax—Uxbridge.

I wish to thank the hon. member from our party for his efforts in helping to protect small industry in this country, especially when it comes to gas retail companies.

I also wish to thank Mr. Dave Collins who is the Director of Eastern Canada for the Independent Retail Gasoline Marketers Association of Canada and the vice-president of Wilson Fuel Co. Limited. I must say that the number of Wilson Fuel stations in my riding do an outstanding job in terms of customer service to the small communities. He is a great example of what small business can do for community services.

I also wish to thank the hon. member for Regina—Lumsden—Lake Centre for his efforts in promoting Bill C-235, as well as John Holm, the MLA for Sackville—Cobequid, Nova Scotia, who we call the gas man, for his efforts in telling the Competition Bureau to become a watchdog on competition in gas sales and vertical integration instead of being a lap dog.

It is unfortunate that the government, especially the industry minister, has a tendency to eat its young when it comes to backbenchers. It is just an example of the government not allowing independent, free thinking backbenchers who have terrific ideas which would benefit the majority of Canadians from coast to coast to coast to put forward those ideas in a manner which does not stifle them and attack their integrity. We find that deplorable and wish that the government, the cabinet and the industry minister would start to listen to their backbenchers, especially the member for Pickering—Ajax—Uxbridge, and do the right thing.

It is quite natural for the Reform Party to say what it keeps saying because, as with the banks, the bigger the banks the better everything will be; the bigger the gas companies the better everything will be. That is just not going to benefit Canadians.

The member for Pickering—Ajax—Uxbridge is absolutely correct when he says that the vision of Canada is one in which legislators protect small entrepreneurial businesses and people who have aggressive attitudes in terms of protecting and working in small communities, especially when it comes to small gas stations.

It reminds me of the old days when the small gas station, for example, was the focal point of the community, along with the post office. People would get together and fill up their tanks. I always think of Andy of Mayberry with Goober and Gomer and the sort of camaraderie they had. It reminds me of a small town in Nova Scotia, Goshen, where the guys gather at the gas station around the hot stove to reminisce about the day and what is happening on the weekend. They would not be able to do that if we did not have laws like Bill C-235 to protect them from the gouging practices of the larger companies.

I will end my remarks by saying that it was a pleasure to discuss this very serious and important initiative.

• (1810 )

**Mr. Janko Perić (Cambridge, Lib.):** Mr. Speaker, I strongly support Bill C-235. Those who oppose the bill argue that it will lead to higher prices for consumers. That is completely false and misleading.

Under this bill vertically integrated suppliers can still charge whatever retail price they want for a product. The bill only seeks to create a level playing field by providing wholesale consumers with an opportunity to purchase product from a supplier at a price that allows them to compete at the retail level.

This bill is not an attack on big business. It comes out of the clear evidence that predator pricing does occur, which lessens competition and costs consumers.

Bill C-235 seeks to protect free, open and true competition. Without a level playing field in which to conduct business Canada will have only a few large companies controlling an entire market with no true competition.

On that note, I move:

That Motion No. 2 be amended

(a) by replacing paragraph 50.1(2)(a) with the following:

“(a) the vertically integrated supplier’s own retail price in the same market area” or

(b) Motion No. 2 be amended by deleting subsection 50.1(3).

**The Deputy Speaker:** The question is on the amendment.

**Mr. Jim Jones (Markham, PC):** Mr. Speaker, I am pleased to speak on behalf of the PC Party of Canada to Bill C-235.

Before I comment on the legislation itself I would like to commend the many years of research and hard work on this subject done by the member for Pickering—Ajax—Uxbridge. While I do not necessarily share his belief in the need for this legislation, I do applaud the initiative, energy and passion he has brought to this debate.

As mentioned by other members, the intent of this legislation would provide a basis for the enforcement of fair pricing between a manufacturer who sells a product at retail either directly or through an affiliate and also supplies the product to a customer who competes with the supplier at the retail level.

This bill would presumably give the customer a fair opportunity to make a similar profit. It would also provide that a supplier who attempts to coerce a customer in the establishment of a retail price or a retail marketing policy may be dealt with as having committed an anti-competitive action under the Competition Act.

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While the majority of the PC caucus supported Bill C-235 at second reading, most members did so out of the spirit of fair play to allow this bill to be given broad study and scrutiny at the industry committee. During committee proceedings, having heard many reasonable objections to Bill C-235 from a variety of credible organizations, which I will outline, I opted to support the government's motion to report Bill C-235 to the House with every clause deleted.

Mr. McTeague subsequently tabled amendments at report stage to essentially restore—

• (1815)

**The Deputy Speaker:** Order, please. The hon. member for Markham knows that he must refer to other hon. members by their titles or constituency names. To refer to somebody by some other name, he knows, is contrary to the rules. As with another member earlier in this debate I have to admonish the hon. member and urge him to use the name Pickering—Ajax—Uxbridge or whatever combination thereof he wishes to describe the hon. member whose bill we are now discussing.

**Mr. Jim Jones:** Mr. Speaker, I am sorry about that. The bill's proponents, which include independent gas stations, independent grocers and the Canadian Federation of Independent Businesses, cite the following reasons to support Bill C-235: to give the Federal Competition Bureau of Canada the tools to fight predatory pricing; to ensure the continuing existence of small businesses, thus ensuring a competitive marketplace and lowering retail prices; and to follow the example of the United States which has strong predatory pricing laws at the state level.

Witnesses before the industry committee in March and April clearly showed a lack of real hard evidence to support these assertions. Although Bill C-235 proponents have used the fluctuation in retail gas prices to substantiate their causes, the bill would impact negatively on large segments of the Canadian economy.

Organizations that have spoken out against the bill include the Canadian Chamber of Commerce, the Canadian Federation of Agriculture, the Canadian Bar Association, the Canadian Automobile Association, the Information Technology Association of Canada, Bell Canada, the CRTC, the Canadian Petroleum Products Institute, IBM Canada Limited, Sun Microsystems and Hewlett-Packard Canada Limited. I note the importance of IBM Canada and Sun Microsystems to the GTA economy. Both companies have their head offices in Markham.

From a nationwide perspective the Canadian Chamber of Commerce, which represents 170,000 small, medium and large businesses throughout Canada, noted that the regulatory amendments in Bill C-235 would lead to higher prices for both consumers and

businesses in the following industries: computer white goods, for example, refrigerators, stoves, washing machines, dryers, et cetera; electronic appliances, for example, stereo equipment, microwave ovens, video recorders; computer products, including a broad range of accessories; office equipment; telecommunications products; furniture; clothing; grocery wholesaling; meat processing, for example, poultry, pork, beef, fish; transportation; petroleum products; paint, wallpaper and other home improvement products; a broad range of petrochemical products; and a broad range of industrial products.

The bill is not just about gasoline pricing. It is about how our private companies maximize their legitimate marketing channels.

What about the statement that predatory pricing laws in the United States similar to Bill C-235 have kept prices down. Credible studies conclude that legislation in numerous U.S. states has proven to be counterproductive. A study prepared by Terry Calvani, a former commissioner of the United States Trade Commission, concluded that such gasoline pricing laws have increased costs to consumers and appear not to have provided independent dealers either higher profits or greater stability.

Let us never forget that the Competition Act already contains provisions to deal with any competitive conduct as highlighted by Bill C-235.

The predatory pricing and abuse of dominance provisions in sections 50(1)(c) and 79 of the act sufficiently address incidences of true predatory pricing. Furthermore, the conduct proposed by Bill C-235's proposed addition to section 78(1) of the Competition Act is already prohibited under section 61 of the act.

I am not saying that the heartfelt pleas for action the industry committee heard should be dismissed out of hand. There may be a need for amendments to the Competition Act. That is why the industry committee has decided to review the Competition Act to evaluate whether it sufficiently reflects the demands of the current marketplace. If the committee finds there is credible independent evidence that amendments like the ones proposed in Bill C-235 are needed, that is the time we should consider amendments.

At present Bill C-235 is premature. With the negative effects of our economy as a result of Bill C-235 presently appearing to far outweigh any positive effect, we should not rush into passing this law without careful review.

I recognize that my Conservative friends in the Ontario government support Bill C-235. To me this demonstrates one of the clear differences between a Conservative and a Liberal. While Conservatives respect and allow for differences of opinion, Liberals let loose the lash of the government whip to try to keep members singing from the same song sheet.

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While I have kind words for my Ontario Conservative friends, I must object for the record to some of the tactics used by Bill C-235 supporters in Ottawa, including some members of the House.

• (1820)

While witnesses supporting Bill C-235 were treated with the utmost respect by members representing all points of view on the bill, witnesses opposing Bill C-235 had their motives questioned, were interrupted and sometimes abused by committee members, and were attacked as being pawns of large oil companies and big corporations. This type of behaviour in promoting a cause smacks of McCarthyism, Canadian style, and does little to enhance either the image of parliament or the concerns which Bill C-235 attempts to address.

To reiterate, the potential economic costs of Bill C-235 are too high to enact new provisions to the Competition Act dealing with topics already covered by existing sections. On behalf of the PC Party of Canada I urge all members to oppose amendments to Bill C-235 at report stage and to oppose the bill at third reading.

**Mr. Walt Lastewka (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, I am pleased to have the opportunity to speak to this initiative on the part of the hon. member for Pickering—Ajax—Uxbridge, Bill C-235, an act to amend the Competition Act.

The bill is a well intentioned attempt to protect Canadian consumers and small businesses from abusive power by large and vertically integrated firms. The bill assumes, though, that the current provisions in the Competition Act are insufficient to deal with the practices.

The report of the Liberal committee on gasoline pricing, chaired by the same hon. member who is sponsoring Bill C-235, included a number of recommendations for further study on these very questions.

Does the oil industry majors exert the degree of power over prices that is commonly suspected? Are the current criminal and civil provisions of the Competition Act adequate to prevent the big companies from eliminating competition from the independents or from disciplining them in order to maintain high prices at the gas pump?

The government is anxious to determine what is happening in the retail gas industry. We have heard independents complaining that the integrated suppliers are intent on driving them out of the market or on using price competition coercively to keep retail prices artificially high. We have heard the distress of independents caught in price wars between the majors. We understand the frustration and anger of people who have invested years, perhaps a lifetime, in a business that becomes an incidental casualty, collateral damage in a price war.

On the other hand, we have heard that the integrated firms value the independent distributors. The independents provide a useful alternative distribution channel for excess production. They provide coverage in markets where lower sales volumes make it less attractive for major firms.

We were also told that price predation is rare or rarely successful because it is seldom that a single firm will have sufficient marketing power to lower prices long enough to drive competitors out of the market, then raise prices and sustain them long enough to recoup the losses while keeping new competitors out.

Because there are conflicting messages the government agrees that there is a need to find out what is really happening in the retail gasoline industry. Acting on the recommendations of the Liberal committee on gasoline pricing, the Minister of Industry has established a steering committee to oversee a major study of the retail gasoline sector. This steering committee has representations from all sides of the debate.

Co-chaired by Industry Canada and by Natural Resources Canada, it includes representatives from all provinces and territories, the Independent Retail Gasoline Marketers' Association, l'Association québécoise des indépendants du pétrole, the Ontario Fuel Dealers Association, the Canadian Petroleum Products Institute, the Consumers' Association of Canada, the Canadian Automobile Association, the Canadian Federation of Independent Business, and the Retail Gasoline Dealers' Association of Nova Scotia and Prince Edward Island.

The government supports the objective of ensuring a level playing field for independent gasoline retailers that compete with the retail affiliates of the major oil companies. We trust the study will give us a clear and comprehensive understanding and allow us to legislate intelligently if changes to the law are necessary.

Before leaving the report of the Liberal committee on gasoline pricing, I would note that the government has already responded to a number of other recommendations by ensuring that protection for whistleblowers was incorporated into Bill C-20 which came into force on March 18, 1999.

• (1825)

Those provisions, which were the initiative of the hon. member for Ottawa Centre, respond directly to the committee's recommendation for provisions to protect the identity of employees who report anti-competitive offences.

The enforcement of the Competition Act is not solely the responsibility of the bureau. Unless parties are willing to come forward to co-operate with the bureau and provide the information they have relating to possible offences, the bureau will in many cases simply not be in a position to take a case forward. It is to be hoped that the whistleblower protection will serve the purpose of

encouraging people with evidence of a possible offence to come forward.

Bill C-235 does not deal just with gasoline retailers. It would apply broadly to any sector of the economy where vertically integrated manufacturers use dual distribution channels. For this and other reasons, when Bill C-235 came before the Standing Committee on Industry, and after considerable deliberations, the committee concluded that it would not support this initiative.

Bill C-235 as originally proposed would make it a criminal offence for manufacturers with retail operations to sell to independent retailers at a price higher than its own retail price less its marketing costs and a reasonable profit. An alternative bill would have made it an offence for manufacturers to sell to independent retailers at a higher price than the price they charge their own affiliates.

As the Minister of Industry noted in a letter to the bill's sponsor on October 19, 1998, the bill would require the government to involve itself in monitoring and evaluating pricing strategies. As we know, when the bill came to the industry committee, the hon. member for Pickering—Ajax—Uxbridge offered an amendment to deal with these concerns in part.

If Bill C-235 were to become law in either of the forms in which it has been proposed, it would be illegal for a manufacturer to charge an independent retail price higher than its own retail price. This may look like a reasonable proposition at first, but it has some odd ramifications. Here are some examples.

If an independent customer decided to drop its retail price to stir up a little business and take a shot at a vertically integrated supplier's market share, by law under Bill C-235 the supplier would be prevented from lowering its own retail price to match the independent's price unless it also lowered its wholesale price and in effect subsidized the independent. In fact, suppliers would be unable to lower retail prices to meet any competitor's price unless they also lowered the wholesale price they charge their independent customers and effectively subsidize independents for the duration of the price competition.

Another concern is that Bill C-235 makes no exception for price discounting for legitimate business reasons. Under Bill C-235 a vertically integrated manufacturer selling off discounted goods or deteriorating inventory could be charged with a criminal offence. Moreover, as was pointed out by witnesses before the industry committee, it is not uncommon to introduce new products, particularly in high technology sectors, at below cost prices in order to persuade consumers to switch and to build market share. Under Bill C-235 it could be a crime for vertically integrated firms to engage in such a marketing strategy.

Bill C-235 sets out to protect independent retailers, but there is a potential for it to have disastrous effects on the people it seeks to protect. The broad and sweeping application of Bill C-235 was a

consideration that caused the industry committee at the end of the day to vote it down. The primary impetus behind Bill C-235 is the situation of independent gasoline retailers. They build their businesses on the premise that product will be available to them at wholesale prices that give them enough room to pay the bills, pay the staff and make a living.

The Competition Act protects independents from margin squeezing and other abuses by dominant parties where the practice has the purpose of impeding or preventing competition and where the practice results in a substantial lessening of competition.

We have heard from representatives of Canadian businesses across the country. We have heard voices on both sides of the question. The Canadian Chamber of Commerce and many others made submissions to the industry committee which members of the opposition have so eloquently spelled out in this debate.

With respect, for the reasons I have outlined, independent business should be concerned with the consequences should this bill become law.

• (1830)

In summary, the government agrees that the concerns of the independent gas retailers deserve further study. We have taken steps to ensure that an open, far reaching and broadly representative investigation occurs.

Because Bill C-235 would prevent businesses from engaging in legitimate price discounting, because Bill C-235 would discourage vertically integrated suppliers, including even the smallest manufacturer-retailer from using dual distribution channels, and because legislation like Bill C-235 has the effect of raising consumer prices, reducing the incentive to innovate and maximize efficiencies, it is for these reasons I urge the House to follow the lead of the Standing Committee on Industry and defeat this motion.

**The Deputy Speaker:** The time provided for the consideration of Private Members' Business has now expired. Accordingly, the order is dropped to the bottom of the order of precedence on the order paper.

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## ADJOURNMENT PROCEEDINGS

[English]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

*Adjournment Debate*

## CANADIAN FORCES

**Mr. Gordon Earle (Halifax West, NDP):** Mr. Speaker, military personnel who live on bases in single quarters or in permanent married quarters must contend with old and deteriorating accommodations that are among the worst to be found in this country. Those are not my words but those of the report of the Standing Committee on National Defence and Veterans Affairs.

The quarters in some regions were called dilapidated by the committee and that was being very generous. From leaking roofs to cramped, old deteriorating spaces, Canada's forces personnel deserve much better from the country that they so admirably serve, and in particular from the Liberal government responsible for these decisions.

In one letter written to the forces publication *The Maple Leaf* we find the words "In the last 40-plus years some things never change. Morale seems to be every bit as low as it was then, and housing hasn't changed since the 1950s".

Just listen to the Ottawa jargon with which the minister responded to these Canadians in need, "developing long range plans" and "we have long term plans". The Liberal government's response to the report is equally unclear and noncommittal. It said "Over time, access to accommodation that meets these requirements will be realized". Over time anything is possible but what is impossible is accepting this so-called response.

Canadian forces accommodation policy cites the need for well maintained quarters respecting dignity, privacy, safety and security. The Liberal government's policy is tough luck, you lose.

The Minister of National Defence announced last October that his Liberal government had cash on hand to spend \$15 million building a brand spanking new armoury in Shawinigan which by great coincidence happens to be in the Prime Minister's own riding. A brand new armoury when Canadian forces troops live in unacceptable conditions.

I wonder if there is any money whatsoever in the \$4 billion the government plans to spend on equipment over the next four years. This is money which may be better suited to meet the immediate needs of Canadian forces personnel condemned by the Liberal government to unsafe and rundown housing. The government has responded to a real crisis in Canada's forces with the words "long term plans", "accepts the intent of their recommendations" and "over time, access to accommodation that meets these requirements will be realized". Fancy words but empty words. Jargon at a bargain.

For married troops quarters, \$40 million will be used to repair and maintain existing rundown housing. The Liberal government has decided to say to the families of Canadian troops, "Yes, we heard how bad it is. We even spent taxpayers' dollars to tour the

country and find out just how bad it is, but we will not build one single new residence for you as a result, not one".

I expect the government will respond to my comments touting this \$40 billion band-aid and once again spouting jargon about how it supports in principle the needs and is working toward a long term plan.

I would like the government to respond to these comments with a step by step plan as to what quarters will be replaced this year, next year and the year after. By what month, in what year, will all forces personnel be able to live in acceptable conditions? I await the response to this challenge. The issue has been studied to death. Now is the time for action.

An annual report of the Canadian Forces Housing Agency from years ago said, "Without access to capital funding, little real progress can be made toward improving the quality of the crown housing portfolio". Capital funding, not empty promises and more studies.

• (1835 )

**Mr. Walt Lastewka (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, it is my pleasure to speak to this question.

The Canadian forces are an important national organization. Canadian forces members do a great deal for their country and they deserve both fair and reasonable compensation and a fair and reasonable standard of living. The quality of life of Canadian forces personnel has therefore been one of the minister's top priorities.

To pay for all of our quality of life initiatives we will spend approximately \$538 million per year, \$175 million in new money and \$363 million from within our existing budget. Our level of spending will allow us to follow through on our commitment to improve the quality of life of Canadian forces members, including measures to improve housing.

We accepted all of the Standing Committee on National Defence and Veterans Affairs 89 recommendations. We are already moving on most of them, including spending \$40 million this fiscal year alone on immediate action for housing. This \$40 million in new funding is in addition to the approximately \$83 million the Canadian Forces Housing Agency currently collects in rents and invests back into repairs.

Most of Canada's military housing was built in the 1950s. We started repairs to military married quarters in fiscal year 1996-97. By the end of this fiscal year we anticipate that we will have replaced 5,000 furnaces, reinsulated 4,500 homes and improved drains and sewer systems for 6,000 homes. In addition, 9,000 homes will have received new doors, 6,500 will have received new windows and more than 4,000 will have had new roofs installed. The \$40 million in new funding this fiscal year will allow the



*Adjournment Debate*

Canadian forces to accelerate these repairs to military married quarters.

We recognize that additional measures need to be taken with respect to housing. That is why we intend to give the Canadian Forces Housing Agency an expanded mandate to provide housing and housing services on military bases.

The Canadian forces also recognize there is no comprehensive accommodation policy on providing or managing accommodations. That is why we are developing a comprehensive policy this year.

All these measures show the government's firm commitment to improving the quality of life for our Canadian forces members wherever they serve Canada.

**The Deputy Speaker:** The motion to adjourn the House is now deemed to have been adopted. Accordingly this House stands adjourned until tomorrow at 10 a.m., pursuant to Standing Order 24(1).

(The House adjourned at 6.37 p.m.)

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