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OFFICIAL REPORT
(HANSARD)

Thursday, October 6, 2005

Speaker: The Honourable Peter Milliken

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HOUSE OF COMMONS

Thursday, October 6, 2005

The House met at 10 a.m.

Prayers

● (1000)

[*English*]

PRIVILEGE

INVESTIGATION BY ETHICS COMMISSIONER—SPEAKER'S RULING

The Speaker: I am now prepared to rule on the question of privilege raised on Monday, September 26 by the hon. member for Calgary East concerning the work of the Ethics Commissioner. I would like to thank the hon. member for raising this matter, as well as for the additional information he provided.

In presenting his case, the hon. member for Calgary East argued that the Ethics Commissioner had not followed the proper process for conducting an inquiry as defined in the Conflict of Interest Code appended to our Standing Orders. Specifically, the hon. member claimed that the Ethics Commissioner failed to provide him with reasonable written notice that he was the subject of an inquiry. In addition, the hon. member stated that, by commenting on the inquiry to a journalist, the Ethics Commissioner failed to conduct the inquiry in private.

● (1005)

Finally, the hon. member alleged that the Ethics Commissioner's comments to this journalist had damaged the hon. member's reputation and unfairly prejudiced the investigation.

For those reasons, he charged that the Ethics Commissioner was in contempt of the House and asked that I find a prima facie breach of privilege.

As both the position of Ethics Commissioner and the Conflict of Interest Code are relatively new, I believe it would be helpful to review how they came into existence.

[*Translation*]

On March 31, 2004, Royal Assent was given to Bill C-4, An Act to amend the Parliament of Canada Act (Ethics Commissioner and Senate Ethics Officer) and other Acts in consequence. This act created the position of Ethics Commissioner, whose role in relation to Members of Parliament is specified in subsection 72.05(1) of the act, namely to:

> "perform the duties and functions assigned by the House of Commons for governing the conduct of its members when carrying out the duties and functions of their office as members of that House".

[*English*]

On April 29, 2004, the House adopted the 25th report of the Standing Committee on Procedure and House Affairs, which recommended that a Conflict of Interest Code for members be appended to our Standing Orders. This code, which came into force at the beginning of the 38th Parliament, assigns several responsibilities to the Ethics Commissioner.

I mention these events to underscore that the Conflict of Interest Code contains rules that the House has adopted for itself and that the House has mandated the Ethics Commissioner to interpret and apply the code. However neither the act nor the code provide a mechanism for members to make a complaint against the Ethics Commissioner regarding the discharge of that mandate. By the same token, there is no mechanism for the Ethics Commissioner to defend himself against a complaint about how he performs his duties.

Having no other recourse, the hon. member for Calgary East has asked me to rule on whether or not the Ethics Commissioner has breached two specific portions of the code. The first alleged violation relates to subsection 27(4) of the code which reads:

> The Ethics Commissioner may, on his or her own initiative, and on giving the Member concerned reasonable written notice, conduct an inquiry to determine whether the Member has complied with his or her obligations under this Code.

The hon. member stated that the inquiry into his conduct began last May, but claimed not to have been notified officially until August 23, 2005 of the nature of the allegations against him.

Second, the hon. member claimed that by revealing details of the investigation to the media, the Ethics Commissioner has failed to conduct his inquiry in private. This requirement is found in subsection 27(7) of the code which states:

> The Ethics Commissioner is to conduct an inquiry in private and with due dispatch, provided that at all appropriate stages throughout the inquiry the Ethics Commissioner shall give the Member reasonable opportunity to be present and to make representations to the Ethics Commissioner in writing or in person by counsel or by any other representative.

Those two allegations are troubling in themselves and the correspondence provided by the hon. member lends further weight to his case, so I have concerns about how this matter has progressed.

That being said, it is unclear what role, if any, that I as your Speaker have to play in ensuring that the code is properly interpreted and enforced. For example, is it up to the Chair to determine what constitutes "reasonable written notice" or to say to what extent inquiries are to be conducted in private? Can the Chair be expected to rule on what constitutes "due dispatch" or on whether a member who is the subject of an inquiry has been given a "reasonable opportunity to be present and to make representations?" A close reading of the act and the Standing Orders suggests to me that that responsibility lies elsewhere.

Subsection 72.05(3) of the act specifies that the Ethics Commissioner shall carry out his duties and functions under the general direction of a committee of the House. The House has designated the Standing Committee on Procedure and House Affairs to be this committee. Pursuant to Standing Order 108(3)(a)(viii), the standing committee has the mandate to "review and report on all matters relating to the Conflict of Interest Code for Members of the House of Commons".

Since, as I stated earlier, the code is still relatively new, I believe it would be beneficial both for the office of the Ethics Commissioner and for the House if the committee considered this matter. This would afford the Ethics Commissioner an opportunity to explain the process by which inquiries are conducted and give hon. members a chance to raise any concerns. The Chair hopes that such a dialogue between the committee and the Ethics Commissioner will clarify matters for all involved.

To summarize then, while the Chair is hesitant to rule that the conduct of an officer of Parliament constitutes a contempt of the House in the absence of a thorough review and assessment by the responsible committee, the Chair is nevertheless sympathetic with the hon. member for Calgary East who is seeking guidance on what avenues are open to him to ensure that this very serious matter is resolved. In particular, the Chair is concerned that the absence of a clear process to address these kinds of disputes leaves both hon. members and the Ethics Commissioner lacking the clarity to which they are entitled in the performance of their respective roles.

For these reasons, and to afford the House an opportunity to pronounce itself on how it wishes to proceed in this very delicate case, I am prepared to find a prima facie question of privilege, and I therefore invite the hon. member for Calgary East to move his motion.

● (1010)

REFERENCE TO STANDING COMMITTEE ON PROCEDURE AND HOUSE AFFAIRS

Mr. Deepak Obhrai (Calgary East, CPC): Mr. Speaker, just before you started, you said we are here to make wise decisions and I thank you for making a wise decision here. I move:

> That the process by which the Ethics Commissioner is conducting inquiries in relation to the conflict of interest code for members of the House of Commons, in particular, the issue raised in the House by the hon. member for Calgary East on September 26, 2005, be referred to the Standing Committee on Procedure and House Affairs pursuant to Standing Order 108(3)(a)viii.

I know the committee in its wisdom will ensure I receive a fair hearing.

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

Some hon. members: Agreed.

(Motion agreed to)

ROUTINE PROCEEDINGS

[*Translation*]

PRIVACY COMMISSIONER

The Speaker: I have the honour to lay upon the table the report of the Privacy Commissioner pursuant to the Privacy Protection Act for the year 2004-05.

[*English*]

Pursuant to Standing Order 108(3)(h), this document is deemed to have been permanently referred to the Standing Committee on Access to Information, Privacy and Ethics.

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[*Translation*]

PERSONAL INFORMATION PROTECTION

The Speaker: I have the honour to lay upon the table the report of the Privacy Commissioner on the Personal Information Protection and Electronic Documents Act for the year 2005.

[*English*]

Pursuant to standing order 108(3)(h), this document is deemed to have been permanently referred to the Standing Committee on Access to Information, Privacy and Ethics.

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ENERGY COSTS ASSISTANCE MEASURES ACT

Hon. Ralph Goodale (Minister of Finance, Lib.) moved for leave to introduce Bill C-66, An Act to authorize payments to provide assistance in relation to energy costs, housing energy consumption and public transit infrastructure, and to make consequential amendments to certain Acts.

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

* * *

COMMITTEES OF THE HOUSE

CITIZENSHIP AND IMMIGRATION

Hon. Andrew Telegdi (Kitchener—Waterloo, Lib.): Mr. Speaker, I have the honour to present, in both official languages, the 12th report of the Standing Committee on Citizenship and Immigration and citizenship issues entitled, "Updating Canada's Citizenship Laws: It's Time".

In tabling this document, the committee calls on the government to fulfill its commitment in the throne speech to present the House with a citizenship act. We have had three previous attempts at reforming the citizenship laws since 1997 which were Bill C-63, Bill C-16 and Bill C-18.

In concluding, citizenship is the most sacred covenant between the citizen and the state and it is time we had citizenship laws that reflect that reality.

● (1015)

PETITIONS

KIDNEY DISEASE

Hon. Peter Adams (Peterborough, Lib.): Mr. Speaker, I rise to present a number of petitions concerning the importance of kidney research. Hundreds of petitioners in my area are concerned about kidney disease, which is a huge and growing problem in Canada, but in particular, they are interested in a form of research which relates to the bioartificial kidney. This is a partly artificial, partly natural device that will help people who, at present, can only be helped by dialysis.

These citizens call upon Parliament to make research funding available to the Canadian Institutes of Health Research for the exclusive purpose of conducting bioartificial kidney research as an extension of research being successfully conducted in several centres in the United States.

LNG TERMINALS

Mr. Greg Thompson (New Brunswick Southwest, CPC): Mr. Speaker, I have a number of petitions signed by the people of Fundy Isles, the St. Andrews area and surrounding towns as well. The petitioners are asking the Government of Canada to say no to the transport of LNG tankers through Head Harbour Passage to a proposed liquid natural gas plant on the American side of Passamoquoddy Bay. These citizens say that it is much too dangerous and we are putting our citizens, our environment and our economy at risk. They are asking the Government of Canada to say no to the transport of those tankers, as it did 30 years ago.

[*Translation*]

CLOTHING AND TEXTILE INDUSTRIES

Mr. Marc Boulianne (Mégantic—L'Érable, BQ): Mr. Speaker, it is my pleasure to table the following petition on the clothing and textile industries.

This petition was circulated by my constituents and it calls on the government to intervene as soon as possible to save the clothing and textile industries by taking significant measures that will produce results as quickly as possible.

[*English*]

CANADIAN BROADCASTING CORPORATION

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Mr. Speaker, I have two petitions signed by hundreds of Canadians concerned about the state of our national broadcaster. Although these petitioners will be happy to know that the two parties are reaching a settlement and that CBC will be back on the air, they do want to register their concern with the process and with the plan by CBC senior management to hire, without restriction, temporary and contract employees. The petitioners call upon all of us to protect the future of public broadcasting in Canada.

Hon. Lawrence MacAulay (Cardigan, Lib.): Mr. Speaker, I have a petition from a number of residents from my riding of Cardigan, Prince Edward Island, who have the same concern. They are certainly concerned about the CBC as a national public broadcaster and they feel they are at risk because senior management planned to hire, without restriction, temporary and contract employees. These residents of Canada in the federal riding of Cardigan call upon Parliament to help unionized employees at the CBC negotiate a fair collective agreement and protect the future of our public broadcasting in Canada.

Mr. Speaker, I also have a petition signed by residents of Charlottetown and from the constituency of Malpeque, who are also expressing concern about the same issue and contract and temporary employees and who want a fair contract for them.

COMMUNITY ACCESS PROGRAM

Mr. Lee Richardson (Calgary Centre, CPC): Mr. Speaker, I have the honour today to rise and present a petition on behalf of many of my constituents from Calgary Centre, particularly in this case the Westgate, Wildwood and Glamorgan areas of my riding. The petitioners are concerned about the CAP program. The community access program is in its last year of existence.

The CAP initiative has greatly increased the number of Canadians who are able to take advantage of the social and economic benefits of computers and the Internet. The absence of CAP will be a step backward in the Canadian government's ongoing goal to improve the quality of life of Canadian citizens. These petitioners are asking that the program be continued.

● (1020)

MARTIAL ARTS

Mr. Lee Richardson (Calgary Centre, CPC): Further, Mr. Speaker, I have a petition signed by citizens of Calgary who want to amend the Criminal Code to provide exemption for all martial arts and all martial arts contests and competitions.

* * *

[*Translation*]

QUESTIONS ON THE ORDER PAPER

Hon. Dominic LeBlanc (Parliamentary Secretary to the Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I ask that all questions be allowed to stand.

The Speaker: Is that agreed?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[*English*]

BANK ACT

The House resumed from October 5 consideration of the motion that Bill C-57, An Act to amend certain Acts in relation to financial institutions, be read the second time and referred to a committee.

Mr. Richard Harris (Cariboo—Prince George, CPC): Mr. Speaker, I am pleased to rise today to continue the presentation I started yesterday. To quickly review, Bill C-57 is about the governance laws of banks, insurance companies, their holding companies, and credit unions. It is to provide a framework that they are going to be obligated to operate within. It also brings this in line with the Senate bill, Bill S-11, which was a standards update that occurred in 2001.

I am sure that Bill C-57 is going to give a lot of comfort to Canadians who invest and who have savings and business with financial institutions. I think this is a good bill. My party agrees with it, of course, because while the Liberals failed to mention this in their presentation, it is here because of the insistence of members of our finance group, the member for Medicine Hat, the member for Edmonton—Spruce Grove, the member for Peace River and the member for Portage—Lisgar and, of course, also the insistence of the chief member of the finance committee from the Bloc. They have insisted that the government not delay the introduction of this legislation to provide this framework and to update the governance regulations, basically so these institutions will have a clear understanding of where and how they are supposed to operate within these guidelines. I know that does give a level of comfort to Canadians.

As part of my presentation on the bill, I want to now move to what Paul Harvey might refer to as "the rest of the story". Canadians who are watching the progression of this bill through House and who have read about it are no doubt, as I mentioned earlier, getting a great deal of comfort from knowing that the trust they have in their financial institutions is going to be even more secure and they are not going to be troubled by having another Enron or a WorldCom here in Canada. That is a good thing for Canadians, and I think all parliamentarians should take credit for getting the bill into the House.

The rest of the story is this. Let us imagine the average Canadian watching the progress of this piece of legislation about how these financial institutions are going to be governed and how they are doing their business. Let us imagine the questions they must have in their minds about how this Liberal government, which has shamelessly, over the last 12 years that I have been in the House and probably longer than that, been followed by scandal after scandal, by corruption after corruption, plagued by evidence and accusations and acts of patronage that are just beyond the comprehension of—

● (1025)

The Acting Speaker (Hon. Jean Augustine): On a point of order, the member for Mississauga South.

Mr. Paul Szabo: Madam Speaker, I rise on a point of order on two matters. First of all, with regard to allegations of corruption of anyone, whether it be a member or any other organization, that is in a legal situation which has not been adjudicated, and to suggest such is just improper. Second, we are talking about Bill C-57. To deal with matters to do with political party performance is not relevant to the debate. I would ask the member to keep his comments relevant to Bill C-57.

The Acting Speaker (Hon. Jean Augustine): We take the comments of the member for Mississauga South. I would ask the member for Cariboo—Prince George to be as relevant as he possibly can in this debate.

Mr. Richard Harris: Madam Speaker, as I say, in a courtroom I intend to show the relevance of my presentation to you, and you will find out how it unfolds. I can understand the member wanting to jump up and defend his government against, quite frankly, the indefensible.

What I was trying to point out is that Canadians have to form an opinion about everything we do in this chamber that affects them. They have formed an opinion about Bill C-57 and they like it. It gives them some security. Canadians will draw a comparison between Bill C-57 and how the government wants these financial institutions to operate, and they will draw a comparison between that and how Canadians want their government to operate.

The question they are asking themselves, I am sure, is the question of how this Liberal government can demand that financial institutions operate with honesty, transparency, full disclosure and accountability when the Government of Canada, those Liberals, fail to do that themselves. This is the question that Bill C-57 raises among Canadians. I am drawing that comparison to point out that a government is responsible not only for talking the talk but, in addition, for walking the walk. This government has not done it.

The member wants some examples. We can go right back to early in the first time I was in Parliament, to the infamous sale of the Grand-Mère Golf Club, when the Prime Minister himself was perceived to have been involved in a golf course and hotel that received government financing. We can go from there to the office building leases not too long ago, when the government leased an office building from a Liberal friend, it turned out, that it did not even move into for about a year.

There was the flagrant use of the Challenger jets, the sole sourcing of government contracts to Liberal friends, and the sponsorship scandal, when hundreds of millions of dollars went into the pockets and companies of Liberal friends. The list goes on and on. Now we have the famous David Dingwall case where, as an unregistered lobbyist, he received a success fee of $350,000 for successfully placing a request for several million dollars in government funding for the company he was representing, and he is not paying it back.

The relevance is this: Canadians are looking at Bill C-57 and saying, "That is really nice and it gives us some comfort, but why can the government not learn to live by its own rules?" Why has this Liberal government failed to be accountable? Why has it failed to be transparent? Why, in many cases, has it been involved in cover-ups? Why can the government itself not do all the things which Bill C-57 is designed to ensure that these financial institutions do? That is what Canadians are asking.

I am sure the word "hypocrisy" must be on the minds of Canadians as they listen to the presentations that have been made by the Liberal members throughout this debate. Canadians must be saying that it is all very nice and they like Bill C-57, but where is the accountability, the honesty, the set of strict guidelines, and the application of opportunities for redress to the government? Where is this within the government itself? Why can it flagrantly abuse the very rules that it is setting down for the financial institutions? Those are questions that average Canadians must be asking themselves.

● (1030)

It is very simple. This bill talks about the standards and duties and the ethics of the directors of financial institutions, including allowing for a due diligence defence and clarifying conflict of interest. There is a provision to make minutes of board meetings available to the public where conflicts are disclosed. Could these same rules not be applied to the cabinet of the government? The cabinet operates in much the same way, with much bigger numbers than financial institutions. Cabinet members handle a budget well over $100 billion a year, yet they are not expecting themselves to operate within the same guidelines that they want the financial institutions to operate within.

There are four simple rules which the government, and every government in the world, should operate by if they want to earn and maintain the confidence of Canadians: Do not lie. Do not cheat. Do not steal. Do not pay off their political friends with taxpayers' money. It is so simple, yet the Liberal government has a hard time grasping it.

I speak on behalf of so many Canadians who are asking themselves that if the government expects, and demands through law and legislation, that financial institutions and insurance companies operate within this very clear set of guidelines as far as their governance goes, why on earth can the government itself not adopt the same policy? That is the question. The Liberals have not done it. They have been wrought with scandal, rampant with corruption and rife with patronage payoffs. Canadians have had enough. When Canadians look at Bill C-57 they just roll their eyes and say, “what hypocrisy”.

We in the Conservative Party are always vigilant about how our financial institutions, insurance companies and credit unions handle the money of Canadians. We will always be vigilant in ensuring that the investments of Canadians are safe and sound, and that the companies that look after them are operating in an open, transparent and honest manner. At the same time, I would like to say on behalf of Canadians that it would be nice if the government could do the same.

Mr. Paul Szabo (Mississauga South, Lib.): Madam Speaker, I will not disagree with the member on his point, as long as he understands that the member himself also has to meet the criteria that he has laid out. I think the member would agree. I would like to point out a couple of examples used by the member.

He said that an office building was leased and the building was not moved into for a year. He used that as an example of patent patronage.

The matter came before the Standing Committee on Government Operations and Estimates. The building actually was built by the company to the specifications of Public Works and Government Services. It was delivered on time and on spec. The tenants scheduled by the government to move in required substantial changes to the building layout and to the preparations of it. It led to about a year's delay in their getting into the building.

The member is suggesting that since a person who was an officer of that company at the time subsequently became a senator it is a Liberal payoff.

Clearly, as was stated at committee, the company that built the building and is leasing it had absolutely nothing to do with the delay. That in fact was confirmed by the ethics officer of the Senate in a complete 20 page report which is available to the member as he knows.

He mentioned sole sourcing and that somehow sole sourcing without going to competitive bids is a nefarious activity.

Under Treasury Board guidelines sole sourcing is permitted in certain circumstances. For example it is permitted for contracts under $25,000, where there is only one possible supplier, and where there is an emergency and it has to be dealt with quickly. I believe there are a couple of other circumstances.

The member would like to throw around a lot of examples but I am really concerned why the member did not talk about the significance and importance of making the changes proposed in Bill C-57 to bring it into line with the Canada Business Corporations Act and the Insurance Companies Act. It is going to ensure that there is an efficient operation within the financial system and provides a better foundation for accountability, transparency and governance.

These are the important things that Canadians should be advised of on this matter. If the member wants to use examples, I understand the opposition will take every opportunity. It is the opposition's job to talk about other things, but I think it is important first of all to emphasize the priority, which is the importance of the financial sector to Canada's economy.

● (1035)

Mr. Richard Harris: Madam Speaker, I did exactly that yesterday. I outlined the importance of the bill.

The member brought forward a couple of points that I would like to address in talking about the building that was not moved into for a year after it was built, although the lease was paid. That is not the fault of the builder. That is the fault of the government.

The other thing Canadians expect from good government is good business planning. If a government, with all the resources and all the expertise it says it has, cannot plan something as simple as a date to move into a building when it is ready, if there is a year delay because of bad business planning, that is really letting down Canadians. I think Canadians would expect more than that.

In talking about the efficient operation of banks and financial institutions, that is the very thing Canadians expect from a government as well, efficient operation. That has not happened with the Liberal government.

The sole sourcing issue is something we could probably debate all day. There could be example after example where it was probably close to rightly perceived that some of the sole sourcing examples may have been created so that they could happen. We will just leave it at that. I think the member knows what I am talking about.

In closing, Bill C-57 is a good bill. We have had a lot of input into the bill and we will certainly take credit for that. It gives the financial institutions some real guidelines to operate under. It lets them do some long term efficient business planning now, something the government apparently is incapable of.

What still remains in the minds of Canadians is if financial institutions are expected to operate under very strict governance guidelines, at the very least the government should practise what it preaches.

Hon. Keith Martin (Parliamentary Secretary to the Minister of National Defence, Lib.): Madam Speaker, I could not agree with the member more in that a government should behave in a manner, and implement solutions that would ensure that the people's money, the taxpayers' money, is used in the most efficient and effective way possible and in the most transparent fashion. That is why, to set the record straight, this government has instituted a number of very important initiatives to do just that. I am quite proud of what has been done.

First, there is the expenditure review system that was put in place. Everybody who is watching today should please pay attention to this because it is a very exciting way in which we use the taxpayers' money, all of our money because we are all taxpayers. It ensures that every single minister looks at the expenditures and initiatives under his or her purview, takes those that are under-performing, the lowest 10%, and drives that money into the highest 10%, the most important initiatives that Canadians want.

Second, the Prime Minister and the ministers involved, the Minister of National Revenue and the Minister of Finance, instituted a comptroller system that ensures improved analysis and improved responsibility to the taxpayer and transparency in the way in which we spend the people's money.

Third, crown corporations were formerly at arm's-length from the gaze of the Auditor General and this House. This has been changed significantly by the President of the Treasury Board who has implemented 31 changes into law. This enables crown corporations to be subject to access to information and subject to the watchful gaze and the expertise of the Office of the Auditor General.

My colleague across the way should be talking about the facts, the exciting things that have been done. Certainly if he has solutions that would improve what already has been done, he should offer those solutions and challenge us all to do better.

Does the member not accept and applaud the initiatives that I have mentioned that this Liberal government has put forward? If he has other solutions that he could proffer that would make the way in which we spend taxpayers' money more useful, more effective and more transparent, we would like to know what they are.

● (1040)

Mr. Richard Harris: Madam Speaker, I am well aware of what the member is talking about concerning the guidelines and the safety nets that the government has set out for itself in the operation of how it handles the taxpayers' money. On the surface that looks pretty good.

The difference between the government and the institutions that are going to be affected by Bill C-57 is that under this bill, when banks and financial institutions and insurance companies fail to abide by the rules of the game in their operation, they are subject to very heavy penalities because of the regulation. They are subject to being charged with criminal activity.

The government has made, and may continue to make, all the rules of operation of how it spends taxpayers' money that it wants and it all sounds good. The difference is when the Liberals do not live by the rules, when they break their own guidelines, when they break their own regulations, they set themselves up while they are in office as the judge and jury of their own misdeeds. We know what the outcome of that is, just about zero penality.

That is the difference between what the Liberal government does within the guidelines it sets and what happens when it breaks its own guidelines as opposed to the regulations laid out in Bill C-57. The member knows that very well.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Madam Speaker, I thank my Liberal colleague for his applause. But I would rather he held off until l am done with my presentation, in case he did not feel like applauding at all by then.

I also thank my colleague from Cariboo—Prince George for his excellent presentation. I will not repeat all the points he made about the government's mismanagement. He has covered the issue extensively. A government can hardly have the necessary credibility to impose new, stricter control rules on directors of public corporations when it is faced with all these scandals.

On the face of it, my colleagues and myself think that Bill C-57 is a good bill. It responds to a need. In 2001, if memory serves, this House passed Bill S-11, which dealt precisely with clarity and new rules for proper management and accountability by both shareholders and directors of public corporations.

At the time, we omitted to include certain financial institutions, such as banks, cooperative credit associations and insurance companies, as part of the federally chartered institutions. Now, Bill C-57 is completing the process by reforming the governance of federally chartered institutions. But it is not making any changes to monitoring rules.

I was listening to my hon. colleague from the Conservative Party who, together with other Conservative and Bloc members, has worked very hard on the Standing Committee on Finance to develop these new rules. I heard him suggest that this bill would shield us against Enron and WorldCom-type scandals. I do not think so, because the new rules govern the accountability of directors. No new rules were imposed to monitor the statements and corporations concerned. If there is one improvement that should be made following the work done at the finance committee, it is in that respect that it should be made. As far as we are concerned, we are not shielded in any way against Enron or WorldCom-type scandals.

The bill has its good points. It also relaxes the regulations on the exchange of information and on proxies, which is a very onerous procedure for banks, particularly cooperative credit associations and insurance companies. Furthermore, companies and shareholders are now allowed to do something they could not do before, which is communicate electronically and exchange information on the Internet. We must adapt to the new era of communication and this bill does just that.

The process by which information is disclosed to policyholders is also strengthened. I think this is a good thing. By doing so, we are making the underwriting of public companies more transparent.

The bill also attempts to increase director liability. We have questions about this. We will ask them during consideration in the Standing Committee on Finance and before the expert witnesses we intend to call. Since such bills are extremely technical, we need to call upon people in the field who worked under the old provisions and who may have an opinion about the new ones.

With regard to director liability, when such directors are taken to court, for example, there is a new defence. Previously, there was the defence of acting in good faith. A director was able to say, "Given what we were told, I made my decisions according to the information I had available". Now, we want to adopt a new type of defence for directors, which is called due diligence.

We do not know just how far this new defence for directors can go. I think that it would be worthwhile to examine this issue in greater depth, particularly since there are strong hints of scandals every week. We saw it in Quebec, among other places, with the Norbourg affair. In order to protect shareholders, we need much more than a potentially meaningless concept, such as due diligence. We need directors who are liable and audit methods that prevent scandals similar to those we have seen in recent years and now.

● (1045)

These involve insider transactions, on which we can never be too vigilant or severe. This is a provision that could improve our control over such offences.

Then there is the matter of public holder requirement, which requires institutions with equity holdings between $1 billion and $5 billion to make at least 35% of their voting shares available for trading on the public stock exchange. We have a number of questions on exemptions from this provision as it relates to public financial institutions. Among other things, we are going to clarify the situation with the cooperatives, but it does seem a positive change.

If we have to work on this bill—as we will do with all possible seriousness in the Standing Committee on Finance—there are some questions we will assign importance to, including the need for clarifications on the amendments relating to insider trading. Will this really help to catch the guilty parties?

As well, we have some questions on the consequences of broadening the possible defences for directors, as I have said, under this new concept of due diligence rather than the former good faith. Not that the latter is being done away with, but due diligence is being added as a defence when directors come before the courts.

We also have some questions on the consequences of opening up the criteria for application for exemption from the requirement to float 35% of voting shares on a stock exchange. That was our objection four years ago in connection with Bill S-11 and it still is today: the bill gives no consideration whatsoever to small shareholders. We will try to improve this bill so that small shareholders have a say in decisions made by the directors and will be better treated than they are at present. It is, for instance, my intention to personally invite Mr. Michaud, dubbed "the Robin Hood of banking", who is engaged in a pitched battle for those rights.

We are in favour of the bill in principle at second reading. We will be making some improvements and some clarifications during its examination in the Standing Committee on Finance.

Like my colleague from Cariboo—Prince George, when he said that, as a public administrator, the government should set itself strict guidelines on liability, I remembered a debate that we have been having since 1994 and that may well reach its apex in the coming weeks, during an extraordinary session of the Standing Committee on Finance. Furthermore, we will have a debate this evening on a motion by my colleague from Portneuf—Jacques-Cartier to abolish various corporate income tax regulations as they relate to the tax treaty with Barbados.

The state must be viewed as a big democratic company. This big democratic company has millions of shareholders: the taxpayers and citizens of Quebec and Canada. They are all shareholders in the state. If we draw a parallel between the public and democratic company called Canada and the regulations before us today, we see that some directors are not subject to the same rules that we want to impose upon the directors of crown corporations under Bill C-57. I am thinking, for example, of individuals who are in good position to apply double standards when it comes to calls for strict guidelines, liability, accountability, the elimination of conflicts of interest, and so forth. Some people who have worked for the Canadian state for a long time have used their status to get the governor in council and cabinet to amend tax laws and regulations so they can fill their pockets, as we say in Quebec. This was the case with the former finance minister and current Prime Minister.

● (1050)

I am often told, "Your approach is overly aggressive. You are always on the Prime Minister's back because of his shipping company, but it no longer belongs to him. It belongs to his children". It is still a family business. And this is not aggression, but rather merely concern that all taxpayers be treated fairly.

What shareholders and company directors are being asked to do in this bill, the Prime Minister has not required of himself since 1994, not since he was named Minister of Finance and not since he became Prime Minister. He changed the rules of the game for international shipping corporations operating in international waters. The headquarters of Canada Steamship Lines International has been in Barbados since 1994, in other words since the tax regulations and related legislation were changed. At that time, an exception was made in the tax treaty with Barbados so that Canada Steamship Lines International would not have to pay taxes to Canada. The current Prime Minister changed the rules, taking advantage of his position as finance minister.

I would like to return to my example of Quebec, which is a large democratic corporation in which everyone is a shareholder. The Prime Minister has managed to save more than $100 million in taxes since 1998, thanks to provisions that he himself had passed. It was he who introduced Bill C-28 in 1998. And in 1994 there was the change to the tax regulations.

So he built a gilded cage for himself in order to fleece the shareholders in the democratic country of Canada. As a result, he has not paid more than $100 million in taxes since 1998. That hurts all the other shareholders, to draw a connection with Bill C-57. When they do not pay their taxes—he and other corporations that are structured similarly, that is to say, a consortium of shipping companies or other corporations headquartered in countries considered tax havens, especially Barbados—it is all the other shareholders who pay for the poorer returns of the democratic corporation known as Canada.

This evening we will have an opportunity to remind ourselves of this with the motion of my colleague from Portneuf. We are going to have a special session in November when we will fully expose the machinations of the current Prime Minister at the time he was Minister of Finance and built a gilded cage for himself. He made sure that Canada Steamship Lines and other similar companies, his friends, could take advantage of these tax loopholes. As a result, we are still paying taxes to Canada while he fleeced the Government of Canada out of about $100 million.

We are speaking about the responsibility of all citizens of this country. All the citizens are shareholders or company directors and should feel a certain amount of responsibility. For starters, when a person is Prime Minister and was finance minister for years, he or she should set an example. I think he set the wrong example. And we are going to prove it over the next few weeks.

I repeat that the Bloc Québécois will support this bill in principle. However, we are going to make some improvements to it. In regard to the other matter of the large democratic corporation in which we are all shareholders, we will be keeping an eye out and will shed light on the allegations that I have made.

● (1055)

[*English*]

Ms. Alexa McDonough (Halifax, NDP): Madam Speaker, I welcome the opportunity to ask the hon. member from the Bloc Québécois a couple of questions, although my colleague, the finance critic in the New Democratic Party caucus will be speaking more broadly in the debate on Bill C-57, an act to amend certain acts in relation to financial institutions.

The couple of questions I want to put to the member arise out of some of the concerns I have about the gap between the rhetoric we have heard from Liberal members, the parliamentary secretary and the member for Esquimalt—Juan de Fuca, and the actions. The rhetoric that has accompanied the introduction of the bill is along the lines that this is about greater efficiency, more responsible use of taxpayer dollars, greater dollars and transparency and ensuring that every taxpayer dollar is protected. Yet when one looks at what we are dealing with, and this is the government's explanation and not some partisan twist on what we see before us, the act is about is making changes to the corporate government's framework of banks, insurance companies, et cetera to bring them into line with the changes to the Canada Business Corporations Act for business corporations. These changes were adopted in 2001.

When it comes to efficiency, if we are to believe that the bill before us is so incredibly important and great results will flow to taxpayers of Canada from it, one has to ask about the inefficiency of waiting four years before the bill was brought forward. No wonder we have some strains on the public purse, and that is even before we get to the Dingwalls and all the other things that are the subject of the Gomery inquiry, et cetera.

First, does the member share that concern? Does he not think there probably were other priorities for tax dollars, which apparently have not been protected during these four years while the government delayed?

Second, in the same sort of context of efficiency, of the government moving quickly to address these matters, one has to be concerned. The New Democratic Party very much shares a concern, and it is not just about our colleague from Ottawa Centre who was a major architect of the important work done.

The Canadian Democracy and Corporate Accountability Commission addressed many of the same kinds of issues, and it has been sitting gathering dust for a long time. The former New Democratic Party leader, who now sits in the House and provides very distinguished leadership, was the co-chair of that commission. Again, many of these recommendations have yet to be introduced which certainly raises in our mind concerns about how efficient and effective the government is in moving on these important issues. Could the member indicate if he shares some of those concerns?

● (1100)

[*Translation*]

Mr. Yvan Loubier: Madam Speaker, I thank my colleague for her comments and questions.

She has put her finger on one fact about this government. If it is so urgent to enact certain of these provisions, why the four-year delay in proposing them? I agree with her totally. What is more, when we did enact some new provisions back in 2001, thanks to Bill S-11, we were already years behind the times as far as business corporations are concerned. This was also the case when the Bank Act was reviewed. Normally, this is done every five years. Financial realities, the market, configurations and the industrial structure of this sector change, but this government let seven and one-half years go by before reviewing the Bank Act.

The main cause of the urgent need to enhance efficiency to which the government's speakers have referred lies in the numerous scandals the government has been confronted with, particularly the lack of responsibility and transparency in handling public funds. Now the government is trying to clean up its reputation. Under the pretext of wanting to avoid financial scandals, by tabling a bill on responsibility and accountability, it is trying to pass itself off as the defender of these virtues, while it is up to its elbows in corruption, up to its neck, even.

This is a positive bill, but the actions of this government make it obvious that it is trying to clean up its tarnished reputation. Unfortunately for the government, however, people have pretty long memories. They have not been able to clean up public finances, so they are trying to show that they are capable of cleaning up elsewhere. The only impression that leaves is that they lack credibility.

[*English*]

Mr. Paul Szabo (Mississauga South, Lib.): Madam Speaker, the member highlighted some important aspects of the bill and then used the parallel to accountability and transparency of government itself.

The Canadian Comprehensive Auditing Foundation held a round table this past Tuesday. It said that there was a clear matrix of responsibilities in the accountability relationship, first, the government reports to parliament, and second, Parliament in turn holds government accountable. It also went on to mention that one of the pivotal roles played in that accountability was the public accounts committee, which in the Westminster system is typically chaired by the opposition, and that is the case for us. Would the member to comment on that?

Also would he comment specifically on the broader question about whether the resources are available to discharge the responsibilities that are put on Parliament in terms of holding government accountable?

Members of the Canadian Institute of Chartered Accountants have been on the Hill this week. They have been talking about governance issues and accountability and transparency issues. One of the important aspects that I talked to some of the representatives about last evening had to do with directors' liability.

The member is aware of Worldcom and the Enron situation. As a result of the severe consequences with respect to directors' liability, the corporate sector, and I can only presume the banking sector as well, is having difficulty attracting good quality people to be directors of corporations to discharge those responsibilities because of the onerous responsibilities and exposure they have under liability. This is very troubling. There are cases where marquee directors have been appointed, people who have held many directorships, and they cannot discharge all their responsibilities. They are there simply to attract other directors.

We have to keep our eye on the issue of directors' liability. I hope the member will share some comments on that as well.

● (1105)

[*Translation*]

Mr. Yvan Loubier: Madam Speaker, I want to thank my colleague for whom I have a great deal of respect. I also want to commend him on his work in Parliament. He is on top of every debate and topic discussed in Parliament. I share his opinion on all the financial scandals in the United States and here. It is becoming increasingly rare for an experienced director to want to run a public company, and with good reason. There are millions of shareholders who have lost exorbitant amounts of money in these numerous scandals. Just recently in the Norbourg affair in Quebec, let us say the news is not good.

Nonetheless, as I was saying earlier, the bill is an improvement in terms of transparency and diligence. However, there are no specific provisions in terms of auditing and that is what we want to work on at the Standing Committee on Finance. There are no specific provisions on auditing or the authenticity of information on the activities of a publicly traded company. As for the directors' responsibility, there is some grey area in the definition of the new concept called "due diligence", which supposedly could, according to discussions held with senior officials, improve the level of security of directors in terms of legal proceedings, while ensuring that rules are clearer on their responsibilities. This is being called "due diligence".

This is what we heard:

> With a due diligence defence, the directors may act reasonably prudently by relying on financial statements represented to them by an officer of the corporation or by relying on their own assessment of the financial health of the corporation. However, the due diligence defence also recognizes that the nature and extent of the expected precautions will vary under each circumstance.

Admittedly, this is quite vague. This is supposed to improve the situation and directors and shareholders will feel more secure. However, we do not yet know how. These are issues we are going to delve into at the Standing Committee on Finance.

Hon. Roy Cullen (Parliamentary Secretary to the Minister of Public Safety and Emergency Preparedness, Lib.): Madam Speaker, I thank my colleague from Mississauga South. I welcome this opportunity to rise in this House to speak on Bill C-57.

We are well aware of just how important the financial services sector is to the Canadian economy, and that of Toronto in particular, where my riding is located. The steps taken by our government in recent years attest to that fact. We have passed legislation ensuring that financial institutions have the modern regulatory framework they need in order to be competitive in today's global economy. Bill C-57 builds on these initiatives.

● (1110)

[*English*]

This bill builds on the financial services restructuring package that was introduced and passed by Parliament in 2000. I think it was the largest piece of legislation that was introduced and passed by Parliament dealing with the financial sector in Canada and how it was going to be structured or allowed to structure itself. Of course, a major piece of that legislation dealt with bank merger guidelines.

At the time there were governance issues affecting the major banks and financial institutions that were not dealt with, so this bill addresses some of those governance issues. For example, it brings the legislation up to date to recognize the fact that the major insurance companies were demutualized. It also deals with the issues around deposit insurance and aligns this act with some of the features of the Canada Business Corporations Act, for example, the question of the defence of due diligence by directors.

In fact, my first private member's bill in 1997 dealt with giving directors the defence of due diligence for corporations incorporated under the Canada Business Corporations Act. It was necessary I felt, and in fact it was incorporated later into the Canada Business Corporations Act, that directors would be given the defence of due diligence.

What that means is that if directors of companies asked all the right questions, demanded certain information in certain ways and did everything that was reasonable for directors to do, then they would not be held liable if something occurred subsequently which created problems for the corporation. I think it is fair for directors to have that defence because directors come together for board meetings maybe once a month. It is management that is primarily responsible for running the company.

For example, if a company was building a big plant and the director asked about the impact on the environment by the plant, and wanted an independent study conducted by environmental engineers, once the study was conducted and the environmental engineers said the plant would create no environmental difficulties, then at that point in time I think the director has discharged his or her responsibility. Subsequently, if the plant creates some environmental problems, then I do not think the director should be held liable. That is what the change to the Canada Business Corporations Act did and that is what the changes to Bill C-57 contemplate as one of the pieces with respect to the financial institutions legislation.

Corporate governance is one of those items that has received more attention in the last few years around the world, particularly with the advent of the Enron scandal in the United States and WorldCom. We have not been immune in Canada either. We have had some difficulties with corporate governance at Nortel. I cannot remember the company name, but there was the Drabinsky theatre group that got into some problems.

Corporate governance is a very topical matter and concerns, of course, a lot of citizens who own shares in companies, pension plans and mutual funds. In fact, many Canadians hold shares in companies in Canada through either mutual funds or pension plans or hold those shares directly. It is important to them that corporate governance is sound.

That is why, following the Enron and WorldCom situations in the United States, members on this side reacted. I do not know about members on the other side as I do not think they spend much time worrying about things like this. They are more interested in a $1.50 pack of gum that Mr. Dingwall bought. Nonetheless, corporate governance is a very important matter because it affects the investments that many Canadians have made. Following Enron and WorldCom, the United States, through its Congress, brought in legislation referred to as Sarbanes-Oxley that basically brought in tough corporate governance rules for companies.

● (1115)

The reality is that the Sarbanes-Oxley legislation, while well intentioned, has had some mixed reviews, but it did raise the question, certainly on this side of the House, of what we should be doing in Canada, so we struck a caucus committee, which I was honoured to chair, and we looked at corporate governance in Canada.

Canada has a complicated quilt of different jurisdictions and different organizations that get involved in corporate governance. We have the Ontario Securities Commission. We have organizations like the Canadian Public Accountability Board, which was set up just two years ago to give oversight over auditing firms, so that auditing firms are held accountable to the audit reports that they issue. Many investors rely on these audit reports because if they give companies a clean bill of health, then someone investing in those companies has a right to expect that they have a clean bill of health. The Canadian Public Accountability Board was set up to monitor the performance of auditing firms.

We also have the Canada Business Corporations Act. I forget the exact statistic but something like 30% to 40% of the public companies in Canada are incorporated under the Canada Business Corporations Act. It is a large number of companies. It does not represent all companies, but it is quite comprehensive.

Therefore, our view, coming out of that review, was that the Canada Business Corporations Act could be used and should be used as a benchmark, as a worldclass standard that should be implemented. This is an area that the Government of Canada can control very directly. Through Parliament, we can pass legislation that sets the corporate governance rules for corporations incorporated under the Canada Business Corporations Act.

What does corporate governance consider? It deals with a whole host of things. It deals with things such as the composition of a board of directors and whether there should be independent boards of directors. We saw problems, for example with Nabisco, which was a big fiasco years ago where the CEO hand-picked all the members of the board of directors and paid them $40,000 U.S. a year. They would go to fancy meetings and so on. When the executive made presentations to the board of directors, they were all hand-picked buddies of the CEO and chairman, and nothing really came under close scrutiny. There are issues around the independence of the members of the board.

There is the question, which particularly comes up in the context of financial institutions in Canada, of what the requirements or limitations are in terms of the participation of foreign directors on boards of directors. Should a bank such as the Bank of Montreal or an insurance company such as Sun Life be allowed to have unfettered access to members of their boards who are U.S. citizens, for example, as opposed to Canadian citizens?

There are issues whether the role of the chief executive officer should be split from the role of chairman of the corporation, so that the chair could be independent and provide more oversight over the CEO and his or her executive team.

There are issues around executive compensation, stock option plans and the transparency of those. One of the problems or challenges we had was public companies' quarterly profits being reported and those profits really determining the share price of a company to a large extent. The management of companies is under huge pressure to keep earnings per share on the rise. That sometimes puts officers of a company in a position where they might compromise their ethical standards, frankly.

We saw that in a big company in the United States, Xerox or one of those, that simply capitalized a whole range of expenses that should have been expensed. Of course, if those costs had been expensed, it would have had an impact on earnings per share. Its share price would have been affected, so they treated them as assets rather than expenses. Even the most cursory examination by an accountant would have or should have revealed that those were not assets, those were expenses.

● (1120)

With the pressures on management to perform in terms of earnings per share, we need to have complete transparency with respect to stock options, so that shareholders know that the executive of a company has certain incentives to see the share price increase. In this way shareholders know precisely what is going on.

There are issues about the handling of proxies for meetings, so that the executive and the management of a company do not dominate what happens at these meetings. There are a whole range of developments under corporate governance, but I am pleased to note that the Minister of Industry is conducting a review of the corporate governance under the Canada Business Corporations Act and I hope that he picks the best practices.

We have had some time now to learn from the experiences of other jurisdictions, looking at what the United States did and others, and consulting with the industry and other stakeholders to pick the best practices in terms of corporate governance and enshrine them in the Canada Business Corporations Act.

That would not impact every single company in Canada, but it will be the new benchmark. It will set the standard and the Government of Canada can take pride in that because it will protect investors, whether they are direct investors, big monied investors, or small investors through mutual funds, pension plans or the like.

There has been a great deal of press recently about the bank merger guidelines, whether the Minister of Finance will come out with the new bank merger guidelines. The financial sector legislation was enacted by this Parliament around 2000 set up a process for large bank mergers. It set up a role for the Standing Committee on Finance of the House of Commons and the Senate banking committee, so that those committees would be charged by Parliament to assess the public interest questions around major bank mergers. It was enshrined in Bill C-7.

The banks of course are looking for certain clarity around what a large bank merger would entail, what would be the appetite of the government to allow another bank merger. This is a vexing question because in Canada we know there is a large concentration of banks and further consolidation would raise some questions.

The bottom line is that if we were to allow another merger of two major banks, what would the benefit be to Canadian consumers and Canadian business? We know the benefit to the shareholders of major banks, to the boards of directors and all those with stock options. They would receive a benefit and that is fine. Profit is not a dirty word. However, we need to understand what the benefit would be to consumers in terms of choice, access to services, and would it enhance the ability of Canadians to do their banking? That is the question on the table.

Another issue that has been presented has to do with cross-pillar mergers. When the finance standing committee of the House of Commons dealt with large bank mergers and the public interest aspects of that, the committee did not really deal with the question of cross-pillar mergers. Cross-pillar mergers would entail the merger of a large bank with a major insurance company, for example, Sun Life merging with the Royal Bank of Canada.

There has been some discussion, pro and con, as to whether that would be a good thing or a bad thing. The empirical evidence would suggest that there is not a lot of synergy or appetite within those two different sectors. They have a different business culture, a different business model, but nonetheless, it is an important question because it allows a concentration of capital. It allows a company to have stronger capitalization.

This is one of the things that is important for banks because they are dealing in an international world. If their client is a Canadian company that is a multinational and wants to expand globally, the banks have to have the capital, the care and the capacity to do that kind of work. So, there is some interest there. That is a debate I am sure we will have maybe in the next Parliament, but it is an important question.

● (1125)

When the Minister of Finance comes out with his bank merger guidelines I hope he will ask the Standing Committee on Finance to examine the public interest aspects of cross-pillar mergers because that was not really dealt with in any detail by the finance committee. We focused mostly on large bank mergers.

As I said, this huge piece of the legislation did a number of things. It described the process under which large banks could come to government seeking a merger but it did much more than that. What it attempted to do was create more competition within the banking sector so it created greater opportunities for the credit union movement to grow and enlarge. It gave more opportunities for foreign banks to participate in the economy in Canada. It gave a lower threshold for start-ups of banks in Canada. It set up the consumer protection agency. It did a number of things, which is why it was such a large bill when it was presented to the House.

Not only does the House of Commons committee and the Senate banking committee look at the public interest aspects, but the Competition Bureau weighs in and makes a determination of whether a bank merger would create any anti-competitive types of situations. The Office of the Superintendent of Financial Institutions also makes a determination of whether a merger would create any issues around prudence and stability of the financial sector in Canada. Therefore it is quite a rigorous process.

One of the ironies is that if two major banks were to merge, the Competition Bureau would very likely say that there would have to be a divestiture of certain branches. Let us say, in the case of the Toronto-Dominion Bank and the Bank of Montreal, if they ended up with too many of their banks in a small town in Ontario and not enough of the other banks, the Royal Bank and CIBC for example and others, the Competition Bureau might say that now with this merger there is too much of a dominant position by that bank in that city or that region and it has to divest of certain branches.

This creates an interesting aspect. In the past this has always been seen as a negative in the sense that if they have to divest that means the people in that local community have less choice and they do not have the range of options that they might have had if the banks just stayed the way they were. There is clearly some truth to that.

In the last few years some of the smaller banks, Laurentian Bank, the National Bank and the credit union movement, have indicated very clearly that if the Competition Bureau indicates that a bank merger would require divestitures that they would be very interested in buying up those branches. The ironic twist is that we could end up with more competition in a regional market if we ended up with some of these smaller banks in those locations.

Therefore it is an important question and it is a vexing question and I am sure the next Parliament will deal with that.

However I am very happy to support this bill because it would bring the financial institutions legislation more in line with the Canada Business Corporations Act. It would provide the corporate governance requirements that we need. I hope down the road that there will be further enhancements to governance for banks that will be further aligned with the changes to the Canada Business Corporations Act that I certainly expect will be coming.

[*Translation*]

Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Madam Speaker, I have a related question for the hon. member who just spoke.

At the beginning of his speech, he indicated that Bill C-57 was part of a modern regulatory framework. That is understandable. We have to keep up with the times.

On the whole issue of access to information and the use of electronic communications to transmit any type of information, I was wondering if this was satisfactory? Is the hon. member satisfied? He did point out that this was a large piece of legislation. I am not as knowledgeable as our hon. colleague, but I am concerned because of the major challenges we are facing. I will not run down the list, but there have been scandals and, in one instance, privileged and confidential information held by a financial institution was made public.

Given the large number of amendments contained in Bill C-57 and the large number of acts in relation to financial institutions affected by these changes, I was wondering whether it had been necessary to improve security once again around the whole access to information issue, particularly where the privacy of individual citizens is concerned.

● (1130)

Hon. Roy Cullen (Parliamentary Secretary to the Minister of Public Safety and Emergency Preparedness, Lib.): Madam Speaker, I thank the member for Rimouski-Neigette—Témiscouata—Les Basques for her question. She is asking an extremely important question about the rights of citizens and consumers with regard to confidential information.

[*English*]

I am not sure the bill deals specifically with the question of privacy provisions but I do know that the protections under the Privacy Act are quite demanding.

The member might recall problems that occurred when one of the banks was processing data in the United States and it could have come under the purview of the Patriot Act. I have been told on pretty good authority that the problem has been rectified. However it is a constant challenge. We do know there is a lot of identity fraud, people purporting to be someone they are not. This is why when we go to banking machines we are told to protect our code, but even with all of that people will try to break that system such as computer hackers.

We should be quite proud of the strength and the progressiveness of the banking sector in Canada. When it comes to building firewalls and protecting data, generally they do a very good job, but it is a work in progress for which, I suspect, they need to be constantly vigilant.

Protecting the privacy of Canadians is paramount and I am not sure this legislation deals with that specifically. The member is right, it is a very important point and something the government is seized with as well.

Mrs. Lynne Yelich (Blackstrap, CPC): Madam Speaker, I enjoyed listening to the member speak to the bill. I would like him to give me an idea of how this would affect small banks in small towns because he said that the interests of the consumer were very important.

It appears that the more these banks do merge, the services are not there any more. We, in Saskatchewan, for example, who deal with the Royal Bank, we phone our bank 10 miles down the road and our calls go to Winnipeg, which is in another province.

Is that something that might be under the purview of the bill or is it something that is under the purview of each of the banks? I sort of wonder about that. Could the hon. member tell me in simple language how the people would be affected? If he heard from the common people, perhaps witnesses at committee who had concerns about the bill, could he relate to us what some of those concerns were so I could grasp how this affects our small communities and smaller populations in provinces like Saskatchewan?

● (1135)

Hon. Roy Cullen: Madam Speaker, even though what the member has raised is not dealt with specifically in the bill, I dealt with it in my remarks and I think it is an important question.

Of course the issue around bank mergers still has to be debated and decided but we are not there yet. However there will come a day, I am sure, where banks will come forward and look to merge. I think this is where we as parliamentarians, in looking at the public interest aspects, have to deal with the question of the access and service that consumers will have, especially in small rural communities. In a city like Toronto, if the local branch of the CIBC closes, one can go to the TD Bank or the Royal Bank. There are a lot of options in large urban centres but in parts of rural Canada this could be a very big problem

For example, if a merger occurred between, let us say, the Toronto-Dominion Bank and the Bank of Montreal, in one small town in Saskatchewan that merged entity would be seen as having too dominant a position and the Competition Bureau would say that has to be divested. So now we are down to maybe one bank in that town. We know that if consumers and small business operators do not have choices they are sort of hung out to dry.

The question I think the House of Commons and Senate banking committee will be wrestling with when a merger proposal does come forward is: What does this do and how does it enhance consumer access to quality products and services?

As I indicated in my remarks, there is one interesting twist to this. Before, when we dealt with bank mergers back in 1998 I guess it was, the banks were not prepared to deal with the question of, if there was a divestiture in a certain town, what would happen. However today the banks realize that if there is going to be a divestiture in a small town in Saskatchewan, or in Ontario, or in New Brunswick, they need to have a plan and they need to be able to put those assets up for sale. Smaller banks, regional banks, credit unions, the Laurentian Bank, the National Bank, the Hong Kong and Shanghai Bank, banks like that, have come forward and said that they would be interested in picking up those assets.

In terms of the process of bank mergers, I think the challenge will be to align all that up simultaneously so that we have comfort as parliamentarians that in fact some other bank will pick up that branch that might be divested. I think that will be a very serious question.

In my riding, as it is, I am sure, in the riding of the member for Blackstrap, even though the banks have responded to some extent in a greater capacity in terms of small business lending, there is still a lot of angst out there that the banks are not being as helpful as they could be to small business. I think that will be a question on the table as well. By consolidating and by bulking up the bank what is that going to do in terms of capital that might be available for small business? I think that will be an important question as well.

We are not there yet but it is an important question. I am sure it will be in front of this Parliament sometime in the next year or so. I think the member has raised an important question that we will have to deal with and deal with very carefully.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Madam Speaker, I am glad to have the opportunity to speak to Bill C-57 at second reading. It is very importance legislation.

Some would think, based on the low key nature of this debate, that this is a rather mundane, routine kind of legislation, that it is housekeeping to simply bring things into line. The NDP views the bill as far more significant than simply a matter of housekeeping and tidying up on the part of the government, and I want to point out some concerns right at the outset.

I begin by referencing those Liberals who this morning had the audacity to stand up and suggest that this was a good example of Liberal efficiency, that the legislation was about making our programs and our institutions more efficient and in line with modern day standards.

Let us look at the history. We are talking about a government that in the year 2005 has brought in legislation to bring in line legislation that was passed in the House in 2001. The last time I checked four years have gone by. Four years is a heck of a long time for the government to move on efficiency. I guess one could say, by the very nature of what we are dealing with, the government belies the very definition of efficiency. Only Liberals could say that waiting four years to bring something into line with a 2001 bill is efficient.

My goodness, this goes to the nub of the issue we face on so many fronts when we deal with finance. We have a government that dithers. We have a finance minister who cannot make up his mind about bank mergers. I also want to reference the speech by the Parliamentary Secretary to the Minister of Public Safety and Emergency Preparedness who focused so much of his remarks on bank mergers, suggesting that this was a matter that would be advanced if the banks supported the idea of mergers and wanted it to come forward.

The parliamentary secretary is being a little disingenuous. We know the banks have been demanding that the government bring forward merger legislation for years. We have a finance minister who promised it would be on the table this summer and this fall. Now we understand that the finance minister got cold feet because he was not sure the had the support of everyone in the House for bank mergers. He dared to suggest that he had to pull it back because of political game in this area and that it had become a political issue.

The government of the day sets the agenda. The government of the day determines what needs to be acted on. The government of the day is supposed to deal with the public interest. Surely, if the finance minister thought it was important, he would have brought it forward.

However, we recognize the fact that the Minister of Finance was cautious in his approach and needed some more support and backing. Therefore, we presented a very reasonable proposal to the Minister of Finance. We suggested to him that there would be support perhaps for the idea of bank mergers if the government would finally deal with a long list of outstanding issues that were of concern to Canadians and consumers in all our communities.

We pointed out to the Minister of Finance that he was not in a very strong position to move on bank mergers if he had not dealt with banks that shut down branches without any regard for the communities they were abandoning. The parliamentary secretary who just spoke tried to suggest that in small towns banks no longer do that, that they do not close branches and leave a community high and dry.

Perhaps that is true in small towns, but it is certainly not true for communities within large cities. It is certainly not true for inner city neighbourhoods. It is certainly not true for older north end communities. It is certainly not true for Winnipeg North, where the banks shut down every branch in the entire north end of Winnipeg without regard for citizens to be served or for the needs of people to have access to financial institutions.

● (1140)

We suggest to the Minister of Finance that if he wants to move on bank mergers and wants us to even look at the idea, then perhaps he should deal with that very issue. Perhaps he should have some teeth in legislation that prevents banks from unilaterally shutting down branches and abandoning entire communities. Perhaps he should deal with the credit card interest rates that banks set. Perhaps he should deal with the huge rise in numbers of payday lenders without regard for regulation. Perhaps he should deal with a form of reinvestment in our communities, which is present in the United States, and ensure that banks that benefit from communities and that reap their profits from loyal customers over the years put something back into those communities before they up and leave and abandon entire neighbourhoods.

We gave the minister all kinds of ideas and help to bring forward this issue. I want the record to show that it is absolutely irresponsible on the part of the Minister of Finance to suggest that he could not go forward because of political games that were played by members in the opposition.

On the part of the New Democratic Party, we are not playing political games. We are trying to do what is in the best interest of Canadians. We are trying to ensure there is some measure of accountability, efficiency and transparency in the area of financial institutions. That gets us right to the heart of the bill.

The bill attempts to modernize the corporate governance framework for Canada's federally regulated institutions. That is clearly an issue of great importance in this day and age of corruption and scandals in the corporate sector. We would expect the legislation to help us deal with accountability and transparency in all federally regulated institutions.

As I already said, we had a lot of chances to deal with this before, and finally we see something happening. I wish it had not taken so long. We have to see Bill C-57 as a process that has been underway in the country for a long time, certainly in a formal way since 1994. It is one that has seen other phases and has taken other legislative forms. Bill S-19, Bill S-11 and Bill C-8 are all legislative examples that leap to mind. Let us not forget the MacKay task force and the several parliamentary committees that have studied this issue over the years.

There is another aspect to this whole debate. It is the need for reform that comes not just from corporations or the financial sector as a whole, but one that is part of an ongoing broadly based shareholder and consumer movement, a movement that is trying desperately to establish greater public access to the instruments that control our economy and the impact on our livelihoods and finances in major ways.

That is part of the debate we have to address today. At least members of the New Democratic Party have been diligent about raising such issues in the past. I want to refer members to the January 2004 announcement of my party for a pocketbook protector, which outlines a comprehensive set of proposals to protect Canadian consumers including, may I emphasize, the establishment of citizen utility boards to give stakeholders an organized voice and some real clout and increased openness in Canadian financial and other corporations that would be modelled on the American experience with the Sarbanes Oxley act and other measures.

I mentioned that we gave the minister all kinds of suggestions around the whole bank merger issue for bringing more accountability to our banking sector. This summer I responded to the Minister of Finance's letter on his demand that the NDP and other opposition parties come clean with their position on bank mergers. I said to him that legislators and consumers currently lacked basic information to determine whether banks acted in the public benefit in accordance with their public charters. There is a huge potential for improving transparency in banking without compromising legitimate privacy concerns or good business practices. Legislative changes are clearly needed to enable the public to track bank activity in our communities

● (1145)

I want to mention another indirect initiative from the NDP. That is the Canadian Democracy and Corporate Accountability Commission, chaired by the member for Ottawa Centre. This commission examined ways to increase corporate responsibility. The member for Ottawa Centre attempted to raise many important issues and to lead efforts to reform Parliament to better embody our democratic impulses. However, those political reforms would be incomplete if our financial institutions and their decisions remained isolated from the vast number of Canadians that they serve.

What took the government so long? Why does it go in starts and fits? Why does it get something going and then pull back? In the case of banker mergers, why has it dithered about its response? On the question of income trusts, why does the government suddenly decide to study the issue and the next minute decide to crack down on the expansion of any income trusts, knowing full well the millions of dollars that are lost to our public coffers because of corporations taking advantage of this loophole?

Finally we have a chance for action, and that is what we are about to do.

There are some positives in the bill and some negatives. There are measures in it that would improve financial sector governance, and I do not want to dispute that. It recognizes changes in our communications technology and reflects those changes by accommodating electronic communications.

Bill C-57 would relax the overly restrictive limitations on shareholder communications. For example, it would allow shareholder communications without necessarily triggering proxy rules. The bill also would harmonize the legislation covering the various types of financial institutions. It introduces some long overdue measures to upgrade governance of the crucial financial institutions regulated under the direct authority of the federal government closer to a standard appropriate for the 21st century.

In particular, I want to emphasize a change that has been long overdue and one that all of us have fought for in this place. That is the alignment of the Cooperative Credit Associations Act and the Bank Act. This is very important because it will provide cooperatively structured companies with equal treatment on their share requirements as that afforded other more traditionally structured groups. This previously has been denied to them on account of the outdated limitations imposed by current legislation. Cooperatively structured corporations should be encouraged in Canada, not penalized. The measure in the bill at least puts them on an equal footing in one important area.

I will now get on to some of the negatives in Bill C-57.

I want to emphasize the fact that this legislation ignores the Broadbent commission. It has failed to incorporate modern, progressive, corporate-social responsibility initiatives recommended by the Canadian Democracy and Corporate Accountability Commission, also known as the Bennett-Broadbent commission of 2002.

Despite assurances at the time of the passage of Bill S-11 that the government would as a matter of course incorporate the positive suggestions of the commission into its corporate reform vision, the thrust of the commission's work and its specific recommendations remain largely ignored in Bill C-57.

That independently funded commission was composed of five members, three from the business community, one from organized labour and one with a political background, that being the member for Ottawa Centre.

Between February and September of 2001 the commission travelled across Canada. It held public hearings, meetings and received briefs and presentations from a wide cross-section of Canadians interested in corporate governance issues. It further conducted a public poll on the issues and concluded its activities with a report in 2002 containing 24 recommendations.

● (1150)

Regrettably, the work of the commission was superseded back in 2002 with the government's Bill S-11. We tried at that time to get the whole process to address the commission's findings but unfortunately were not able to do so.

Among the recommendations contained in the Broadbent commission's final report, entitled "The New Balance Sheet: Corporate Profits and Responsibility in the 21st Century", was this recommendation:

> Companies should have governance structures facilitating the development of a corporate culture supportive of corporate social responsibility. In particular, a committee of the board of directors should be assigned responsibility for corporate social responsibility matters. A senior executive should be appointed corporate social-responsibility ombudsperson and have direct access to the chair of that committee.

Many other recommendations put forward by the commission are important and have not yet been accommodated in this legislation.

I want to mention another very important issue and that has to do with a watchdog agency, because I think that perhaps the key element in any progress in realigning stakeholder authority and increasing accountability lies in the development of an independent watchdog capacity. This element has been missing in the governance of federal financial institutions generally and it is still not there. This has left stakeholder voices without a vehicle of expression when concerns about corporate behaviour arise.

Provision for the formal recognition and integration of independent watchdog groups must be incorporated, in our view, as an essential part of any corporate governance landscape. The NDP, together with many consumer advocates, has proposed an effective, inexpensive way of starting and maintaining such groups. This involves utilizing the already existing corporate communications network, mail-outs or other communications to shareholders, policyholders, et cetera, and using that network to disseminate information about forming a consumer watchdog group, along with contact numbers for those who wish to follow up.

This type of communications tool should become, in our view, a regular element of corporate mailings at specified intervals. The distribution of notices of annual meetings or annual reports is commonly suggested as a very minimum.

Having a consumers' agency with responsibilities to others besides stakeholders may be appropriate for other purposes, but it is not an adequate response to the need for an independent and exclusively consumer-oriented mechanism.

There has been a lot of support for such an oversight group. It has been endorsed by 31 citizen groups, including 18 national organizations, but it is not limited to citizens' groups alone. It has also received support from the House of Commons and Senate finance committees. Also, it was supported by the 1998 MacKay task force on the future of the Canadian financial services sector.

There has been a heck of a lot of discussion on this issue over the years and a lot of support from all sectors. The question is, how can we make it a reality? We have an opportunity in this bill to do just that. We have an opportunity to modernize the fiduciary framework for financial institutions.

There has been a battle raging for some time now over the parameters of legitimate director activity. In Bill C-57 it is apparent that those favouring a narrow, conservative and, some would say, dated interpretation must be questioned. To turn a profit for shareholders irrespective of the consequences is an approach better suited to the 19th century than the 21st century.

I could go on with many other recommendations, but let me conclude by saying that this bill is long overdue. There are some major parts to it that are important. We particularly value the acknowledgement of the cooperative sector and we want to see this bill approved with that component in it, but we would also like to see some changes. We will be working very hard in committee to address the outstanding issues and to ensure that consumers have access to financial institutions on a basis of accountability, efficiency and transparency.

● (1155)

Mr. Paul Szabo (Mississauga South, Lib.): Madam Speaker, I want to thank the member for her contribution. As a member of the finance committee in this debate at second reading on Bill C-57, she went through some excellent history, particularly that of the Bennett-Broadbent commission report and the MacKay task force report. There is a number of underpinning or foundational documents and studies which I think will be very helpful to the committee as it deals with a bill that is almost 300 pages long in both official languages.

It is going to take some careful work to ensure that we do get it right. That is one of the reasons why at second reading it is important for members who have interests in certain aspects of the bill to ensure that their input, either through debate or through their critics, is brought to the finance committee to help it do the job.

As the member laid out, the bill itself has some themes. There are four broad categories which the committee will be working on. The first is with regard to clarifying the role of directors. The second is about enhancing the rights of shareholders. The third concerns modernizing practices within the financial institution group. The fourth is about strengthening governance elements of the regulatory framework, an extremely important aspect and the member did comment on it. Finally, with regard to the Insurance Companies Act, certainly there is the clarifying of the policyholder governance in view of the fact that we have had this demutualization within the insurance industry.

I want to urge the member to consider one aspect for the committee's consideration, and it is with regard to the role of directors. We know the issues with regard to Enron, WorldCom, et cetera. There were officers and directors who were knowledgeable of the business practices and the decisions taken that gave rise to serious business failures, which led to significant losses to the citizens. However, we should celebrate our financial services industries as well. The failures in Canada have not seen the same kinds of problems that have been experienced in the United States.

The member is also aware that the financial industry, although it takes a pretty good beating in the public with regard to making $1 billion or something like that, does not often get credit for the fact that it employs about 600,000 people and contributes about 6% to Canada's GDP. I would also add that there is the industry's philanthropic work and the matter the member raised about the social aspect of the banks. That has been well established and well appreciated by Canadians for many years.

With regard to the directors and the specific question, there is the issue of directors' liability. Last evening I was at a function sponsored by the Canadian Institute of Chartered Accountants, at which I became aware that there is a serious concern about the low number of people putting their names forward to be directors of corporations because of the high risks and the liabilities associated with directors' responsibilities. It is a very important issue.

At the same time, and the member may have an opportunity at committee to get this kind of information, we have a broad range of financial institutions as well as corporations which have a tendency to seek marquee directors who are paid significant bonuses to join the board, along with stock options, et cetera, simply to be there to attract others. Would the member indicate whether she shares that concern and whether this kind of thing may also help to improve the governance scenario as it relates to financial institutions?

● (1200)

Ms. Judy Wasylycia-Leis: Mr. Speaker, that is a very good question. As I touched on in my speech, there is clearly a raging debate going on about the parameters of legitimate director activity.

There are those who subscribe to a rather dated Conservative view, as I mentioned, accepting the notion that turning a profit for shareholders irrespective of consequences is okay. However, there are those who demand far more accountability.

I think we have to stress that failing to demand of corporate directors that they consider other stakeholder interests beyond narrow stakeholder profit is leaving Canada's corporate governance lagging behind other jurisdictions.

The member may know that the Canadian Institute of Chartered Accountants and others have recognized that there are legitimate considerations to be taken into account, but if we do not have a legal requirement, even enlightened boards of directors have their hands tied. It is also worth noting that Britain has adjusted its fiduciary requirements, as have the majority of U.S. states, which now have non-shareholder constituency laws.

Finally, let me point out that the Corporate Responsibility Coalition has suggested wording that we should look at to be included in all Canadian legislation related to corporate governance. It states something like this: corporations established under this law shall advance the interests of shareholders only in ways that fully take into account, fully and publicly document and fully adhere to the highest global standards for the protection of human rights, the environment, public health and safety, consumers' rights and shareholder rights. That is an important suggestion.

I will conclude by saying that we must remember that the proportion of bank resources from depositors, for example, far outweighs the investment by shareholders. We have to take all of this into account at the committee. I appreciate the member's suggestions.

● (1205)

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Mr. Speaker, I appreciate the opportunity to speak to Bill C-57 which introduces a new governance framework for the financial services sector. Other colleagues have spoken quite eloquently about how important this bill is to bring governance standards for the financial institutions up to date. This proposed legislation would give financial institutions and their stakeholders the governance tools that they need to allow them to continue to play a key and leading role in Canada's economy. It addresses concerns that many Canadians have about corporate governance.

The financial services sector not only plays a vital role in the economy but also in the financial lives of Canadians, whether it is banking, insurance, financing, investing or financial planning. Every day across the country consumers, businesses and governments depend on the products and services provided by financial institutions. Community groups, arts and culture groups, amateur sports groups across the country also depend on these institutions. We need look no further than the CIBC run for the cure this past weekend to see how important our financial institutions are. In my own province of Nova Scotia we are proud to be the home of Scotiabank which is a leader in corporate responsibility.

I would like to focus my remarks today on the federal legislation and the initiatives the government has introduced that are designed to make the financial services sector more competitive and to enhance consumer protection. The process of implementing the new policy framework began in 1996 with the establishment of the MacKay task force on the future of the Canadian financial services sector. In September 1998 the task force presented the government with its report which was then reviewed by two parliamentary committees.

The committees in turn conducted extensive public consultations and presented the government with their recommendations. This consultation process eventually led to Bill C-8, which in 2001 introduced legislation to reform the policy framework for Canada's financial services sector. That contained a number of measures that focused on four main areas, one of which was to empower and to protect consumers.

Perhaps the most important initiative for consumers that sprung from this legislation was the establishment of the Financial Consumer Agency of Canada in 2001. This agency was established to consolidate and strengthen oversight of consumer protection measures in the federally regulated financial sector as well as to educate consumers. While some consumer protection activities existed before that, they were dispersed among a large number of federal entities making the complaint process more arduous and less responsive to the needs of Canadians. The FCAC consolidated those services.

Hon. members may also be aware of the ombudsman for banking services and investments, OBSI, which was established in 2002. The OBSI is an independent organization that investigates consumer complaints against financial service providers including banks and other deposit taking organizations, investment dealers, mutual fund dealers, and mutual fund companies. It provides prompt and impartial resolution of complaints that customers have been unable to resolve satisfactorily with their own financial services provider. For the first time in Canada customers of banking and investment services now access comprehensive and effective complaint resolution through a single ombudsman.

The OBSI is independent of the financial services industry. To ensure its independence, the ombudsman reports to a board of directors of which a majority of the directors are independent of the financial services industry. The bottom line is that consumers have benefited from the changes in the financial services sector. With new competitors in the marketplace, increased competition among existing institutions and more innovative products and services, consumers now have more choices in deciding who fulfills their financial needs.

Small and medium sized businesses too in some cases have benefited from increased choice among financial service providers. To ensure that there is better information on the financing needs of small and medium sized enterprises and the availability of financing to meet those needs, the government undertook a comprehensive program.

That program was to assist in the development of effective public policy; to promote greater awareness among small businesses of the sources and types of financing available; and to foster a more complete understanding among financing providers of the financing needs of small and medium sized businesses.

● (1210)

I would not suggest that I am entirely delighted with the way that all financial service institutions have responded. I think, particularly in regions of Canada like Atlantic Canada, that we could do a lot better in terms of decision making as well as presence in those regions, but we have come a long way in a lot of areas.

Although the government has introduced consumer safeguards, we have also been mindful not to place too high a regulatory burden on financial institutions. The government is equally committed to providing a policy environment that is fair and balanced.

It is important to mention that the framework for the Canadian financial services sector enacted by the government is not a static process. Rather, it is dynamic, reacting quickly in this world with the rapid pace of globalization and technological innovation that has become a daily reality for businesses in Canada.

Indeed, the policy framework for the financial services sector should be dynamic, flexible and fair. The framework provides that flexibility in three ways. It maintains, first, the long standing practice of ensuring regular updating of the regulatory framework by including an automatic five year review in the legislation, one being scheduled in 2006. This is a practice that sets Canada apart from virtually every other country in the world.

Second, as has been frequently done in the past, the government is prepared to revisit this legislation prior to the five year review if it proves necessary in order to ensure that the framework keeps pace with the rapidly changing marketplace. Finally, the legislation allows for matters of implementation to be dealt with through regulation.

What we have is a balanced framework, a regulatory approach that is well thought out and efficient, with important consumer protection measures. Both aspects are conducive to the growth and success of Canada's financial institution.

One would ask, how does Bill C-57 fit into the big picture? I believe that government policies will continue to evolve over time, so that we can keep pace with the new economy, new innovations and new technology. Bill C-57 is part of that evolution.

The proposals contained in the bill will update and modernize the framework for the financial services sector. It has broad support among stakeholder groups in the country and I believe among Canadians. I urge and expect all members will support Bill C-57.

Mr. Paul Szabo (Mississauga South, Lib.): Mr. Speaker, the member has laid out the broad strokes of Bill C-57. It is an important bill. It will update our legislation with regard to financial institutions to bring into line changes that were made to the Canada Business Corporations Act.

I am pleased that all parties seem to have agreed that support will be given at second reading, so that the committee can hear the witnesses as well as to bring to the table some of the important ancillary issues, and the member raised a very important one. I was a member of the finance committee when we went through the last flurry of bank merger discussions. One of the significant debates and concerns that came from Canadians and parliamentarians was the impact on regional banking services and financial services.

I would like to ask the member, does he have any recommendations to give to the committee as it looks at this to ensure that there is a balance across the country and that it takes into account the regional differences throughout Canada?

● (1215)

Mr. Michael Savage: Mr. Speaker, some people have referred to this bill as housekeeping, but I can see some members actually get choked up about it. I think that demonstrates the importance of what we are doing here.

I do not know if I have specific recommendations about how to deal with the regions. What I do have are concerns.

I must say that I feel well served as a citizen of Canada by our banking institutions and I feel very well served, individually, by the relationship that I have with my own banker, Dave MacIntosh, and the Scotiabank in Dartmouth and by the banking institutions in Nova Scotia.

However, I do believe that the centralization, particularly of decision making, of the banks has taken away the traditional banker and small businessperson relationship, where the small businessperson could come in, the banker would know that person, would know what he or she did in the community, would know his or her reputation, and would understand his or her involvement in important community activities. The banker would know the business, and know the ups and downs and the cycles of the business.

I believe we have lost that to some extent with the centralization of decision making. The loan limits that bank managers are allowed to approve at the local level has changed dramatically and I think that is a concern.

Now, fortunately, under the wisdom of the government and agencies such as the Atlantic Canada Opportunities Agency, we have been able to support small and medium sized enterprises and build the economy of Atlantic Canada and, in some cases, have gone where the banks have not gone. As well, we have had the credit unions, which are strong across the country but not quite as mature in Nova Scotia as in some of the western provinces, step in and do a very good job as well.

My recommendation to the banks would simply be to not forget that the regions of Canada provide an awful lot of support, a lot of those 600,000 employees that the hon. member mentioned before. I would also say that, for example, Scotiabank, in whatever changes it has made in Nova Scotia, has never laid off or told a person that he or she no longer had a job. So I think there is a corporate responsibility there as well.

My concern is with the centralization of decision making which should reside in the regions where people know the businesses and the individuals involved.

The Acting Speaker (Mr. Marcel Proulx): Is the House ready for the question?

Some hon. members: Question.

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

Some hon. members: Agreed.

An hon. member: On division.

The Acting Speaker (Mr. Marcel Proulx): I declare the motion carried. Accordingly, the bill stands referred to the Standing Committee on Finance.

(Motion agreed to, bill read the second time and referred to a committee)

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FIRST NATIONS OIL AND GAS AND MONEYS MANAGEMENT ACT

Hon. Raymond Chan (for the Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians) moved that Bill C-54, An Act to provide First Nations with the option of managing and regulating oil and gas exploration and exploitation and of receiving moneys otherwise held for them by Canada, be read the second time and referred to a committee.

Hon. Sue Barnes (Parliamentary Secretary to the Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, the bill before us today is an important step forward in addressing the unacceptable socio-economic gap that separates so many First Nations people from other Canadians. It would help to ensure that First Nation communities that choose to opt into this legislation would have access to the bounty their lands have to offer and a greater share of Canada's prosperity.

The legislation would provide First Nations with the opportunity to manage and regulate their oil and gas resources, as well as collect and manage future revenues flowing from them.

As well, the legislation would allow First Nations to decide whether to exercise full authority over the management of their moneys derived from activities on reserve and currently held for them in trust in the consolidated revenue funds.

I would like to underscore the important work undertaken by the White Bear, Blood Tribe and Siksika First Nations, which initiated this process to take over the management and control of their oil, gas and moneys, and worked with Canada to develop this enabling legislation to achieve this goal.

In the last five years, over 900 wells were drilled on First Nation lands. Last year alone, industry invested $76 million in drilling on First Nation lands, with over 250 new wells drilled on 37 reserves.

In 2003-04, Indian Oil and Gas Canada administered over 3,500 active surface and subsurface agreements on 70 Indian reserves. The revenues collected on behalf of First Nations were valued in the $200 million range.

When the Prime Minister has spoken about his concerns for aboriginal advancement, he has made it very clear that our government believes aboriginal people in Canada must participate fully in all that Canada has to offer, with greater economic self-reliance and an ever-improving quality of life that naturally follows.

In outlining the strategy to achieve that goal, he underscored the need for more successful aboriginal businesses, more economic development and greater self-sufficiency.

At the historic policy retreat this past May, the government re-confirmed that commitment and that is exactly what this bill helps achieve in the goal and the movement forward.

What it means is that the First Nations that choose to take advantage of this new legislation will be able to play a key role in Canada's booming oil sector, creating jobs, spin-off businesses and increased opportunities for both social and economic development.

Let me give some of the history that has led to this achievement. In 1994, the Indian Resource Council, an organization that supports First Nations in their efforts to attain management and control of oil and natural gas resources, came forward with a proposal for a pilot project.

The Indian Resource Council is a stand alone First Nations owned and operated agency representing over 130 First Nations with oil and gas interests. The objective of the council's pilot project was to transfer full management and control from Indian Oil and Gas Canada to those interested First Nations.

A steering committee composed of representatives from Indian Oil and Gas Canada, the Indian Resource Council, as well as the chiefs of the pilot project First Nations, was struck to oversee the project.

Over the course of the next decade, the White Bear, Blood Tribe and Siksika First Nations moved through a succession of capacity building exercises to gain the skills and knowledge required to assume the full management and responsibility over oil and gas development on their own reserve lands.

There were several stages: first, the joint administrative and management processes; then building capacity through enhanced training; and, more importantly I guess, developing individual communication processes incorporating First Nations' values and beliefs to inform band members, as well as industry and government, to ensure that these activities would be reflective of, and responsive to, each community's needs and values. We should never stray from that premise because it is important to success.

These First Nations from Alberta and Saskatchewan have been partners at ever step in this decade long process. They have worked side by side with departmental officials. It has been quite a team. They have been directly involved in both designing this bill and developing the necessary capacity to implement its progressive provisions. They have identified the problems that need to be addressed and devised the solutions that work for their communities.

● (1220)

It is very important to repeat that the legislation does not oblige any First Nation to opt into any or any part of the bill. Each community can determine by referendum whether to use the legislation. Neither does it in any way create a requirement or preclude other First Nations from bringing forward other options.

Finally, and importantly for many First Nations, the non-derogation clause in the bill makes it very clear that it is not the goal of the legislation to abrogate or derogate from aboriginal or treaty rights protected by the Constitution and that should an infringement to those rights be found to arise from the application of its provisions, the government would have to justify that infringement.

There might be some aspects of the bill that will appeal to some First Nations but not to others. As the bill's name implies, the legislation covers both oil and gas issues, as well as money management. Let me explain the distinction.

At the moment there is no legislation that recognizes the possibility of First Nations assuming control over their Indian moneys which are currently held in trust by the Crown in the consolidated revenue fund as stipulated by the Indian Act. The bill before us today would provide First Nations with a legislative vehicle to exercise full authority over their moneys otherwise held by the Crown.

Even if they are not involved in managing oil and gas development, communities could access the moneys derived from activities on their reserve to support other aspects of self-government and broader opportunities for economic development. With the legislation, the First Nations can choose to take advantage of either the oil and gas elements of the legislation, just the moneys management option, both elements or, if they so choose, they could stay exactly as they are today. It will be up to the individual community to make that determination, not us as a government but each community at the development stage that they currently are or hope to achieve.

The first three First Nations leading this initiative would be able to seize opportunities throughout the oil and gas sector, from initial exploration to exploitation and extraction. Quality employment opportunities, whether directly in the oil patch or in one of the myriad associated businesses, means stronger, healthier communities that offer hope and opportunity to community members.

We all know, any of us who have been involved in this work over the years, that hope is an important aspect. Giving someone the dignity of a job and a possible future that is better than at present is very important and crucial.

I want to point out that none of the provisions contained in the bill can be used by a First Nation government without the consent of its own members. Both on and off reserve members would be able to participate in any referendum held to gain community consent for a First Nation to opt into the legislation, whether in respect of oil and gas, moneys or both.

Let me explain more precisely what Bill C-54 would do and what First Nations that opt in to this legislation may expect.

First, they will be considered legal entities for the purposes of the act and, as such, will be required to maintain accounts, prepare financial statements and have those financial statements audited in accordance with generally accepted accounting principles. These First Nations will also be accountable to their membership to disclose the management and administration of First Nations oil and gas activities and moneys under their care.

The community's members would have options available to ensure this accountability. I want to add for the record that the bill would not affect the application of the Canadian Environmental Assessment Act, the Canadian Environmental Protection Act and the Species at Risk Act.

From my perspective as Parliamentary Secretary to the Minister of Indian Affairs and Northern Development, there is another benefit that may be less tangible but I think it is equally important and we should put it on the table. The First Nations oil and gas and moneys management act represents a fundamental change in the way we interact with First Nation governments.

In the case of this legislation, a strong relationship has been built with the three partners, White Bear, Blood Tribe and Siksika First Nations, over the last 10 years as we have worked in a partnership. We have learned how our activities can complement each other. We have seen that committed partners can achieve meaningful process and progress in advancing their shared quest to build a better future for aboriginal First Nations people.

● (1225)

That is something the Government of Canada is committed to seeing more of in the future. With this legislation our priority is to ensure that, after nearly a decade of hard work and dedication, the White Bear, the Blood Tribe and the Siksika First Nations are able to reap the rewards of their efforts to gain the skills required to create stronger and more prosperous communities. In doing so, they have obviously opened the door for other interested First Nations to come to the table and work with us and their own communities to move forward in a similar manner.

It is now up to us as parliamentarians. I know there have been ongoing discussions with the parties in the House. I think those have been very beneficial and cooperative discussions. We hope to ensure that First Nations governments have the tools they require to better meet the needs and aspirations of their people.

I am counting on and hopeful of the support of my hon. colleagues from all parties in the House. My discussions to date seem quite helpful and hopeful.

Before I end my speech by saying that I want us to help make this possible, I want to thank my colleagues in the House who have contributed to helping us reach this point today. Everyone knows that a minority government is difficult and in a minority Parliament we have had the cooperation on the most of part from all of my colleagues from all of the parties to advance First Nations.

I believe the members of the committee and of the House generally are committed to moving First Nations efforts forward. I personally appreciate that and I know the First Nations will tell members that themselves.

● (1230)

Mr. Tom Lukiwski (Regina—Lumsden—Lake Centre, CPC): Mr. Speaker, I want to say at the start that I certainly will be supporting the bill because it is important legislation.

I must preface my remarks by saying that the White Bear, the Saskatchewan Indian band, is not in my riding but I have attended many functions on the White Bear reserve. It is a very progressive band. It has its own casino and a wonderful golf course. Economic development is a very critical part of their strategic approach to governing.

I would like to hear my hon. colleague's comments on self-government. I see the legislation and the ability for aboriginals to manage their own financial affairs with respect to oil and gas revenue as a small but a very important first step toward self-government. I would like to ask my hon. colleague if she shares those views and what future does she see emanating from this agreement?

Hon. Sue Barnes: Mr. Speaker, part of the function we provide to not only ourselves in the House but to all Canadians is to educate our constituencies. My constituency has no first nations reserve on it, so a lot of people are not as knowledgeable as we all should become on these issues. That is why debate in Parliament and that type of question helps.

As my hon. colleague is aware, there are different ways and strategies to achieve self-government. It can be done through a treaty process where there are land claims. Last year the member's party, as well as the other parties in the House, supported self-government with land claims in various regions of the country.

It can be done at the treaty table, and we are moving forward across the country on some of these treaties. Modern treaties are a little more difficult than the historical treaties that preceded them, but essentially we are coming to better understandings and the government is relating in a better manner and changing mandates over time to achieve self-government.

For those areas of the country that are not covered or in negotiation at this time, the other way of building up the capacity to self-government is through what I would term sectoral self-government bills. In the House last year, for example, we had a money management statistical institution for statistical institutes. All parties in the House worked together collaboratively, both here and in committee, to move this area of capacity building and expertise forward.

Not every first nation has the ability to move immediately from A to Z. Sometimes we have to build a process. Not only that, we have to build the consent of the community to not only understand but to approve that process. Under self-government often there is movement outside of the Indian Act and that can be scary for some people. However, we have shown that it is economically and socially progressive and people are moving forward.

I am not saying that everything is wonderful. There is work to be done in all these areas. With the understanding of parliamentarians and Canadians, it can be done. First nations people are Canadians. They are citizens who aspire to the same quality of life that we aspire to in the country, but it is unequal right now.

The capacity building comes not only from the treaty process but from some of these bills. This is enabling legislation that has portions of that. I congratulate not only the Saskatchewan first nations but other first nations in Saskatchewan that have been supportive of the progress of this legislation. Maybe at some point in time we will be hearing from them also.

I hope that helps expand the hon. member's thoughts on this. I hope all of us can agree that this is productive work to help our first nations citizens. Helping first nations also helps all Canadians.

● (1235)

Mr. Jeremy Harrison (Desnethé—Missinippi—Churchill River, CPC): Mr. Speaker, I appreciate the comments from the parliamentary secretary with regard to the fact that all parties in the House have been supportive of first nations. We have worked in this Parliament, collaboratively. We have worked together to advance the interests of first nations. This bill is an example of that, a bill supported by all parties in the House, much like previous bills have been.

We all know our first nations are in very dire straits in many cases. I represent northern Saskatchewan. My constituency has over 100 reserves, probably more than any other constituency in Canada. Many of those first nations are in what can only be described as dire need. They are in incredible poverty. Basic infrastructure such as housing is lacking and conditions are abysmal.

The fact that we are moving forward on some bills such as this is a positive thing as we move toward self-government. For that reason, I am very supportive of the bill. It is a sectoral self-government initiative but it is a positive move.

I particularly appreciate the voluntary nature of the bill. We had another bill before this House, the First Nations Fiscal and Statistical Management Act, which was a voluntary bill as well. This is a direction in which we might want to continue to move in the future. My party has in our policy book those types of initiatives, voluntary-type bills, that we would introduce in government as well.

In this bill three first nations have signed on thus far. We will probably be able to get into this in more depth in committee. We will be meeting later this afternoon and the minister will be there. We can perhaps ask him additional questions on this. However, does the parliamentary secretary foresee there being more first nations coming on board in the near future or further down the road and what is her view on how we go forward on this?

Hon. Sue Barnes: Mr. Speaker, first, I will confirm that the Government of Canada has learned lessons in making bills optional. The one answer then flows from that premise. Not everybody will be ready to assume this.

I would love everybody to get in on it, but the reality is there is a diversity of cultures. First nations are not homogeneous. There are over 600 first nations. They have cultural backgrounds that vary. There are some things that they hold in common, for example in their value systems, but there is uniqueness in their cultures, geographies and languages and also in their capacity stages.

We would be hopeful that as soon as this bill could become law, and that requires not the House but the other place, those first nations that are ready will rapidly go into this bill. There are other first nations that are preparing themselves right now and have shown interest in Indian moneys. I do not think we will see a rush. I think people will work toward this, and that is perfectly acceptable and right. That is a logical way.

I will also acknowledge that there is a continuum of readiness. If the main focus in the community is getting some infrastructure in place and there is limited human resource, expertise and moneys, their heads may not be around all the requirements of getting ready for this. Canadians expect accountability and first nations communities themselves have asked us for the accountability on the fiscal side on the bill also. The auditing and accountability mechanisms are important.

Again, I stress that this is because of the hard work of first nations. This is a first nations-led initiative. The partnership of working toward these types of bills is absolutely crucial to success. We should not measure outcome on a bill like this on how rapidly other people get in. What we should be looking for is the progression of readiness on a number of fronts simultaneously. It is our responsibility as parliamentarians to assist where we can with legislation and other efforts, and we are moving in that direction.

Compared to many decades ago, as government right now, we also are being extremely progressive and moving rapidly on what we consider the appropriate processes to deal not only with our legislation but first nations communities.

● (1240)

Mr. Tom Lukiwski (Regina—Lumsden—Lake Centre, CPC): Mr. Speaker, I support Bill C-54, which is important legislation as I mentioned in my remarks to the parliamentary secretary.

I come from Saskatchewan and although I do not have any reserves in my home riding, I live on native land. My house is on a portion of land that is controlled by six Indian bands. I am quite familiar with many of their projects, including a golf course which they operate, plans for expansion of the golf club and plans to one day perhaps apply for a casino licence.

The one difficulty the bands have in my small area of the world is the lack of funding for the expansion of some of their planned projects. In previous years a lot of funding came from the federal government, but there were always strings attached, which is normal between any level of government and first nations people or any stakeholder that goes to the government for financial assistance. That in itself has always caused some problems. Rather than being accountable to themselves, first nations people were accountable to the federal government and in many respects dependent upon the federal government for their funding.

I will be splitting my time, Mr. Speaker, with the member for Desnethé—Missinippi—Churchill River.

I believe it is important for first nations in all their activities and in their pursuit of their economic development plans, dreams and aspirations to have control of their own destiny. One critical way to have control over their own destiny is to have control over their own revenue. This legislation would allow first nations, if they wished, to fully control and manage the revenue from their own oil and gas.

As the parliamentary secretary mentioned, this is not to say that all first nations people will take advantage of the legislation. Some may still wish to fall under the purview of the federal government and have their oil and gas revenues controlled by it. I would hope that most first nations people would take the revenues produced from oil and gas on their land and administer it, manage it and use it themselves.

By my records, the White Bear reserve would be earning at current oil prices approximately $32 million per year gross revenue. That is an incredible amount of money. Currently, that money is managed by IOGC, but I believe first nations people on the White Bear reserve could manage it more effectively than any federal government agency. Aboriginals and first nations people on White Bear reserve are looking forward to the challenges that will come with this legislation being enacted.

● (1245)

Let us make no mistake about it. I truly believe and anticipate that there will be challenges. There will be problems. There will be growing pains, but that is to be expected. Any time that we move toward the ultimate goal of self-government for first nations people, there will be hiccups along the way.

However, I think it would be remiss of us as parliamentarians and of any other level of government to suggest that we should not pursue the ultimate goal of allowing first nations people their goal of self-government. I think it is absolutely critical. I think it is something in which all of us on both sides of the House and in all four corners of the House need to take an active part, that is, assisting first nations people with their ultimate goal of self-government.

Therefore, again I suggest that this piece of legislation is an extremely important first step, a small but very important first step toward achieving the goal of aboriginal and first nations self-government.

I hope, however, that what comes as a result of the legislation and what comes as a result of first nations people being able to control and manage their own oil and gas revenues is that there are no other impediments or drawbacks imposed upon them from the federal government. We have seen this before when it comes to the ownership and management of natural resources, not necessarily directly with respect to first nations people, but certainly with jurisdictional management, accountability and ownership of oil and gas revenues.

I can again point to my home province of Saskatchewan, where we have been in a long and ongoing discussion, debate and, some would suggest, fight with the federal government over oil and gas revenues. I refer specifically to the ongoing battle our province has with the federal government on equalization payments.

Currently, as hon. members might know, Saskatchewan is considered a have province, but for many years prior to this we were considered a have not province and have been recipients of oil and gas revenues through equalization payments. The problem is that even though Saskatchewan has generated significant wealth over the past number of years through oil and gas revenues, the clawback system that the federal government has imposed upon our province literally makes it almost, at best, revenue neutral.

In other words, Saskatchewan has been clawed back anywhere from 90¢ on every dollar to $1.25 on every dollar for the amount of oil and gas revenues we generate. By conservative estimates, and I note that is small-c conservative, Mr. Speaker, over the past decade Saskatchewan would have received an additional $4 billion to $5 billion in revenue had the federal government not clawed back, through the equalization formula, all of the revenue that we have generated.

In fact, if Saskatchewan had a proper, fair and just equalization formula right now, at today's oil prices Saskatchewan would be receiving, by my calculations, anywhere between $800 million and $1.5 billion in additional revenue each and every year. Of course we do not have that agreement, and even though this legislation looks attractive and is something I would very actively and vocally support, I would hope that down the line there will be no other impediments placed upon first nations people by the federal government.

I would encourage and certainly urge all members across the floor to take that into consideration and to take that message to the minister and to the Prime Minister, to give some guarantees to first nations people that they will not at some point in the future be burdened by the same clawbacks, by the same impediments from the federal government on the ownership, management and control of all of their oil and gas revenues. If members opposite can guarantee me that, I will certainly endorse the bill.

● (1250)

The Acting Speaker (Mr. Marcel Proulx): I wish to inform the hon. member that I neglected to tell him that, this being the opening round, for him to be allowed to split his time he needs unanimous consent. I will ask members. Does the hon. member have unanimous consent to split his time with his colleague?

Some hon. members: Agreed.

Mr. Jeremy Harrison (Desnethé—Missinippi—Churchill River, CPC): Mr. Speaker, my colleague from Regina—Lumsden—Lake Centre made a very good presentation on this bill.

It is a real pleasure for me to rise on behalf of my constituents of Desnethé—Missinippi—Churchill River, in northern Saskatchewan, to speak on Bill C-54, the first nations oil and gas and moneys management act, a bill which we are supportive of and which we feel moves in the right direction.

The purpose of this bill is to enable three first nations, the White Bear, the Blood tribe and the Siksika, to assume the direct management and regulation of their oil and gas resource moneys, currently administered on their behalf by Indian Oil and Gas Canada. The bill would will permit other first nations to similarly access their oil and gas resources and moneys provided they meet the legislative conditions.

These three first nations have entered into a series of agreements with the Government of Canada for the co-management of oil and gas in their reserve lands. Their pilot project began in 1994 and resulted from a proposal from the Indian Resource Council to transfer full management and control from IOGC to first nations by 2005. The pilot project was a success. Legislation is now required and we now have Bill C-54.

The bill would require an affirmative vote by any first nation, a referendum of all eligible voters, and approval by "a majority of the majority" would be required, a provision that I think is quite worthwhile and will reflect well in first nations across the country.

The bill would ensure that the federal government would not be liable "in respect of the exercise of powers by a first nation in relation to oil and gas exploration or exploitation" or "for the payment of the management of those moneys" extracted from the consolidated revenue fund. The federal government would also not be liable "in respect of any damage occasioned by oil and gas exploration or exploitation" under this bill.

Accountability measures would occur in the form of an annual preparation of financial statements in accordance with the generally accepted accounting principles of the Canadian Institute of Chartered Accountants, as well as an annual audit of the financial statements in accordance with the generally accepted auditing standards.

One thing I would like to emphasize is the collaborative nature of the discussions, the legislation and the aboriginal affairs and northern development committee, of which I am the vice-chair. We have had that collaboration in this Parliament. Each party has worked together, I think, and has worked for what we see as being the benefit of first nations right across the country.

I think everybody recognizes that the current state of affairs has to change and that our first nations deserve better. They deserve better than the Indian Act. They deserve better than the paternalistic attitude that we have seen from Ottawa for the past 150 years on this file.

We need self-government. We need our first nations, our aboriginal peoples, to be running their own affairs rather than having their affairs run from Ottawa by bureaucrats in office towers. This is something that we no longer want to see happening. In my constituency, where I have nearly 30 first nations and over 100 separate reserves, this is the attitude that I see and hear. Chiefs, councillors and individuals living on reserve no longer want to have their lives run from Ottawa. They do not want to have rules dictated to them by Ottawa with very little input from them, from their people. That is not the way that we want to go.

One of the real benefits or positives about this bill is that we would have power resources, moneys, that are now going to be more directly controlled by the first nations that are responsible for them. I think that is a positive thing.

Regarding the self-government file, we are very supportive of moves in this direction. I think that our critic, the member for Calgary Centre-North, has laid out a very forward-looking document. Our party voted on it and it is a policy of this party, a very forward-looking statement on what we see as the future of self-government, with first nations managing their own affairs and running their own lives. I think this is the direction we have to move in.

● (1255)

Just recently, the member for Calgary Centre-North and I met with the tribal chief, Richard Gladue, and also with a number of other chiefs and senior officials from the Meadow Lake Tribal Council, which is based in my hometown of Meadow Lake in my riding. The Meadow Lake Tribal Council is blazing the path in negotiating a self-government agreement, not just for an individual first nation but for an entire tribal council of nine first nations. It is going to be the first agreement of its kind. My understanding is that the handshake agreement will be completed fairly quickly and that ratification will be moving forward in the fairly near future, meaning within eight months to a year.

This is an agreement that has been many, many years in the making. Negotiations have gone on for over a decade, I believe. I think it is a positive step. It is a direction that we want to move in, a direction that the Conservative Party supports. I have seen the presentation from the representatives and chief of the Meadow Lake Tribal Council a number of times. It is a very positive thing and a direction that we do want to go in. We have made it clear that we are supportive of this initiative.

Another positive portion of this bill is the voluntary nature of this legislation, which we have seen in prior acts, whereby first nations can decide, after a referendum from their membership consulting with each member of the first nation, whether they want to be part of this, whether it be this legislation or the previous bill that was brought forward, the financial management act. This is a trend we have seen developing, largely because of mistakes made by previous governments whereby legislation was forced upon first nations whether they wanted it or not. It is a trend that we have seen developing over the last five or six years and I think it is a positive trend.

Of course we cannot go down this path for all government legislation. No one would be supportive of having the Criminal Code apply only if one decides to opt in, but for bills such as this, which directly affect first nations in varying stages of development, I think this is the direction that we will be moving toward in the future.

As an example, a Conservative Party government would introduce a first nations land ownership act, whereby land would actually be transferred to and owned by the first nation in question, rather than having the current situation in which the land is owned by the federal government, with all that comes along with the land being owned by the federal government, including an immense bureaucracy in regard to whether land can be used in certain ways by first nations people.

That is something we would bring forward, whereby first nations would actually own their own land. I think a lot of people find it astonishing that right now first nations do not own their own land, that individuals on reserve, for instance, cannot own their houses. The houses ultimately are owned by the Government of Canada. We want to move in the direction where individuals can actually have access to owning their own homes, to things that other Canadians take for granted. It is astounding that the only place in Canada where someone is not allowed to own property and a home is on reserve. If we want to talk about paternalism, this is an example of it: the government owns everything. It is astounding.

The bill could have a fairly significant impact on my constituency in northern Saskatchewan, an area where the tar sands actually extend into northern Saskatchewan. There is currently not a lot of development going on there, as development now is focused on the Fort McMurray area, of course, but eventually there will be development of the tar sands in northern Saskatchewan as well as northern Alberta. This will have an impact, because much of the area is covered by land that could potentially be owned by first nations, as some of it is right now. I think it is a positive sign that we are moving in this direction and allowing those first nations the possibility of owning their resources if the oil and gas in that area are developed.

● (1300)

I have another example of how it will affect my riding. We have had a long struggle to build a road connecting the Fort McMurray area to Saskatchewan. The people of La Loche actually physically built the road from La Loche on the Saskatchewan side to the border and the road stopped there. It stopped at the border. They call it the road to nowhere.

Forty kilometres had to be built from the Alberta side to connect northern Saskatchewan to northern Alberta and we finally did it after incredible effort. I made it my number one priority as a member of Parliament to have this road completed. We finally got an announcement and the road will be completed. That is positive and something that could very well lead toward this act being applicable in northern Saskatchewan.

Mr. Jim Prentice (Calgary Centre-North, CPC): Mr. Speaker, before I ask my question I wish to point out that the hon. member for Desnethé—Missinippi—Churchill River has been very involved in the development of this legislation. He has been instrumental in the legislative development input with the first nations that have been involved.

He has been a tireless worker on behalf of not only the first nations communities within his riding but also on these issues in a general and philosophic way. It gives me great confidence as a Canadian to know that we have young people of this capability coming forward who are advocates on behalf of all Canadians in moving aboriginal self-government forward.

My question for the member is, to what extent does he consider this legislation to be important in the context of development in his riding and the future of the many first nations who he speaks so fondly that are within his constituency?

● (1305)

Mr. Jeremy Harrison: Mr. Speaker, I would like to point out as well the incredible work that the member for Calgary Centre-North has done as the senior critic for aboriginal affairs and northern development for first nations in this country. He has been an incredible advocate and is incredibly knowledgeable on this file.

He has worked very hard, travelling the country from one end to the other, meeting with first nations' leaders, chiefs, councillors and individuals living on reserves. I think he has done an outstanding job. He has put together an incredible policy document that was accepted by our convention. It was very forward looking, I think much more so than anything we have seen from the government on this file.

With regard to how this bill will affect my riding, the potential is there for it to have a significant impact down the road in the context of the latent oil and gas resources that currently exist in northern Saskatchewan and being developed at some point. I would really like to see those resources developed by first nations.

Too often in northern Saskatchewan we see the incredible natural resource wealth leaving northern Saskatchewan with not a lot of the value remaining in northern Saskatchewan. Quite frankly, I think that is reflected in the statistics. Northern Saskatchewan has the poorest riding in the entire country. It is 308th out of 308. The federal government has largely ignored the interests of northern Saskatchewan and that is reflected in the fact that we have reserves and first nations that are some of the poorest in the country.

That would change under a Conservative government. We have given a commitment. I actually introduced today a motion that would extend the resources of the northern strategy to include northern Saskatchewan and northern Manitoba. This would mean that over four years $120 million additional dollars would be available to northern Saskatchewan and northern Manitoba that currently do not exist in what are two of the poorest regions of the entire country.

The Conservative Party has a very forward looking view for first nations and a positive outlook as it moves forward with a plan to actually transfer powers currently exercised by the federal government to have self-government on reserves for first nations. This is a positive thing and our vision is far better than that of the government.

[*Translation*]

Mr. Bernard Cleary (Louis-Saint-Laurent, BQ): Mr. Speaker, it is a honour for me to take part in today's debate. This is a day that all aboriginals in Canada will remember, because once and for all, I hope, we will be able to enjoy the financial spinoffs generated by the resources on our ancestral lands.

The First Nations Oil and Gas and Moneys Management Act provides us with the opportunity to solve our social problems. In fact, the income that we will reap from these lands may mean that we will be able invest additional funds in order to try to heal the social ills from which our people are suffering.

So, this is a great day for us all. For those like myself who had the opportunity to negotiate on behalf of aboriginal groups, October 6 will be a day when everything we have been seeking for the past 25 years is within our grasp.

I want to acknowledge the work done the government, which demonstrated respect by ensuring that aboriginals can one day live off the resources on their own ancestral lands. The resources on these lands will help us feel much prouder, since we will no longer feel as if we are at the government's mercy. Ultimately, we will benefit from the legacy our ancestors left us.

Bill C-54 is designed to enable first nations to manage and regulate oil and gas exploration and exploitation and to receive the money that is currently retained by Canada. This bill will allow the transfer to designated first nations of the management and control of oil and gas resources on their lands, and the payment to first nations of amounts held in trust by the Crown.

It is important to remind ourselves here that, in Canada, aboriginal people have a lower quality of life than non-aboriginal people, and to stress the importance of bridging this gap, as mentioned on many occasions, including in the October 5, 2004 Speech from the Throne.

To achieve this goals, many first nations consider that economic development is required. But that is a tall order for a first nation with no control over its lands and resources. In her November 2003 report, the Auditor General of Canada wrote that one of the barriers to economic development stemmed from the federal government's approach to institutional management and development. She also reported at the time that, according to many first nations, the process put in place by the department is too slow. It is designed for the short term and is sometimes poorly administered.

A large number of first nations and their organizations have worked diligently toward assuming greater responsibility for their lands and resources. The development of a new financial relationship between the first nations and the Government of Canada has always been the basis for discussions and analyses over the past 20 years or so.

● (1310)

Back in 1983, the report of the Special Committee on Indian Self-Government, the Penner report, already recommended that the financial relationship between the Government of Canada and the first nations be redefined.

In 1996, the final report of the Royal Commission on Aboriginal Peoples recommended a full review of the financial relationship between the federal government and the first nations. The proposed initiative focused on redefining this relationship within a broader context based on first nations self-government. The Tlicho self-government act that we had the honour of passing in this House is an example of this.

Bill C-54 will change the way oil and gas are developed and will allow first nations that are self-reliant to develop these resources on their own land. To date, first nations have had to comply with the Indian Oil and Gas Act and its regulations, which has not allowed them to manage these resources directly.

The first nations oil and gas management initiative was launched in February 1995. This pilot project provided for the gradual transfer of management and control of oil and gas resources on the land of five first nations.

This project was divided in three phases: co-management, enhanced co-management and management and control by first nations.

During the first phase, the administrative duties were shared between the first nations and IOGC, and decisions were made jointly. In the second phase, IOGC maintained its authority and the first nations received the necessary training to perform IOGC functions. The pilot project is now in its final phase. It needs Bill C-54 to pass in order for the powers to be transferred to those first nations meeting the requirements in the legislation.

This legislation does not allow first nations to manage the oil and gas resources on their land directly nor does it allow them to develop the appropriate regulatory framework.

However, Bill C-54 would allow any first nation, if it chooses to do so, to create regulations on oil and gas exploration and exploitation, on the spending of moneys derived from the exploitation of these resources, and on the protection of the environment.

As for rules for protecting the environment, those set up by first nations will have to at least meet the standards of Quebec or the province in which the aboriginal community is located.

As far as management of their finances are concerned, those first nations choosing to come under this new legislative framework will come under different rules as far as "Indian moneys" are concerned. These are currently defined in the Indian Act as all moneys collected, received or held by Her Majesty for the use and benefit of Indians or bands. For these first nations, the provisions of the Indian Act will no longer apply. They will therefore be able to directly administer the amounts collected rather than letting them be administered by the federal government. As a result, they will be able to make their own choices for investment in their communities instead of letting the Department of Indian Affairs and Northern Development dictate priorities to them. Auditor General Sheila Fraser pointed out in her 2004 report that this department is not doing a good job of administering the billions of dollars intended for the aboriginal communities.

● (1315)

If a first nation does not feel it would be advantageous to come under the new legislative regime, the current standards will continue to apply to it, so it will continue to benefit from the provisions of the Indian Act, including those that apply to the administration of Indian moneys.

In closing, we wish to reiterate that the Bloc Québécois endorses the key recommendations of the Royal Commission on Aboriginal Peoples, which set out an approach to self-government built on the recognition of Aboriginal governments as a level of government with jurisdiction over questions concerning governance and the welfare of their people. The entire report was based on recognition of the aboriginal peoples as independent nations occupying a unique place within Canada.

I would emphasize in closing that aboriginal resources have always represented boundless wealth to the peoples, and that the aboriginal peoples have always been close to the earth. They have, in fact, always wanted to use that wealth in exactly the same way as any people has a right to do.

Today we are recognizing that possibility. It is my hope that more aboriginal groups will have the pleasure of including these clauses within their agreement of self-government.

● (1320)

[*English*]

Mr. Lloyd St. Amand (Brant, Lib.): Mr. Speaker, allow me to thank the member opposite for his thoughtful, even historical, analysis of Bill C-54. The member has been a valuable member of the aboriginal affairs committee.

He will be aware, as he indicated, of the relatively poor standard of living that is the case for so many First Nations communities in our country. He made that point vividly. He also will be aware that the provisions of Bill C-54 are optional for First Nations communities.

I am wondering, with his extensive knowledge in this area, if he wishes to share with the House his own thoughts, perhaps even his estimate, as to how many of the approximately 600 aboriginal communities in Canada may in fact opt in to the provisions or workings of Bill C-54.

[*Translation*]

Mr. Bernard Cleary (Louis-Saint-Laurent, BQ): Mr. Speaker, obviously, this will take time. In order to take the best possible advantage of these provisions, qualifying first nations will have to have concluded a self-government agreement.

However, it is obvious that almost all aboriginal groups, with few exceptions, will experience the joys of self-sufficiency with the help of the natural resources that belong to them. To a certain extent, they will become more independent and more productive.

I have been saying it for years; these people will rise above the social ills that are killing them the day they live off their own resources, not government subsidies. They will be able to tap into the potential of these resources, which are located on their ancestral lands.

During consideration of self-government agreements over the past year, we realized that mineral resources on these lands were abundant. Aboriginal groups had started to make mention of these resources in the discussions. At one point, the figure mentioned was 20%, which translates into astronomical sums of money. As a result, aboriginal groups will no longer have to beg to increase their little budgets, instead they will be able to use their own resources, since we are talking about lands they inherited from their ancestors. They will be able to live off those lands, and their children will be increasingly proud to see that they can turn a profit and turn down what the government gives them.

● (1325)

Hon. Sue Barnes (Parliamentary Secretary to the Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians, Lib.): Mr. Speaker, I want to thank the Bloc Québécois and particularly this member for their support. He has always supported all aboriginals in Canada. This is very important.

[*English*]

That level of understanding in the House by all members of Parliament, which the member possesses, is especially beneficial. I know he understands the necessity of community support.

In the context of this bill or any bill, could the member tell us, from his experience as a negotiator in his past life, how much time it takes to properly get out into the individual communities so that they are in a good position to ratify these agreements when they come out? Is this something that is done in weeks or months? What would happen if that community support was not there, in his opinion, with respect to the success of any project or piece of legislation for that matter?

[*Translation*]

Mr. Bernard Cleary: Mr. Speaker, I am being asked what would happen in such a case. For one thing, I would find it terribly sad if the community did not jump on a golden opportunity to take advantage of the spinoffs that belong to it.

I would think that, provided they are given a clear explanation, the vast majority of people will endorse this idea. Aboriginal people are proud people. They always have been. They were beaten down and lost their sense of pride. This is, however, the sort of thing that will give them their sense of pride back. Social assistance will not give it back to them, but owning their resources and using them to support their development will.

I sincerely believe this is precisely the sort of thing that will ensure that, one day, aboriginal people will take charge. Obviously, this will not happen overnight. After having been beaten down for several generations, a single positive gesture is not enough to recover, but they will over time and as their young people start enjoying life, work and contributing to their communities. Consequently, these small gestures will help them recover. Everyone, especially older people like me, finds that it is taking a long time. Still, it will eventually happen. This is how aboriginal people can be proud to contribute to the Canadian society as a whole.

Personally, I think that we have to keep hoping and continue, as we are doing now, to put forward rewarding initiatives which ensure a future for aboriginal people and make them wish for this process to continue.

Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Mr. Speaker, I would like to thank my colleague from Louis-Saint-Laurent for his speech. I have three short questions for him.

He just answered them in part. Nevertheless, first, in his view do the first nations currently have what I would call the "ancillary tools"—I do not want to use a pejorative term—to choose to take advantage of the services that this bill creates.

Second, the member referred to the fact that it will obviously be necessary for the first nations to achieve political autonomy first. Is he confident that the current government is vigilant enough to ensure that they will be able to acquire it fairly quickly when they request it?

Third, if he could let us know, I would like him to tell us what the effects would be in regard to the grants currently received in comparison with the benefits that the first nations will be able to receive when they decide to implement or utilize the services provided under this legislation?

● (1330)

Mr. Bernard Cleary (Louis-Saint-Laurent, BQ): Mr. Speaker, I am going to start by answering the last question. I am convinced that people are ready for what is coming, for self-government. Obviously, as was the case for Quebeckers and all Canadians, they will have to get used to it. They will make some mistakes, as others have done. If one were to look at the development of Canada, of Quebec and the rest, one would see that there have been difficult periods when what people learned came at a cost.

I think that among young aboriginals especially, there is a hunger to get involved in the development of their country. They are eager to be considered contributors rather than people on government assistance. There is nothing funny for a people about being on government assistance. Some people seem to enjoy it, as can be seen in Canada and Quebec. There are some people who abuse social assistance and specialize in it. Unfortunately, this is true of some aboriginals as well. But when they are able to use the tools they have for their own development, I am convinced that they, like other people, will forget all that.

Education has made a contribution to aboriginal development as a whole. Nowadays, if one goes to band council meetings or to reserves, there is an education level that makes interesting developments possible. Previously, this was not the case. We should not forget that 50 or 60 years ago, aboriginals lived in tents while we were living in houses. Personally, I meet Indians every day who were born in a tent, and these are not old people. So they have gone from tents to computers. That is quite something.

[*English*]

Mr. Pat Martin (Winnipeg Centre, NDP): Mr. Speaker, I am very pleased, on behalf of the New Democratic Party, to speak to Bill C-54, the first nations oil and gas and moneys management bill.

Let me say at the outset that it is my policy personally, and I believe I can speak for the NDP caucus, that when legislation dealing with aboriginal issues is asked for, developed by and driven by first nations, my party will not stand in the way, in any way shape or form, to that legislation coming to fruition. We will support Bill C-54 and we recognize and pay tribute to the patience and perseverance of the architects of the bill who, for the past 10 years, have done the necessary development of the bill and have it put into the form in which we find it today.

The bill goes to the core of what is wrong with this nation's treatment of aboriginal people and its relationship with aboriginal people. In a happy vein, it makes some progress toward what is wrong, but let me state clearly at the front that the bill is about the share and control of land and resources. Frankly, if aboriginal people and first nations were given a greater share and a greater control of the land and resources on their reserves and in their traditional territory, we would not see the abject poverty and the third world conditions that are so endemic in the aboriginal population.

As my colleague from Halifax said, we would not need the bill if we would only get our minds around the fact that the treaties that we signed in days gone by were all about a sharing of the resources and the wealth of this great nation. Somehow that aspect of the treaty process has been put aside and has been gathering dust. It has never been honoured and aboriginal people only make progress in terms of sharing of land and resources when they fight it through the Supreme Court of Canada.

In most of the recent rulings of the Supreme Court pertaining to first nations sharing in land and resources, first nations have won. The Supreme Court has found the Government of Canada to be wrong, that it was not fulfilling its contractual obligations under the treaties and not fulfilling its fiduciary obligations under the Indian Act. We have been deliberately and systematically denying first nations their rightful share in the land and resources. That is the basic context within which I will make my remarks today.

The bill is about oil and gas reserves. Imagine being an aboriginal person living in Alberta for the past 2,000, 3,000, 5,000, 7,000 years and, by some happy coincidence, oil is struck under our feet. The most valuable commodity in the world, by non-aboriginal culture and European western standards, is unearthed in abundance under our feet. We should be like Jed Clampett and *The Beverly Hillbillies* story because untold wealth should be our legacy, not abject poverty.

Instead, because of the structure of the Indian Act and because of the attitude of us colonizing the population, there has been no sharing of that bounty. In fact, it is only with the enactment of Bill C-54 that we will see for the first time an actual transfer of authority, control and management of the oil and gas on first nations land to first nations.

I will go through some of the status quo to compare the current situation to what is being contemplated by the bill in order to illustrate this point. Let me say for the record that the prime proponents of the bill, the three first nations that have come together to ask for this initiative, are the Siksika First Nation, led by Chief Strater Crowfoot in this context; the White Bear First Nation of Saskatchewan, which will be represented by Councillor Clarence Nokahoot at the committee when the bill gets there; and the Blood Tribe, which will be represented by Councillor Kirby Manyfingers.

● (1335)

I think it would be useful in the context of this debate to back up a little bit and recognize and acknowledge who we are dealing with. I come from the prairies so I know the name Crowfoot as a name of myth and legend on the Canadian prairies. Chief Strater Crowfoot is the direct descendant of Crowfoot, one of the greatest leaders and statesmen of Canadian history. Crowfoot was born as a Blood Indian, many would be interested to know, along the banks of the Belly River in 1830. As a child he was actually given the name Shot-Close.

We should point out that names among first nations in this part of the world were considered living and evolving things to be passed on to those who earned that category. After his father was killed, Shot-Close was adopted by the Blackfoot. Most people associate Crowfoot with the Blackfoot and they gave him the name, Bear Ghost. He earned the most prestigious name, Isapo-muxika or Crowfoot in the Blackfoot language, from an act of bravery during an attack and raid on the Crowfoot camp.

I think this bit of history is important so we can capture the gravity, weight and import of what we are doing today. This is not just an administrative detail. This is the manifestation of great patience, leadership and administrative skills by an acknowledged leader of the Blackfoot Nation. I think we would all benefit by knowing more about the Crowfoot name.

After an outbreak of smallpox that decimated the Blackfoot in 1869, Crowfoot became the chief. During his years as chief, Crowfoot became famous as an influential peacemaker throughout those tumultuous times where they were being faced by what today would be viewed as an alien invasion, invading forces of strange people, us. We were interrupting thousands of years of development of his people in that area. Crowfoot became known for keeping his young men from making raids and showing leniency in dealing with his enemies, a courtesy that was not afforded by us toward his people in fact.

He formed a close relationship with a missionary, Albert Lacombe, a man well known in our Canadian history books, who he actually rescued from a Cree attack. Early in the 1870s he made peace with the Cree and in fact adopted a young Cree, which is another name that all people in the House will recognize, Poundmaker. Chief Poundmaker was the adopted son of Crowfoot, just as Crowfoot was the adopted son of the Blackfoot.

Crowfoot had a keen intellect and even while the buffalo were still plentiful, Crowfoot saw a bleak future for his people. His famous quote is, "We all see that the day is coming when the buffalo will all be killed and we shall have nothing more to live on". How interesting it is that 130 years later his direct descendant, Chief Strater Crowfoot, is dealing with taking care of the interests of his people and looking for an economic future, some livelihood because there has been an interruption in the 100 years preceding where first nations in that region have been without a means to control and dictate their own destiny.

Crowfoot remained a man of great dignity and compassion throughout a series of his own illness and personal sorrow and in watching their livelihood diminish. It was said that he captured the imagination of almost everyone who met him. After eight of his twelve children had died, he heard that his adopted son Poundmaker had been convicted of treason. This was after the raid on the abandoned Fort Battleford.

● (1340)

When Poundmaker occupied the abandoned fort at Battleford, he was in fact charged with treason, treated as an enemy and put in prison. Crowfoot wrote to his son, Poundmaker, saying, "I have such a feeling of lonesomeness, of seeing my children die every year, and if I hear that you are dead I will have no more reason for living". The sadness was profound and there is a very well known song and poem on Crowfoot's lament.

He had been a warrior, a peacemaker, an orator, a diplomat and a leader and he brought great honour to the name of Crowfoot, as it still rings throughout the prairies today.

I go through that bit of interesting history because Chief Strater Crowfoot, who we deal with today, has come to the House of Commons, to Parliament, to ask that we consider the speedy passage of this bill on behalf of the people he represents. In the interests of fairness, righting historic wrongs and enabling people to proceed with economic development that will lead his people from poverty to bridge that gap to the mainstream population, this type of enabling legislation is absolutely necessary.

I should point out some of the history of the treatment of oil and gas royalties and first nations people up until the advent of this bill. Let me give one case study, a very brief analysis of how aboriginal people have been left out of the enormous benefit of the resources found in that part of the world until recently.

This is a source from a book called *The Future Petroleum Provinces of Canada*. It has done a case study of one reserve that struck oil. The Indian Act specifically bars aboriginal people from having any share in the resources, other than sand, gravel, clay, silt and mud. If gold, petroleum, rubies or anything of any value is discovered on their land, they have no right to it. If there is mud, clay, sand or dirt on their reserve, they are allowed to go forth and proceed with economic development in that capacity. There is a limit to how much mud one can sell.

In the case of oil, here is the breakdown for the benefit of this case study reserve. We will call it reserve X, but it is a real reserve, with a population 3,000. The potential reserve of the oil on the property is 19.3 million barrels. The natural gas on the reserve is 93 billion cubic feet. Reserve of oil per capita is 6,400 barrels. Not to go through all these details, let me get down to the bottom here. After all these formulas and calculations about the royalty value per person on reserve X, the one-time lump sum cash payment per person was $15,000. They are sitting on a wealth of oil and their families and children are living in abject poverty with no prospects, no hope of economic development because it is not allowed under the Indian Act. They are at the mercy of the minister for everything they do. He has absolute control over their destiny. They are sitting on this pool of black gold and their share is a one-time lump sum payment of $15,000.

An hon. member: Stolen right out from under them.

Mr. Pat Martin: It is stolen right out from under their feet.

We will allow foreign corporations to come in and drill for that oil. We give them billions of dollars per year of exploration grants to extract that oil, pay the government a royalty, loot the profits and take them offshore, whether it is Exxon or whatever. However, the very people who for thousands of years have lived on top of that oil are allowed a lifetime lump sum payment of $15,000 per person. It does not even buy a pickup truck, never mind provide for that family. That is the status quo we are dealing with here. That is the Canadian legacy of first nations oil and gas management up to this date. It has been a legacy of theft and exploitation.

● (1345)

Sharing in the land and resources was exactly what the signators to the treaties thought they were doing. They view reserves a little differently than we do. We view an Indian reserve as where we cluster all the first nations people together and make them live there. When we read the treaties literally, they view what they signed to mean that they are willing to share all their traditional territories, all of Canada, except for the reserve which they have the exclusive control over. They are perfectly willing to share the land, the wealth and the resources of the rest of Canada.

We did not see it that way. We view the treaties like this. We will take most of the reserve and give them the bit that is left. They live on top of that and anything that is found underneath it, whether it is lead, zinc, silver, molybdenum, gold, is ours. They have no right to benefit from that except as specifically outlined by the minister in his paternalistic benevolence.

Incrementally, as aboriginal leaders have learned the rules of the game, and just when they learn them the rules seemed to change on them, leaders like Strater Crowfoot and the other representatives of these three first nations have seen what is necessary to finally negotiate a way to at least have some control over their own what they call Indian moneys.

I will point out what the bill do. The status quo is that Indian moneys were held in trust for first nations and may be used only for the first nations, but at the direction and control of the minister. In other words, Indians could do nothing with their own money without the minister's rubber stamp and to make application. In this sense, the Indian moneys regime is interfered with. Sections 61 to 69 of the Indian act govern the management of Indian moneys. Indian moneys are either capital moneys which are derived from the sale of a first nation's surrendered lands, or capital assets, or revenue moneys which include all moneys other than capital.

In 1912 the Blackfoot were duped in an effort to try and elevate the standards of living conditions of their people. The Siksika, the Blackfoot, sold about half of its reserve for $1.2 million. Now in 1912 it made it the richest tribe in western Canada. It bought new houses, with regular interest payments and other services. By the end of World War II that money was gone and it had little to show for their wealth except for a smaller reserve. The population had doubled. This is the type of exercise that we saw which was simply detrimental to the well-being of aboriginal people. However, we can see where the leadership would be tempted to try to do something to cope with the social conditions of their community.

With regard to Indian moneys, they are held by the crown and "expended only for the benefit of the Indians or the bands for whose use the moneys are being held". It is within the governor in council's choice to determine whether any purpose where the moneys used are for the benefit of the band. The minister has the absolute power in relation to the management of band moneys.

What we propose in Bill C-54 will hopefully allow three phases in this idea. The pilot project that took place to establish this first nations oil and gas management initiative dealt with co-management, enhanced co-management and management and control of the money.

During the first phase, duties and decision making about the administration of the money was shared with the first nation. During the second phase, first nations were given training to develop their administrative capacity in dealing with the application of this money.

The pilot project is currently in its final phase, which requires the passing of the legislation which will allow the transfer of authority to first nations provided they meet the limitations and the requirements of this legislation.

● (1350)

We will support the bill because we support a fairer distribution of the wealth of the land and resources occupied in the traditional territory of first nations as the only hope for a meaningful progress in terms of economic development and elevating the standards of living and social conditions for first nations people.

Mr. Andrew Scheer (Regina—Qu'Appelle, CPC): Mr. Speaker, I have a question regarding first nations policy as it relates to the NDP position on it.

The member for Desnethé—Missinippi—Churchill River talked about the Conservative commitment to establish equality among our first nations people and parity with the rest of Canada, specifically private property rights.

As we know, individuals living on a reserve do not have the ability or the same right that every other Canadian has to own and enjoy their own property, enjoy the ownership of their own home. This creates a huge disadvantage for first nations people who cannot use the equity that they might have in their home the way every other Canadian does. They cannot take a mortgage out on their property to invest in a small business or take a mortgage out on their equity to send their children to post-secondary education. That is a right that every other Canadian has. We are able to own our own home and use that wealth for a variety of things.

Would the member agree that first nations people living on reserve should have the same right that every other Canadian has to own their own home and enjoy the benefits that come with home ownership?

● (1355)

Mr. Pat Martin: Mr. Speaker, there is a huge disconnect between the political philosophy of the Conservative Party of Canada and the New Democratic Party as it pertains to aboriginal and treaty rights and to the application of the treaties in terms of land and resources.

I heard him make reference to private property. There is a Eurocentric sort of naiveté on the part of many Conservative Party of Canada members who think the answer to the housing crisis on first nations reserves can be found in private ownership. That is a Eurocentric construct that almost speaks to an arrogance or a paternalism that many people find offensive. It is not the aspiration of everyone to build equity in their own home. Many people have a sense of community. Many people have a sense of collectivism, especially in traditional cultures.

There is a Eurocentric naiveté that borders on offensive when my colleague tries to trivialize the issue of sharing of land and resources with his own narrow Eurocentric construct associated with private property.

Some of the Conservative views about private property are worrisome even. Everyone believes in fee simple title for their own homes. The way some Conservatives view private property is the absolute freedom to do whatever they wish with their property, even if that means the right to keep certain people off their property or the right to pollute their property without the intervention of the state.

I always worries me when I hear a Conservative starting to harp about private property and the absoluteness of the sanctity of private property in contrast to the collectivity, or the rights of the collective or the well-being of the collective.

What we see in traditional cultures is a lot more comfort with a communal enterprise, shared resources. In terms of sharing resources, the bill is more in keeping with the traditional views of the first nations we are dealing with than it is with my colleague's rather narrow view of the world.

Mr. Andrew Scheer: Mr. Speaker, I have to comment when the member remarks about the Conservative Party giving first nations individuals the freedom and the ability to own their own home, the same right that every other Canadian has, and we are called paternalistic for that. What is paternalistic is a party that does not believe that first nations are able to enjoy their own property, that does not trust them to own and enjoy their own property, the same right that every other Canadian has.

We should not be surprised because this is coming from probably the only member that I know who has a picture of Mao Zedong hanging in his office. This is the member who is talking about private property who has a picture of our great leader Mao in his office. We all know about the Chinese Communist attitude toward private property rights.

This is not a question. It is more a comment that if we are going to look at paternalism, it should rest with the party that does not trust first nations to own and enjoy property the same way that every other Canadian does.

Mr. Pat Martin: Mr. Speaker, it has been an uphill battle trying to drag my colleagues from the Conservative Party into the 21st century, kicking and screaming as they go, as they acknowledge aboriginal and treaty rights. It is a challenge that I am willing to take on and one by one, we are trying to chip away at this Eurocentric sort of arrogance and ignorance that endorses the paternalism of the Indian Act.

For someone to stand and defend the paternalism of the Indian Act, in contrast to a progressive piece of legislation that contemplates a sharing of oil and gas resources is beyond me. We should not waste a great deal of time on this as I am sure we are close to question period.

STATEMENTS BY MEMBERS

● (1400)

[*English*]

TEREZIA ZAKAR

Mr. Lloyd St. Amand (Brant, Lib.): Mr. Speaker, I rise in the House today to pay tribute to a wonderful member of my community, Mrs. Terezia Zakar, who passed away September 14. Mrs. Zakar was the proud president of the Petofi Hungarian Cultural Club located in Brantford.

Mrs. Zakar came to Canada in 1956 from Hungary with little resources, but soon proved to be an excellent community motivator. Mrs. Zakar dedicated much of her life to the promotion of the Hungarian culture in Brant. She was an active organizer of Hungarian dance and cultural performances, international village displays, as well as different activities and charity events. She was instrumental in the purchase of the Petofi Hungarian Cultural Club, which has been the location for many Hungarian community events.

Terry will be remembered as a loving wife to John, her husband of 40 years, and a wonderful mother to her children who made her so proud. I would ask my fellow members of the House to join me in paying tribute to a woman who contributed so much of herself to the betterment of her community.

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LIBERAL GOVERNMENT

Mr. Kevin Sorenson (Crowfoot, CPC): Mr. Speaker, I would like to notify all those watching today of a very worthwhile campaign. No, it is not an election campaign. The Liberal government has ensured we will not be going to the polls anytime soon. Fearing defeat, it has taken the unprecedented step of denying all opposition parties their supply days until mid-November. Shame.

What I am talking about is the stick it to him campaign, a campaign aimed at giving David Dingwall exactly what he wants, and stopping the Prime Minister from spending even more of taxpayers' hard-earned cash on Liberal hush money.

I urge all Canadians to join in the one tonne gum challenge by sending, postage free, a piece of bubble gum to the Prime Minister, so he may pay Mr. Dingwall his hush money with half a million dollars worth of chewing gum instead of half a million dollars more of our own money.

The Prime Minister and the Liberal government have been sticking it to taxpayers for far too long.

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SIDNEY CROSBY

Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.): Mr. Speaker, last night Sidney Crosby of Cole Harbour, Nova Scotia, played in his first NHL game and recorded his first point. Not since Wayne Gretzky has hockey witnessed such a young player entering the professional ranks under so much spotlight and with so much promise.

As remarkable as Sidney's performance is on the ice, his grace and composure in dealing with the enormous pressure that has fallen upon him since a young child is so impressive and a testament to his character. His parents can be rightly proud of this exceptional young man as he continues to meet enhanced expectations. It takes a person of rare quality to captivate a nation, to single-handedly revive a hockey franchise, and continually reach new heights in his chosen field.

Sidney Crosby would be a great success in life even if he never scored a single goal in the NHL, but he will do so much more than that in the years to come. He will continue to achieve and make all

Canadians proud, none more so than the residents of Cole Harbour, Nova Scotia.

Way to go Sidney.

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[*Translation*]

CHÂTEAUGUAY MUNICIPAL LIBRARY

Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ): Mr. Speaker, I am very pleased to announce to the House that the Quebec Order of Architects has named the Châteauguay Municipal Library and its architects as the winners of its award of excellence in architecture.

The official presentation of the award will take place at Châteauguay on October 11. This past August 30, the Quebec Order of Architects also ranked the Châteauguay Municipal Library among the top three finalists in the cultural project category.

The jury was won over by its warm and welcoming atmosphere and described the building has having achieved a wonderful balance of distinctiveness and civility.

The library also drew attention for its unique geothermal heating system, which extracts heat from the ground to heat the entire building.

The Bloc Québécois congratulates all those who had a hand in this splendid success. Long may this jewel in Châteauguay's crown continue to sparkle.

* * *

● (1405)

[*English*]

YEAR OF THE VETERAN

Ms. Yasmin Ratansi (Don Valley East, Lib.): Mr. Speaker, this year the Government of Canada designated 2005 as the Year of the Veteran to coincide with the 60th anniversary of the end of World War II.

One veteran in particular, Wing Commander Vernon Woodward, distinguished himself overseas as one of many Canadians who went to Britain to serve in the Royal Air Force. The young pilot was sent to some of the most difficult theatres of the early war, including Egypt, to fight Rommel's Afrika Corps, and to Crete in an attempt to fend off the Luftwaffe.

During this period “Woody”, as he was affectionately known, earned the Distinguished Flying Cross with silver bar and became the third most decorated Canadian ace to serve in the RAF. Indeed, Wing Commander Vernon Woodward's record is something that can be shared with pride by both the people of Canada and Great Britain.

On behalf of all Canadians, please join me in honouring the memory of all veterans who served and sacrificed in the service of their country.

S. O. 31

JUSTICE

Mr. Dave Batters (Palliser, CPC): Mr. Speaker, I rise today in support of the initiative put forth by the families of the four slain officers in Mayerthorpe, Alberta. They have come together in asking Canadians to join them in the referendum of light. On the third day of every month, Canadians are asked to turn on their porch or patio lights in support of tougher sentences and paroles for drug related offences and a new national drug policy.

These families have highlighted a very important issue to the people of Canada and to the people of my home province of Saskatchewan. For months I pushed this government to reclassify crystal meth to allow for tougher sentencing. Despite the years of rhetoric, the Liberal government has consistently failed to bring in effective sentencing reform.

This government's approach to crime has failed and on behalf of the people of Palliser, I congratulate the families of the fallen officers for pushing this government to finally get tough on crime.

* * *

KIPLING COLLEGIATE INSTITUTE

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Mr. Speaker, a recent issue of *Maclean's* magazine featured 30 trailblazing schools across Canada.

Kipling Collegiate Institute, a school in my riding, was featured as one of the 10 best schools in the rising to a challenge category. Located close to Pearson International Airport, with a high concentration of recent immigrants, two-thirds of students speaking a mother tongue other than English and a rough reputation, the teachers, students and families of Kipling have turned things around.

Under the leadership of Principal Roger Dale fostering an environment of optimism and mutual respect, and his far-reaching vision of having students take ownership of their school and their futures, there are now 44% more students passing provincial exams and 40% fewer students failing courses.

This evening I will be visiting Kipling Collegiate Institute during its commencement ceremony. I join all members of the House in congratulating its enthusiastic students and dedicated teachers.

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[*Translation*]

MENTAL ILLNESS AWARENESS WEEK

Mr. Réal Ménard (Hochelaga, BQ): Mr. Speaker, since its inauguration in 1992, Mental Illness Awareness Week has sought to open our eyes to the reality of mental illness.

Those who suffer from it have remained in the shadows for far too long. Too many of them are reluctant to seek the help they need, and the general public is insufficiently aware of the burden mental illness places on society.

Mental Illness Awareness Week seeks to raise awareness of the level of mental illness in Canada; to reduce negative stigma about mental illness; and to promote the positive effects of best practice in prevention, diagnosis and medical treatment.

If we know more about mental illness we will be able to detect it early and offer help when it is needed. Any one of us can be affected, regardless of age, financial position, race or gender.

I encourage my colleagues to be part of the solution, and to visit the Mental Illness Awareness Week site in order to learn more about how to deal with this illness and to dispel the misconceptions that surround it.

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[*English*]

OKTOBERFEST

Mr. Lynn Myers (Kitchener—Conestoga, Lib.): Mr. Speaker, I rise today to wish all Canadians a very happy Kitchener-Waterloo Oktoberfest, which begins on October 7 and goes until October 15. I am proud to say that Kitchener-Waterloo is home to North America's largest Bavarian festival.

Since 1969 the festival has grown from a one day event with one festhalle to a 9 day event with 17 beer halls and 40 family and cultural events that are renowned all over the world, and attract well over 700,000 participants every year.

Music, dancing and, of course, beer will be enjoyed by all. Fashion shows, yo-yo demonstrations, marching bands and rock-toberfest are just a few of the events that will be held. On Monday, October 10 join us for the Thanksgiving Day parade. This year we are proud to have the Prairie Oyster band join us in our celebration on October 14. This group has won many awards, including six Junos and 11 Canadian Country Music Awards and are sure to provide us with some great entertainment.

I invite all hon. members and indeed all Canadians to join us this Oktoberfest and come enjoy the festival.

* * *

● (1410)

RAILWAY SAFETY

Mr. Rob Merrifield (Yellowhead, CPC): Mr. Speaker, this summer there were two train derailments in my riding along the Edmonton-Jasper corridor. On August 3 a CN train derailed in Wabamun created an ecological disaster. Some 700,000 litres of oil spilled into the lake killing wildlife, poisoning drinking water and actually spoiling the lake to local residents for the summer.

On both occasions I wrote the transport minister calling for an immediate review of railway safety in Canada. I still have not heard from the minister.

Last week there was another CN derailment in Alberta. Spills can be cleaned up, but it is the minister's duty is to determine why these incidents are occurring and to take steps to prevent them.

It appears that the transport minister is not taking this problem seriously at all. How big a disaster will it take to catch the minister's attention? The people in my riding are demanding and deserve some action.

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[*Translation*]

KEDGWICK VOCAL MUSIC FESTIVAL

Mr. Jean-Claude D'Amours (Madawaska—Restigouche, Lib.): Mr. Speaker, over the weekend, I had the chance to attend the Kedgwick vocal music festival in my riding of Madawaska—Restigouche in New Brunswick.

I must say that I was pleasantly surprised at the talent of the participants at this event and I want to acknowledge the remarkable performances of all those who, despite their stage fright, sang during this festival.

I am also quite pleased to have been able to attend this event, which helped me discover all this talent from my riding and elsewhere. I want to thank the organizing committee for its dedication and commitment to culture and the arts.

Canada abounds with talented artists. My region and all of New Brunswick are no exception. I am sure we will soon see some of these performers make a name for themselves.

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ANNIE BLANCHARD

Mr. Yvon Godin (Acadie—Bathurst, NDP): Mr. Speaker, as the member for Acadie—Bathurst, I have the honour to speak today to acknowledge the participation of Annie Blanchard from Maisonnette, New Brunswick, in TVA's *Star Académie*, a weekly show that is based on the same concept as *Canadian Idol*. Ms. Blanchard faces the possibility of elimination next Sunday.

Annie, the Acadian Peninsula and New Brunswick are behind you.

To encourage you and to support you, the public will gather tonight at Carrefour de la Mer in Caraquet for a benefit concert with fireworks and fanfare in your honour.

Your appearance on *Star Académie* is the pride of the region. Do not give up. Wilfred has already gone through this. Show them the real Annie.

Good luck, Annie. I look forward to seeing you in Maisonnette.

* * *

[*English*]

LIBERAL GOVERNMENT POLICIES

Mr. Brian Pallister (Portage—Lisgar, CPC): Mr. Speaker, these are the top 10 Dingwall facts.

Number 10, when the Prime Minister succeeded Jean Chrétien, it was out with the old and in with the old.

Number nine, the Prime Minister is so far up the ivory tower he cannot see the common Canadian any longer.

Number eight, the Prime Minister looks funny defending the indefensible.

Number seven, Liberals believe that ordinary Canadians should not get severance, but Liberals should.

Number six, the Prime Minister's real spending priorities are globe trotting, golf, gluttony and gum.

Number five, when the Prime Minister has a choice, he chooses cronies over Canadians.

Number four, taxpayers should pay hush money to Liberals or else they will sue.

Number three, there are two sets of rules, one for Liberals and another for the rest of us.

Number two, to our Prime Minister this is just another ding in the wall.

And the number one Dingwall fact, Liberals believe they can get their money for nothing and their Chiclets for free.

* * *

[*Translation*]

MÉLANIE TURGEON

Mr. Marc Lemay (Abitibi—Témiscamingue, BQ): Mr. Speaker, Mélanie Turgeon, that outstanding athlete and native of Alma, in the Lac St-Jean region, has just confirmed her retirement from alpine ski competition.

This determined sportswoman has shown remarkable courage throughout her career, as she has achieved the goals she set for herself.

In a field traditionally dominated by Europeans, Mélanie has managed, with her rare determination, not only to get a foot on the medal podium, but to return there event after event.

Mélanie Turgeon has done a great deal for alpine skiing, in Quebec, in Canada and internationally. The Bloc Québécois salutes this remarkable athlete and her remarkable career. We know she will continue to guide young Quebec skiers as they fulfil their own dreams.

Thank you, Mélanie, for all the high points and excitement you have shared with us over the years.

* * *

● (1415)

[*English*]

INFRASTRUCTURE

Mr. Merv Tweed (Brandon—Souris, CPC): Mr. Speaker, it has been 246 days since the government announced its new deal for cities and communities. The government has been signing deals since March and other provinces have been able to move forward with their plans and projects.

My province of Manitoba has lost six months' worth of valuable construction time, an entire season. Manitobans deserve their fair share. The only ones who seem to get the cash when they want it are the government's cronies who do not have to wait for approval, they just put it on their expense accounts.

It is within the government's power to make this deal happen. The Prime Minister must stop dithering and instruct Manitoba's lead minister to start rowing or get out of the boat. Maybe someone else can get this deal done for the benefit of all Manitoba communities. I urge the government to act today.

* * *

COMMUNITY LEADERSHIP

Hon. Karen Redman (Kitchener Centre, Lib.): Mr. Speaker, I am pleased to rise in the House today to offer congratulations to the Greater Kitchener Waterloo Chamber of Commerce. The local chamber, in conjunction with the Cambridge Chamber of Commerce, recently earned national acclaim with the silver award for the best community leadership project in Canada.

The Canadian Chamber of Commerce recognized the local chamber for its efforts in helping to establish the Prosperity Council of Waterloo Region. The prosperity council includes Communitech, a local technology association, and Canada's Technology Triangle Inc., the economic component of the region's local government.

I invite the House to join me in extending congratulations to the Greater Kitchener Waterloo Chamber of Commerce on its outstanding leadership and this achievement.

ORAL QUESTIONS

[*English*]

GASOLINE PRICES

Hon. Stephen Harper (Leader of the Opposition, CPC): Mr. Speaker, since this House returned two weeks ago, Canadians have seen how out of touch the government is with the use of taxpayers' money. I am going to give a few examples.

The first example, today we find the government actually does favour a break on the high price of gas, but only if one is a politician or a civil servant. This does nothing for ordinary Canadians, except cost them money. Not only do they have to pay more for their own gas, now they have to pay more for the gas the government uses.

Will the government show some respect for taxpayers by cutting gas taxes and by cancelling this mileage bonus for civil servants and politicians?

Hon. Reg Alcock (President of the Treasury Board and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, the setting of mileage rates for civil servants is done through a consultation process with the unions under the contractual agreements we have with them. I have instructed my staff to go back to the NJC and ask them to reconsider this particular decision.

As for the setting out for politicians, that is handled by the Board of Internal Economy of this chamber. The member is quite free to have the conversation with the Board of Internal Economy.

SOFTWOOD LUMBER

Hon. Stephen Harper (Leader of the Opposition, CPC): Mr. Speaker, we will have that conversation with the Board of Internal Economy and we will look for the government's support to have that rolled back.

The second example, the Prime Minister is flying down to New York on a public relations exercise. This trip will cost Canadians thousands of dollars, but the Prime Minister on softwood lumber has not yet laid out any plan of action for Canadians and he has not yet even bothered to speak with the President.

Why does the Prime Minister think it is appropriate to spend thousands of dollars of Canadian taxpayers' money when he cannot even bother to pick up the phone at a few cents a minute and call the President?

Hon. Jim Peterson (Minister of International Trade, Lib.): Mr. Speaker, the hon. member said that we do not have a plan in place in order to deal with softwood lumber. That is utter nonsense.

Our number one priority here is that the terms of the NAFTA must be respected. This is why we have taken litigation in the U.S. Court of International Trade, in order to have the duties come back to Canada, in order to have those orders repealed. This is why we are taking measures for retaliation. This is why we have stepped up our advocacy. I am delighted that President Fox knows, along with us and Canadians, that the NAFTA must be respected.

* * *

DAVID DINGWALL

Hon. Stephen Harper (Leader of the Opposition, CPC): Mr. Speaker, trite rhetoric, but the industry communities and workers are still looking for an action plan from the government.

The final example, the government keeps trying to justify a half a million dollar severance package for David Dingwall against the growing opposition of even members of the Liberal caucus. The government's own labour minister said, “If he thinks he deserves a severance package after having quit, then he should sue for it. I don't think he should be entitled to it”.

How could the government continue to make the case for severance when its own minister responsible for severance legislation thinks the idea is ridiculous?

● (1420)

Hon. John McCallum (Minister of National Revenue, Lib.): Mr. Speaker, we will pay Mr. Dingwall only what legal counsel advises us we must. There is currently an independent audit re-examining his expenses under way. Further, should any discrepancies be uncovered by the audit, the government will insist upon a dollar for dollar repayment to the treasury.

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, while the NHL is back with new rules against obstruction, the government continues to rag the puck, clutching and grabbing taxpayers over the Dingwall affair.

It appears that the Liberal B team is divided though. The revenue minister says he was given verbal advice to justify this appalling payoff. The minister cannot point to a contract or a specific clause in government law that would require such a galling giveaway because they do not exist. The Liberal member for Gatineau, a labour lawyer, says the government needs more than flimsy verbal opinions.

Will the minister take the advice of some of his own colleagues and show Canadians some real substantive legal opinions to somehow justify this Liberal severance for silence?

Hon. John McCallum (Minister of National Revenue, Lib.): Mr. Speaker, we will pay Mr. Dingwall only what legal counsel advises us we must. There is currently an independent audit re-examining his expenses under way. Further, should any discrepancies be uncovered by the audit, the government will insist upon a dollar for dollar repayment to the treasury.

Mr. Peter MacKay (Central Nova, CPC): Mr. Speaker, from Dingwall to stonewall; the minister should flip the tape.

Let us recap the Ding-gate affair: ex-Liberal cabinet minister, illegal lobbyist, architect of the sponsorship program, expense account abuser, quit a patronage appointment at the Mint in disgrace. For this the government says that he deserves a big fat payoff, courtesy of hardworking taxpayers. His Liberal colleagues are scattering like headless turkeys before Thanksgiving, but even most Liberals are now demanding that the reward for quitting be abandoned. The member for Parkdale—High Park says it destroys their credibility.

Just who is insisting on the payoff? Is it Dingwall himself, or a nervous Prime Minister who sat with him in cabinet when they designed the sponsorship program?

Some hon. members: Oh, oh!

The Speaker: The hon. minister has the floor to give his answer. Order.

Hon. John McCallum (Minister of National Revenue, Lib.): Mr. Speaker, we will pay Mr. Dingwall only what legal counsel advises us we must. There is currently an independent audit re-examining his expenses under way. Further, should any discrepancies be uncovered by the audit, the government will insist upon a dollar for dollar repayment to the treasury.

[*Translation*]

GASOLINE PRICES

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, the Treasury Board increased the per kilometre travel allowance for parliamentarians and public servants in order to offset the impact of the gas crisis. But clearly, many people were left out of the aid package announced by the federal government, such as taxi drivers who are also hard hit by this crisis.

Does the Prime Minister intend to help taxi drivers, as he did parliamentarians and federal public servants?

[*English*]

Hon. Ralph Goodale (Minister of Finance, Lib.): Mr. Speaker, there is of course a full GST rebate with respect to small businesses.

Further, I indicated this morning that while in the package we have announced today we have been able to address some of the most vulnerable in our society, we are more broadly concerned about the level of disposable incomes in Canada and we intend to take further action with respect to that.

On the matter of the mileage, I can tell the hon. member that with respect to all taxpayers, the Department of Finance examines the amount that businesses and business owners are allowed to deduct for mileage every year. We adjust that amount on an annual basis. That normally happens in December. I have asked my officials to do it within the next couple of weeks.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, although the Quebec government is giving taxi drivers a $500 tax credit, the federal government continues to refuse to introduce a similar tax measure.

Why is the minister refusing to follow the example set by the Government of Quebec and give taxi drivers a tax credit?

● (1425)

[*English*]

Hon. Ralph Goodale (Minister of Finance, Lib.): Mr. Speaker, the hon. member has raised an important point.

The provinces do have jurisdictional responsibility with respect to income support matters and with respect to energy matters. In many ways these are shared responsibilities and we welcome all the initiatives the provinces are intending to take to build upon the federal initiatives that we have taken.

We would specifically invite the provinces, on any income support payments paid by the Government of Canada, not in any way to claw any of that back.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, the government's decision to implement measures in order to offset the fuel crisis, while inspired by the plan presented by the Bloc, falls short of our expectations. The government's plan does nothing for childless couples, single people under the age of 65 and a number of groups hard hit by the fuel crisis.

For example, since there has been a direct impact on farmers and since this increase in gasoline prices will cost farmers over $250 million, does the government intend to offer them specific aid or are they being left to their own devices?

[*English*]

Hon. Ralph Goodale (Minister of Finance, Lib.): Mr. Speaker, as the Minister of Agriculture has pointed out on a number of occasions, there are support systems in place with respect to agriculture, which the Government of Canada is always looking to improve and to strengthen.

There are of course the full GST rebates that are available for all businesses in the country. As I said this morning, beyond this initial package with respect to energy and the impact that has on disposable incomes, we are looking for a broader range of ways in which we can assist disposable incomes of all Canadians. There will be some important news on that tomorrow.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Mr. Speaker, apparently, as far as I can see, there is nothing new for farmers.

Independent truckers, whose profit margins were already very small before the surge in prices, are now in dire financial straits. How can the government justify the fact that there is nothing in its aid package for them, when they are among those hardest hit by the increase in gasoline prices?

[*English*]

Hon. Ralph Goodale (Minister of Finance, Lib.): Mr. Speaker, what we put before the House today in the new legislation is a package that amounts to $2.4 billion. That is a significant contribution to try to relieve some of the pressure of higher energy costs.

We are focused upon the most vulnerable where we have the delivery platforms already in place, in terms of the national child tax benefit and the GIS supplement for seniors.

We invite the provinces to participate with us. We are glad to hear that some provinces are willing to do that. As I said, we are looking for other ways in which we can improve the disposable incomes of Canadians and we will do that.

* * *

CANADA-U.S. RELATIONS

Ms. Libby Davies (Vancouver East, NDP): Mr. Speaker, my question is for the Deputy Prime Minister.

The Prime Minister is in New York today giving another speech. In fact, all this Prime Minister does is talk. There is nothing that makes him happier than sounding like he is about to act.

NAFTA ruled four months ago. Why in those four months has Canada done nothing to protect our jobs and businesses from George Bush's attacks? What good is another speech when everyone knows this Prime Minister does not have the gumption to stand up for this country, for jobs and for workers? What good is another speech?

Hon. Jim Peterson (Minister of International Trade, Lib.): Mr. Speaker, the Prime Minister is addressing the Economic Club of New York this evening. He has a number of very important meetings.

It is absolutely essential that our Prime Minister travel this world and carry the Canadian message. In terms of trade, it is a great story to tell. In terms of the NAFTA itself, the United States must respect the terms of the NAFTA. This is one of the messages he will be taking to the United States.

* * *

CITIZENSHIP AND IMMIGRATION

Ms. Libby Davies (Vancouver East, NDP): Mr. Speaker, I think it is safe to say George Bush will not be listening because he knows that this Prime Minister is all talk and no action.

I would now like to ask the immigration minister a question. When a relative who lives abroad tries to visit family in Canada, there are unbelievable delays and frustrations, yet when Martha Stewart gets out of jail and decides to race pumpkins in Canada, she gets her visa in record time.

Does this minister have any idea why people are so angry when they have to wait months to see law-abiding grandma while Liberals brag about how fast they will let a convicted felon in? This is not "a good thing".

● (1430)

Hon. Joseph Volpe (Minister of Citizenship and Immigration, Lib.): What is a good thing, Mr. Speaker, is the fact that we have already moved on measures to improve the way that people can come into this country.

I am really surprised that the member from Vancouver has something against the Children's Wish Foundation and the good people of Windsor, Nova Scotia, who have invited someone to come and participate in a fundraising exercise for the benefit of the larger community. Is she objecting to that?

* * *

DAVID DINGWALL

Mr. Brian Pallister (Portage—Lisgar, CPC): Mr. Speaker, the Prime Minister has failed to produce a single shred of evidence for a Dingwall payoff. There is no contract, no law and no legal brief, and yet he continues to persuade Canadians that there is a legal obligation there.

Let me quote the Department of Human Resources and Skills Development. It has an online Q and A pamphlet advising Canadians of their rights on termination. It asks, does this mean that an employee who quits or otherwise terminates his or her own employment is entitled to severance? The answer is no.

Let me ask the human resources minister to assure the House that she will brief the Prime Minister on this issue.

Hon. John McCallum (Minister of National Revenue, Lib.): Mr. Speaker, we will pay Mr. Dingwall only what legal counsel advises us we must. There is currently an independent audit—

Some hon. members: Oh, oh!

The Speaker: Order, please. The Minister of National Revenue has risen to answer the question that the member for Portage—Lisgar asked. How is he going to be able to ask a supplementary if he cannot hear the answer? The House has to be able to hear the answer. The Minister of National Revenue has the floor.

Hon. John McCallum: Thank you, Mr. Speaker. As I was saying, there is currently an independent audit re-examining his expenses under way. Furthermore, should any discrepancies be uncovered by the audit, the government will insist upon a dollar for dollar repayment to the treasury.

Mr. Brian Pallister (Portage—Lisgar, CPC): Mr. Speaker, they are both fantasies, but I like Harry Potter better.

Why do this minister and this government continue to try to defend the indefensible? Holy sinking ships.

We see it. Canadians see it. Even Liberal members see it now. The member for Whitby—Oshawa says "it destroys our credibility". The labour minister says, "I'm ticked off...Give me a break. This is ridiculous".

That is right. We agree and so do the members on the other side of the House, so why does this Prime Minister not give us all a break, say yes to Canadians, yes to the opposition's demands, yes to his own colleagues, and just say no to David Dingwall?

Hon. John McCallum (Minister of National Revenue, Lib.): Mr. Speaker, we will pay Mr. Dingwall only what legal counsel advises us we must. There is currently an independent audit re-examining his expenses under way. Further, should any discrepancies be uncovered by the audit, the government will insist upon a dollar for dollar repayment to the treasury.

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GASOLINE PRICES

Mr. Jason Kenney (Calgary Southeast, CPC): Mr. Speaker, that is pretty pathetic.

[*Translation*]

Average Canadians are having great difficulty coping with the soaring gasoline prices. The government has done nothing to lower gasoline prices or gasoline taxes, but today it decided to increase the mileage rates for public servants and politicians.

Why is the government increasing these mileage rates for public servants and politicians? Why does it have the wrong priorities which do not reflect the real priorities—

The Speaker: The hon. President of the Treasury Board.

[*English*]

Hon. Reg Alcock (President of the Treasury Board and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, as I said earlier, the setting of mileage rates for public servants is done as a negotiated process with the national joint council, and I have instructed my officials to write to the joint council and ask it to reconsider the rate.

When it comes to politicians, that decision is made by the Board of Internal Economy, and in a minority House it is accountable to all of us, so if the member has a concern he can deal with it.

Mr. Jason Kenney (Calgary Southeast, CPC): Yes, Mr. Speaker, we have a concern, like most Canadians do, that this government has a double standard: one for politicians and bureaucrats and one for everyone else. It wants politicians and bureaucrats to profit from the higher price of gas and everyone else to pay for it with higher taxes.

We are prepared to cancel the increase for MPs. Will the Liberals do the same for the entire government sector and put Canadian taxpayers first?

● (1435)

Hon. Mauril Bélanger (Minister for Internal Trade, Deputy Leader of the Government in the House of Commons, Minister responsible for Official Languages and Associate Minister of National Defence, Lib.): Mr. Speaker, as the President of the Treasury Board has said, the matter for public servants has been referred back to the joint council.

As far as the Board of Internal Economy is concerned, as a member of it and as the spokesman for it, this matter will be brought to the board. It has not been because the board tied itself automatically to the joint council decisions back in 1984, I believe, but this matter will be considered because we will bring it forward at the next Board of Internal Economy meeting.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, in addition to the increase in the price of crude oil, the sharp rise in profit margins for refining instigated at the same time by oil companies has been largely responsible for the current oil crisis that the government has to counter through support measures.

How can the government allow the oil companies, which are largely responsible for this crisis, not to pay the consequences and, moreover, to continue to benefit from $250 million a year in tax relief, as a gift of largesse from the government?

[*English*]

Hon. Ralph Goodale (Minister of Finance, Lib.): Mr. Speaker, the fact of the matter is that a major component of our announcement today was action being taken by the Minister of Natural Resources and the Minister of Industry to strengthen transparency and competitiveness in the marketplace.

We want to make sure that the information on price fluctuations, the reasons behind those fluctuations, their size, their rate of increase and their rate of decrease, all of that, is laid bare for all Canadians to see. Then the appropriate consequences can follow.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, the minister has put a plan in place and is making all taxpayers pay for it, but not the ones primarily responsible, namely the oil companies. As if that were not enough, he is giving them a gift of $250 million a year.

How can the ones primarily responsible for the current crisis not have to pay a single cent of the $2.5 billion in measures announced by the government, while all taxpayers, who are already penalized by this crisis caused by the oil companies, are once again footing the bill?

[*English*]

Hon. Ralph Goodale (Minister of Finance, Lib.): Mr. Speaker, I am afraid the hon. gentleman does not understand the tax system. He seems to imply that energy companies in this country, wherever they may be located in Canada, do not pay taxes. In fact, they do. The last statistics I saw indicated that to federal, provincial and municipal governments they contributed something in the order of $16 billion per year.

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[*Translation*]

SOFTWOOD LUMBER

Mr. Michel Gauthier (Roberval—Lac-Saint-Jean, BQ): Mr. Speaker, the softwood lumber dispute is dragging on and the people of Chibougamau, Roberval and everywhere else in Quebec are waiting for the government to take action. A fifth decision by a NAFTA panel has confirmed to the United States, in no uncertain terms, that Canadian lumber is not subsidized.

Today the Prime Minister is in New York. If he wants to be taken seriously when he talks about softwood lumber, should he not send a clear signal to the Americans that he intends to support the companies by giving them loan guarantees so that they will be prepared to continue to fight this?

Hon. Jim Peterson (Minister of International Trade, Lib.): Mr. Speaker, our Prime Minister takes the softwood lumber situation very seriously. Furthermore, he has always said that NAFTA terms must be respected. The hon. member must realize that we have already implemented a program to help the industries.

Mr. Michel Gauthier (Roberval—Lac-Saint-Jean, BQ): Mr. Speaker, people in the softwood lumber industry want a government with a backbone, not a spineless government.

It is the Prime Minister's duty to inform Americans during his visit that he will support the companies, that he will give them loan guarantees, and that we will fight this to the very end. That is the only way we will get any respect.

[*English*]

Hon. Anne McLellan (Deputy Prime Minister and Minister of Public Safety and Emergency Preparedness, Lib.): Mr. Speaker, let me reassure the hon. member that tonight in his speech before the Economic Club of New York the Prime Minister is going to make some very strong statements in relation to the softwood lumber situation.

The Prime Minister has been a forceful defender of softwood lumber producers in this country. I can assure the House that no one in the United States of America, starting with the President of the United States of America, has ever been in any doubt as to where this Prime Minister and this government stand, which is firmly behind NAFTA and our softwood lumber producers.

* * *

● (1440)

NATIONAL DEFENCE

Mr. Rick Casson (Lethbridge, CPC): Mr. Speaker, recent reports indicate that the Department of National Defence is seeking sole source approval for the purchase of 15 to 20 C-130J transport aircraft at the same time that the U.S. air force is ending its C-130J program.

According to internal U.S. reports, military testers have reported serious deficiencies suffered by the C-130J, problems that could cause severe injury, major loss of equipment or reduction in operational readiness.

Is the minister aware of the technical problems that have plagued this aircraft? Is he still willing to sole source without considering a fair and open competition?

Hon. Bill Graham (Minister of National Defence, Lib.): Mr. Speaker, as I answered my hon. critic the other day, no decision has yet been made in terms of sole sourcing or otherwise acquiring answers for our transport fleet. It is very clear that we have to deal with the transport fleet. All hon. members know that. They would agree with me on that. It is an important part. The government is determined to do that and do that quickly.

We will do that, but we will make sure that it is done in a way which guarantees the security of the fleet and where we are delivering on what the forces need. We will take the forces' advice and their experience as to what they need for the job we are asking them to do.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Mr. Speaker, with just a little over four months to go before Canadian troops return to combat, Chinooks have suddenly become a priority. Air staff have just announced a plan to nix the competitive bidding process and are going to sole source the procurement of Chinook helicopters.

The government is buying an aircraft that took its first flight in 1961, while the army abandoned the technology 15 years ago, yet other more modern and effective options exist.

Why is the Liberal government planning to waste hundreds of millions of tax dollars without considering the possibility of open and fair competition?

Hon. Bill Graham (Minister of National Defence, Lib.): Mr. Speaker, why is the opposition assuming we are going to do something which we have not announced we are going to do? For heaven's sake, like all sinners, of which there are many in the House, I do not mind confessing my sins, but I ask members to give me a chance to sin first before I am forced to confess. That is all I ask.

Mr. Dave MacKenzie (Oxford, CPC): Mr. Speaker, in 2003 the Liberals forced the army to retire its self-propelled armour-protected artillery guns. Now in 2005 the minister is trying to sole source similar but unarmoured guns for our troops in Afghanistan. This is just another example of poor planning. The Liberals failed to properly arm our troops prior to committing them to a combat mission.

Why is the government acquiring guns that have no armour protection? Why is it avoiding fair and open competition?

Hon. Bill Graham (Minister of National Defence, Lib.): Mr. Speaker, there is a part of the hon. member's question that is right and there is a part that is wrong. I totally do not accept the fact that our troops are going to Afghanistan improperly prepared. They are perfectly prepared, as the Chief of the Defence Staff has said.

Will we need new equipment as the situation evolves? Of course we will. Will this government take aggressive action to make sure the troops have the equipment they need and which they tell us they need before we put them in danger? Yes, we will. I ask members to stay with us. This is an evolving situation.

The one thing I can promise members of the House and the Canadian public is that our troops will have the equipment they need and the equipment they want as they go into dangerous missions abroad.

Mr. Gordon O'Connor (Carleton—Mississippi Mills, CPC): Mr. Speaker, I have heard enough nonsense to fertilize a field.

The minister has publicly acknowledged that JTF2 special forces soldiers are operating against the Taliban. They are excellent soldiers and that is why I was pleased to learn they will be acquiring armour protected, medium load trucks that offer increased security in Afghanistan.

However JTF2 is only a small faction of our forces. The bulk of our regular force troops are not being provided with these armour protected trucks even though they face the same threats.

Will the minister explain why there is a double standard when it comes to protecting the lives of our soldiers?

Hon. Bill Graham (Minister of National Defence, Lib.): Mr. Speaker, it is important for members of the House to understand that there are two missions going to Afghanistan. Presently we have the PRT which was established in the Kandahar province and which requires a certain amount of equipment and a certain approach to what its job is. We will be sending 1,000 troops and a command group there in February of next year. Those troops will have a different mission and require different equipment. Our JTF2, which is highly specialized, requires different equipment as well. I think the hon. member knows that.

All I can do is come back to what I said before. Our troops will have the equipment that is necessary to do the mission they are asked to do. They will not be sent to do anything that would take them into harm's way without the proper equipment to make sure they can do their job.

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● (1445)

CANADA-U.S. BORDER

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Mr. Speaker, my question is for the Deputy Prime Minister and Minister of Public Safety and Emergency Preparedness.

Border crossing statistics show that the American tourist crossings in Ontario have declined by 35% since January 2001. Plans to institute a passport system for Americans have led the Canadian Tourism Commission to predict a further 12% drop.

Could the Deputy Prime Minister please tell the House what the government is planning to do about the western hemisphere tourist initiative?

Hon. Anne McLellan (Deputy Prime Minister and Minister of Public Safety and Emergency Preparedness, Lib.): Mr. Speaker, the hon. member quite rightly identifies the western hemisphere initiative as one of growing concern, not only to us in this country but obviously to more U.S. politicians, including Senator Hillary Clinton, Governor Pataki of New York and a growing list.

Due to the very fine work of our Canadian posts across the U.S., we are working with our American counterparts. I am working with my colleague, Mr. Chertoff, to ensure that we are able to work together in partnership to reach a resolution in relation to legitimate security concerns and that any resolution does not constitute a barrier to the facilitation of the movement of low risk goods—

The Speaker: The hon. member for Windsor West.

Mr. Brian Masse (Windsor West, NDP): Mr. Speaker, we know the western hemisphere initiative is something that has been out there for over a year but the government has been silent on the file.

Why has the Minister of Foreign Affairs not been more specifically active in this case? It has a profound impact on Canadian tourism, business and border communities. What is the official position of the government? Why is the Prime Minister not speaking about this and standing up for Canadians as opposed to letting American politicians do our work?

Hon. Anne McLellan (Deputy Prime Minister and Minister of Public Safety and Emergency Preparedness, Lib.): Mr. Speaker, the hon. member has it all wrong. From the moment the western hemisphere initiative was announced, this government engaged our American counterparts at the highest levels. I have discussed with my colleague, Michael Chertoff, the possible impacts of this initiative, not only on Canadians and trade in this country but on our American counterparts.

Our officials are engaged with American officials. Our ambassador is engaged with the U.S. administration. Our posts across the U.S. are engaged with U.S. and Canadian business and if all these people stop—

Some hon. members: Oh, oh!

The Speaker: Order, please. Perhaps the hon. member for New Brunswick Southwest, who I think is making a lot of racket over there, could control himself.

The hon. member for Acadie—Bathurst now has the floor. We will have a little order.

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[*Translation*]

DAVID DINGWALL

Mr. Yvon Godin (Acadie—Bathurst, NDP): Mr. Speaker, employees earning minimum wage or middle-class workers who quit their jobs are not entitled to EI: the Liberal government introduced this penalty in 1996. Furthermore, they are not entitled to severance pay.

However, when Mr. Dingwall, a former Liberal minister who lost his seat and was then offered a job by the Liberal government, with a $270,000 annual salary—plus a pack of chewing gum—quits his job, this same Liberal government wants to give him half a million dollars in severance pay.

Is the Prime Minister recommending that employees take the government to court—

The Speaker: The hon. Minister of National Revenue.

Hon. John McCallum (Minister of National Revenue, Lib.): Mr. Speaker, we will pay Mr. Dingwall only if our counsel determines that we must. An independent audit re-examining his expenditures is underway.

Furthermore, should any discrepancies be uncovered by the audit, the government will insist upon a dollar for dollar repayment to the Treasury.

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[*English*]

CRIMINAL CODE

Mr. Vic Toews (Provencher, CPC): Mr. Speaker, handgun related homicides are skyrocketing in Toronto this year. Nationally, Statistics Canada says that homicides in Canada increased 12% in 2004; 622 people were murdered, 73 more than in 2003.

Despite this huge increase in murders, why does the Liberal government continue to mislead Canadians by denying that violent crime in Canada is rising?

Hon. Paul Harold Macklin (Parliamentary Secretary to the Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, as the minister has stated, there is no greater responsibility for this government or any government than to protect its citizens.

In this particular case, the Criminal Code contains many minimum mandatory sentences relating to violent crimes that are committed with a firearm. In fact, I think the hon. member and all members of the House ought to hear about these mandatory minimum sentences that deal with violent crime.

First, if a firearm is used in the commission of an offence in a criminal negligence case causing death, under section 220—

● (1450)

The Speaker: The hon. member for Oshawa.

* * *

FIREARMS REGISTRY

Mr. Colin Carrie (Oshawa, CPC): Mr. Speaker, tragically, yesterday a 15-year-old girl became the latest victim of gun violence when she was severely wounded near her home in Oshawa.

This is the latest in an ongoing string of shootings that proves that the government has failed Canadians by failing to get tough on crime.

Instead of throwing away $2 billion on a useless gun registry that does nothing to stop gun violence, why has the government not put those resources into front line policing to help avoid tragedies like this?

Hon. Anne McLellan (Deputy Prime Minister and Minister of Public Safety and Emergency Preparedness, Lib.): Mr. Speaker, I wish those members would get their facts straight. Again, $2 billion is just an out and out lie.

Some hon. members: Oh, oh!

The Speaker: Honestly, the Deputy Prime Minister knows that the use of that term is quite unparliamentary and she will want to withdraw it right away and make a correction in her answer.

Hon. Anne McLellan: Mr. Speaker, I withdraw that comment.

In relation to the gun control program, it is interesting that the gun control program continues to garner the support of front line law enforcement officers and the chiefs of police.

Let me read what the former president of the Canadian Association of Chiefs of Police, Edgar MacLeod, stated, "There is no question that the system works and that it—

The Speaker: The hon. member for Regina—Lumsden—Lake Centre.

* * *

GOVERNMENT AIRCRAFT

Mr. Tom Lukiwski (Regina—Lumsden—Lake Centre, CPC): Yesterday, Mr. Speaker, the Prime Minister said that Challenger jets were only to be used when "there is no other alternative that would allow government business to be discharged reasonably".

On January 29 of this year, the finance minister flew back to Regina by himself on the Challenger when, according to his own media advisories, his next event was on January 31 back here in Ottawa.

Could the minister explain why he spent $67,000 of taxpayer dollars on what appears to be a personal trip?

Hon. Bill Graham (Minister of National Defence, Lib.): Mr. Speaker, this is really drawing the House into seriously crazy business.

I can give the House an example. One of the examples that was cited by the hon. members and in the article was the fact that the former fisheries minister was accused of flying to Vancouver on a Challenger when there was an alternate flight available. However it turned out that the plane was going empty to pick up the Governor General and he flew there and saved the government money.

I think, before the hon. members attack the finance minister, who is doing his best for this country, covers himself and ensures the rules are observed, they should get their facts right before making these unreasonable attacks.

* * *

CITIZENSHIP AND IMMIGRATION

Mr. Dave Batters (Palliser, CPC): Mr. Speaker, as Canadians can hear, that was no response at all to the question that was asked.

The rising cost, rising crust pizza saga continues, starring our very own immigration minister.

On August 10, the pizzeria so loved by the minister was the site once again of a lavish dinner for two. Records show a claim totalling $133. This is more than what a family of four spends on groceries for a week. The minister has also failed to explain two prior claims at this same pizzeria averaging almost $70 per person.

Will he stand up and explain to Canadians these outrageous—

The Speaker: The hon. Minister of Citizenship and Immigration.

Hon. Joseph Volpe (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, I have already given an indication that I invited members of the opposition to the same kind of lunches and dinners for consultation purposes but they declined.

I have had to go to Saskatchewan and to Alberta. I have met with premiers and with stakeholders, I have met with the mayors, with labour and with business in order to talk about the immigration issues that members refuse to raise in the House. I have had to go out there and do their job for them.

* * *

● (1455)

[*Translation*]

CLOTHING AND TEXTILE INDUSTRIES

Mr. Guy André (Berthier—Maskinongé, BQ): Mr. Speaker, the Minister of Finance has already said he is prepared to put measures in place to help the clothing and textile industries. Yesterday the government voted in favour of a Bloc Québécois motion that proposed concrete measures on this matter.

Now that the House has agreed to implement an aid policy for the clothing and textile industries, does the minister intend to follow through promptly on this motion?

[*English*]

Hon. Ralph Goodale (Minister of Finance, Lib.): Mr. Speaker, what we indicated yesterday is that there are two sides to this industry: the apparel side and the textile side. A proposal is being developed to deal with the re-importing of product. We have been working with both sides of this industry since March to develop a proposal to which they can both agree. We want both sides to be winners.

[*Translation*]

Mr. Guy André (Berthier—Maskinongé, BQ): Mr. Speaker, the Bloc motion calls for the creation of an aid program for older workers and the duty free entry of clothing made offshore with Canadian textiles. However, the parliamentary secretary to the Minister of Social Development said yesterday that the government would not apply the content of the motion in its entirety.

Can the government clear up this matter and tell us whether what the parliamentary secretary said truly reflects his intention not to apply one of these two measures?

[*English*]

Hon. Belinda Stronach (Minister of Human Resources and Skills Development and Minister responsible for Democratic Renewal, Lib.): Mr. Speaker, the government is very sensitive to older workers. As the industries are under great pressure, we have committed and are still committed to working with the Government of Quebec and other provinces to develop a comprehensive strategy to address the issues of older workers and the competitive nature of the industries they are in.

* * *

PUBLIC SERVICE COMMISSION

Mr. Bill Casey (Cumberland—Colchester—Musquodoboit Valley, CPC): Mr. Speaker, today the Public Service Commission finally announced policy changes that will mean that all jobs in Ottawa and all jobs across the country will be open to all Canadians no matter what their postal code.

I know that sounds good but there is a bad twist to it. The commission has added a new set of criteria that says that the commission is not required to consider more than one person in order for an appointment to be made. That means that if the manager gets 50 applications, he is only required to look at the top one and not at the others.

Will the President of the Treasury Board change this policy and adopt a policy which means that all qualified applicants will be considered for every job?

Hon. Reg Alcock (President of the Treasury Board and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, as I said the other day, I appreciate the member's interest in this but I would point out that the Public Service Commission is not a government agency. It is an independent arm of the government and reports to the House of Commons.

If the member wishes to have that conversation, I would suggest he ask the committee to call the president forward and have a conversation about it. I am sure she would come and I am sure she would explain the system to him. I suspect he could then keep this out of question period and have a proper discussion with his employee.

Mr. Bill Casey (Cumberland—Colchester—Musquodoboit Valley, CPC): Mr. Speaker, that sounds good but this is a government act. This is not the Public Service Commission itself.

As an example of what can happen, the President of the Public Service Commission testified this morning that the RCMP commission for public complaints had 40 staffing changes this year and 39 did not comply with the rules. One did and 39 did not. If we do not change this section in the act, it will only encourage more abuse.

Will the President of the Treasury Board move to change this rule so that all applications will be considered and the government gets the best employees?

Hon. Reg Alcock (President of the Treasury Board and Minister responsible for the Canadian Wheat Board, Lib.): Mr. Speaker, it is passing strange to me that a member who professes interest in this has never bothered to talk to the President of the Public Service Commission about it. She is hired by this House, reports to this House and could be called before committee at any time.

The concern that she raises about the commission occurred under the old act, not the new act. The new act does not come into force until the end of this year.

I would urge the member that if he has concerns about this to call her to the committee and have a discussion. It has not been done yet.

* * *

[*Translation*]

PHARMACEUTICAL SALES

Hon. Don Boudria (Glengarry—Prescott—Russell, Lib.): Mr. Speaker, a pharmacist in Ontario, who was apparently also operating an Internet pharmacy, was recently charged with selling counterfeit medications. In the meantime, another pharmacist was charged with selling bogus heart medication, which resulted in several deaths.

I want to know what the Minister of Health intends to do to protect the reputation of our pharmacists and the pharmaceutical industry, but most of all, the health of Canadians.

● (1500)

[*English*]

Hon. Ujjal Dosanjh (Minister of Health, Lib.): Mr. Speaker, that is a very serious and important question. The RCMP has investigated those complaints. The pharmacies that were violating the law have been penalized and those practices have stopped.

* * *

JUSTICE

Mr. Darrel Stinson (Okanagan—Shuswap, CPC): Mr. Speaker, for the past 12 years provincial attorneys general, premiers, child advocacy groups, the police and countless other agencies have begged to have the age of sexual consent raised to 16.

Could the justice minister explain why he thinks he is right and all these other groups are wrong?

Hon. Paul Harold Macklin (Parliamentary Secretary to the Minister of Justice and Attorney General of Canada, Lib.): Mr. Speaker, first, I remind the member that he should check the record. In fact, the provinces, territories and the federal government could not agree on that happening. Therefore, what the member says is not accurate and does not reflect the facts.

With respect to the age of sexual consent, as I have been explaining, the government brought in the first legislative bill of this Parliament to deal with the area of sexual exploitation. The House fully debated the age of sexual consent and it was decided and passed by—

The Speaker: The hon. member for Kildonan—St. Paul.

* * *

COPYRIGHT ACT

Mrs. Joy Smith (Kildonan—St. Paul, CPC): Mr. Speaker, last week when I asked the government to support an educational amendment to Bill C-60, the minister responded by saying that they were putting this issue aside because it needed some discussion and some clarification. Educators and parents are ready to discuss and able to clarify.

Will the government do the right thing and commit to allowing public consultation prior to supporting an educational amendment in this bill?

Hon. Liza Frulla (Minister of Canadian Heritage and Minister responsible for Status of Women, Lib.): Mr. Speaker, what I said is that we are going to have a public consultation on this specific issue. What I am also saying is it is not because it is available on the Internet that it is free.

* * *

NATIONAL DEFENCE

Mrs. Carolyn Parrish (Mississauga—Erindale, Ind.): Mr. Speaker, without public consultation, Canada's military has shifted to a killing force, dispatched to a high risk area in Afghanistan, where the Taliban is regrouping, the poppy crop is good and powerful war lords are still very much in charge. Today a majority of U.S. citizens wants to bring troops home from Iraq.

Will the Prime Minister, in his laudable crusade against the democratic deficit, assure the House there will be a full and extensive debate in Parliament before Canada responds to any American request for troops in the U.S. effort to foist its style of democracy on Iraq?

Hon. Bill Graham (Minister of National Defence, Lib.): Mr. Speaker, we are going to Afghanistan not at the request of the United States of America, but at the request of President Karzai and Mr. Abdullah. We are going at the request of Muslim women who want to have a chance to vote, young children who want to grow up in peace, people who want to have stability in their society. Our troops will be bringing that stability, while our aid brings them a chance to grow.

We are extremely proud of that mission. I beg of the hon. member not to bring discredit to something where Canada is bringing great credit to the world.

* * *

BUSINESS OF THE HOUSE

Mr. Jason Kenney (Calgary Southeast, CPC): Mr. Speaker, could the hon. government House leader please inform the House of the government's plan for the business of the government in the House for the week ahead?

In particular, could the House leader tell us when the opposition parties will be receiving their opposition supply days, which the convention requires happen at least on a weekly basis? Can we be looking forward to at least one or will there be two opposition days in the next week, which will allow the opposition parties to give expression to issues that matter to the majority of Canadians who voted for the opposition parties?

● (1505)

Hon. Tony Valeri (Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I understand from the member's question that he was obviously not at the last opposition House leaders' meeting where the entire agenda up to December 15 was laid out, including the seven opposition days to which he has referred.

In terms of background, I might also suggest to the hon. member that back in 1973 when there was a minority Parliament, the House opened on January 4 and all seven opposition days were held between March 5 and March 26. Back in 1979, when the House opened on October 9, opposition days started November 6. Opposition days clearly are the purview of the government to schedule. We have scheduled all of them for the opposition parties.

The House will continue this afternoon with the second reading of Bill C-54, the first nations oil and gas bill, followed by second reading of Bill S-38, respecting trade in spirits, and report stage and third reading of Bill C-28, the food and drugs bill.

Tomorrow we will begin with Bill C-28 and if it is completed, we will proceed with second reading of Bill S-37, respecting the Hague Convention and Bill S-36, respecting diamonds.

Next week is the Thanksgiving break week and I wish all hon. members a very happy Thanksgiving.

When the House returns on October 17, we will consider second reading of Bill C-63, respecting the registration of political parties, followed by report stage and third reading of Bill C-49, the human trafficking bill, second reading of Bill C-65, the street racing bill, Bill C-64, the vehicle registration legislation, and report stage of Bill C-37, the do not call bill.

As the week continues, we will add to the list reference to committee before second reading of Bill C-50, respecting the cruelty to animals, Bill C-44, the transportation legislation, Bill C-47, respecting Air Canada, the reference before second reading of Bill C-46, the correctional services bill, and by the end of the week we hope to begin debate on the energy and surplus bills that are being introduced this week. There is also ongoing discussions about a take note debate that week.

As members can see, there is a heavy agenda and important legislation. As I said and as I laid out to the opposition House leaders at our previous meeting, in the post-Remembrance Day segment of this sitting, we will consider the business of supply and we hope to be in a position to deal with the final stages of many of these very important bills before the end of the year.

* * *

POINTS OF ORDER

QUEENSWAY CARLETON HOSPITAL—SPEAKER'S RULING

The Speaker: Order, please. I am now prepared to rule on the point of order raised on Tuesday, September 27 by the hon. member for Mississauga South concerning the admissibility of an amendment to Motion No. 135.

I would like to thank the hon. member for raising this matter, as well as the mover of the amendment, the hon. member for Lanark—Frontenac—Lennox and Addington, for his comments.

Motion No. 135 currently reads as follows:

> That, in the opinion of this House, the government should consider transferring the land currently leased by the Queensway-Carleton Hospital from the National Capital Commission to the Hospital at a cost of one dollar.

The proposed amendment is:

> That Motion No.135 be amended by:
>
> (a) deleting the word "transferring" and replacing it with the words "continuing to lease"; and
>
> (b) by adding after the word "dollar", the following: "per annum, starting at the end of the current lease in the year 2013".

The hon. member for Mississauga South argued that the proposed amendment is inadmissible as it would represent a substantial change to the original intent of the motion. In particular, he said that there was a substantial difference between permanently transferring land to the hospital at a cost of $1.00 and leasing the land to the hospital at a cost of $1.00 per year.

In response, the hon. member for Lanark—Frontenac—Lennox and Addington claimed that the original intent of the motion was to allow the hospital to continue functioning and that his amendment was consistent with that objective.

On September 29, following a ruling on an amendment to another private member's motion, the hon. member for Mississauga South added further arguments as to why he felt the amendment to Motion No.135 was inadmissible. He asked the Chair to consider whether the amendment went beyond the scope of the main motion or of it introduced new concepts which would more properly be the subject of a separate debate. The hon. member also alluded to possible legal difficulties with the amendment due to the laws governing the custodianship of National Capital Commission properties.

On this last point, let me say quite clearly that the Chair does not rule on questions of law. My only concern is the procedural acceptability of the amendment, and with respect to this, the *House of Commons Procedure and Practice*, at page 452, states that:

> A motion in amendment arises out of debate and is proposed either to modify the original motion in order to make it more acceptable to the House or to present a different proposition as an alternative to the original.

● (1510)

[*Translation*]

At page 453 of the same work, it also states:

> An amendment must be relevant to the main motion. It must not stray from the main motion but aim to further refine its meaning and intent.

[*English*]

I have had time to review the amendment carefully. While acknowledging that there is a difference between selling a property and continuing to lease it, I am satisfied that the amendment is relevant, that it is in keeping with the intent of the main motion and that it does not exceed the scope of the main motion. I therefore rule that the amendment is in order and can be put to the House.

Hon. Don Boudria: Mr. Speaker, I rise on a point of order. I am rising in my capacity as chair of the procedure and House affairs committee. I believe there has been consultation among all political parties in the House to revert to the presentation of reports from committees so I can present a report regarding the matter of the appointment of the Clerk of the House of Commons.

The Speaker: Is there unanimous consent to revert to presentation of reports by committees?

Some hon. members: Agreed.

ROUTINE PROCEEDINGS

[*English*]

COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Hon. Don Boudria (Glengarry—Prescott—Russell, Lib.): Mr. Speaker, I have the honour to present the 47th report of the Standing Committee on Procedure and House Affairs.

[*Translation*]

Under Standing Order 111.1(1), the committee has examined the nomination of Audrey Elizabeth O'Brien to the position of Clerk of the House of Commons, and recommends that the House ratify her appointment.

[*English*]

Hon. Karen Redman (Kitchener Centre, Lib.): Mr. Speaker, discussions have taken place between all parties with respect to the membership of the Standing Committee on Procedure and House Affairs and I believe you would find consent for the following motion. I move:

> That the membership of the Standing Committee on Procedure and House Affairs be amended as follows:
>
> Raymond Simard for Françoise Boivin.

The Speaker: Does the hon. member chief government whip have unanimous consent of the House to propose the motion?

Some hon. members: Agreed.

The Speaker: The House has heard the terms of the motion. Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

(Motion agreed to)

GOVERNMENT ORDERS

[*Translation*]

FIRST NATIONS OIL AND GAS AND MONEYS MANAGEMENT ACT

The House resumed consideration of the motion that BillC-54, An Act to provide first nations with the option of managing and regulating oil and gas exploration and exploitation and of receiving moneys otherwise held for them by Canada, be read the second time and referred to a committee.

Mr. David Smith (Pontiac, Lib.): Mr. Speaker, I am pleased to speak today in support of Bill C-54, which will have numerous positive benefits for the first nations who have been involved in the pilot project and the drafting of the legislation.

When the participating first nations began this process nearly ten years ago, the White Bear nation, the Blood tribe, and the Siksika nation shared the same overall goal: to create employment and new economic prospects for the members of their communities and thereby build a better future for their children. They realized that in order to achieve that goal they needed to begin by honing their knowledge and then develop their capacity to assume responsibility for the economic development of their lands. Throughout the entire process they never lost sight of their ultimate goal: to benefit more fully from oil and gas operations by taking charge of the management of these resources and thereby to provide their communities with a better life.

The time has come for these three sponsoring nations to reap the rewards for their efforts. Passage of this legislation will provide a level playing field so that first nations with oil and gas resources will be able to reap the benefits of the growing prospects of that sector of the economy. Direct participation in the energy sector will become a possibility for them for the first time.

The White Bear First Nations, Blood Tribe and Siksika First Nation have worked with the federal government to develop this sectoral self-government legislative initiative which would enable interested first nations to assume jurisdiction and control of their oil and gas and related revenues, as well as the moneys held in trust by the Crown, to better meet the priorities and aspirations of their people.

Hon. members must know that this initiative has been jointly developed by the three sponsoring first nations. This initiative was developed from A to Z by the people closest to the challenges and the solutions. The proposed legislation respecting the management of the oil and gas and moneys of first nations will be implemented by the very people who developed it and who stand to benefit the most from it.

Once the bill is passed, subject to a favourable vote by their members, the first nations will assume control of the management of the oil and gas moneys and will be able to take advantage of development opportunities throughout the industry, from the exploration stage to the final sale.

They will also be able to do this on their own lands, where jobs and wealth will be created for all the members of their communities to enjoy. A strengthened economy will eventually translate into an improved quality of life not only for this generation but also for future generations.

In the long term, this legislative initiative will ensure that first nations children and young people have good opportunities for the future and for self-sufficiency. They will not feel compelled to leave their communities to find work, seeing as more work will be available where they live, on reserve lands. Moreover, they will take pride in being able to provide for themselves and will enjoy the fringe benefits that come with good jobs, productive people and healthy communities.

● (1515)

What is more, they will see the advantages of partnerships. They will realize that projects created and undertaken in the community and then developed jointly with the Government of Canada can substantially improve the governance of their communities. The fact is that this bill, drawn up after many years of negotiations and cooperation with Canada, provides tangible evidence of strengthened relations between the two levels of government.

And this is only a start. Given North America's appetite for energy resources, the opportunities for exploiting these resources on first nations land will only increase. The growth of this sector will provide a major stimulus to social and economic development on the reserves, which could then provide a solid basis for other industries and businesses.

The three sponsoring first nations are prepared now to assume their responsibilities, and other first nations have expressed their interest in doing the same. There are more than 130 first nations capable of exploiting oil and gas and about 50 that have active oil leases or licences. Over the next few decades, some of these first nations may adopt the proposed legislation.

That is another advantage of this bill. It is entirely voluntary. First nations can decide to take advantage of all the provisions in the bill or just some of them. Every community is entitled to decide for itself whether or not it wants to benefit from this legislation. It was designed to meet the needs of the sponsoring first nations and does not force any first nation to adopt it or prevent other first nations from suggesting alternatives. It just gives first nations that opt to adopt it some new tools for achieving their goals of building solid economies that create wealth and better prospects for their members.

And these are not the only advantages. The bill will also benefit industry because companies will be able henceforth to go directly to the decision-makers for quick decisions on the exploitation of resources. There will also be some direct benefits for governments in the form of new revenues from the increased production of oil and gas. These revenues will increase the funds spent on social programs to meet the needs of first nations communities.

Ultimately, all Canadians will benefit from the fact that self-sufficient and autonomous first nations will be better able to overcome the socio-economic challenges they have faced for so long. Now they will be able to improve the quality of life of their members.

It is extremely important for these groups and for all Canadians that the House pass this bill.

Thanks to the lessons learned and the skills and knowledge acquired over the years, the sponsoring first nations now want their long-term goal to become reality. They want to begin generating all the social and economic benefits for their peoples and their communities that oil and gas development will support.

It is important for people in every community with natural resources to have the opportunity, like other Canadians, to meet their own needs and create this sense of belonging and renewal that is so important to communities on first nations reserves.

● (1520)

This long-cherished goal and dream are in our hands. Let us be fair to the White Bear first nations, the Blood tribe and the Siksika nation—and all Canadians—and pass this good bill so that these people, like each and every one of us, can reach new heights and be proud of where they live.

[*English*]

Mr. Jim Prentice (Calgary Centre-North, CPC): Mr. Speaker, I rise today with pleasure to speak to Bill C-54, the first nations oil and gas and moneys management act. This is a piece of legislation that my party is pleased and proud to support.

In a sense this legislation follows upon Bill C-20, the first nations fiscal and statistical institutions legislation that was passed earlier this year. This legislation, taken together with the earlier legislation and, I believe, legislation that will follow, represents very important steps in this country toward self-government. I will address my comments to that.

This legislation is important for all first nations in Canada, but it is of specific importance to and follows upon the very hard work of three first nations in particular: the Blood Tribe of Alberta, the White Bear First Nation of Saskatchewan, and the Siksika Blackfoot First Nation of Alberta. These three first nations have worked together with the Government of Canada for 11 years in the pursuit of this legislation.

It is worth pausing to bear in mind that in the case of White Bear, Treaty No. 4 between the Crown and the White Bear First Nation was executed in 1875. This legislation is coming forward 130 years later. It has taken us 130 years to create this self-government initiative. With regard to the Blood and Siksika first nations, Treaty No. 7 was signed in 1877. In that context it has been 128 years since the treaties were executed. This is a very important historic step we are taking.

The Conservative Party is speaking in favour of this legislation. The position of the Conservative Party in respect of self-government was clearly enunciated by the members of our party at our policy convention this past March in Montreal. The policy position of the party is as follows:

> The Indian Act (and related legislation) should be replaced by a modern legislative framework which provides for the devolution of full legal and democratic responsibility to [aboriginal Canadians] for their own affairs within the overall constitutional framework of our federal state.
>
> Such legislative reform should be pursued following full consultation with First Nations, with the objective of achieving a full and complete devolution of democratic authority that is consistent with the devolution of other decision making responsibility within our federal system.
>
> [Aboriginal Canadians], like other Canadians, are entitled to enjoy democratic control over their own affairs within a legislative context that ensures certainty, stability, respect for the rule of law and which balances collective and individual responsibility. [Aboriginal] communities must have the flexibility to determine for themselves whether and how free market principles, such as individual property ownership, should apply to reserve lands.
>
> [This devolution] should be accomplished in a manner which takes into account the cultural and linguistic diversity of Canada's First Nations. Within the context of the Canadian Constitution, we should be prepared to make flexible accommodations for the protection of language and culture within self-government agreements.

The initiative that is before the House today is described in some circles as sectoral self-government. Some time ago one of Canada's national newspapers published an opinion piece which I recall was written by Phil Fontaine, the national chief of the Assembly of First Nations. In that article there were a number of matters raised by National Chief Fontaine with which I wholeheartedly agree.

Canada is a modern, full-fledged federal democratic state. It is a state in which all citizens must bear equally the responsibilities and the privileges of citizenship.

● (1525)

Aboriginal Canadians are entitled, indeed expected, to share in the governance of Canada. If our aboriginal peoples are to be equal citizens also bearing the hopes and the dreams of this country on their shoulders, then they must bear equally the responsibilities of governing this land. Concurrently, they must enjoy the full benefits of Canadian citizenship including control over their own affairs, including the protection of the Charter of Rights and Freedoms.

As Chief Fontaine observed, as I recall in that article, aboriginal people will only be self-sufficient, and free and able to rely upon themselves if they are free and able to make their own choices because reliance upon the choices of others is a denial of the status of citizenship.

Earlier this week I had the privilege to meet with a number of first nation leaders. I have spoken with Chief Strater Crowfoot who is one of the architects of this legislation and who has fought many years for it. I have spoken with Jim Boucher, the Chief of the Fort McKay First Nation and other chiefs as well.

In particular I reflect upon the comments of Chief Boucher of the Fort McKay First Nation who pointed out that in his view those aboriginal communities which are strong, vibrant and building wonderful economic and strong cultural opportunity, and a high quality of life for their citizens are those in which people have the confidence that comes from accessing their own resources. That is what is so important about this legislation.

Bill C-54 before the House points out in the preamble that this legislation is optional. This is legislation which first nations can either opt into or not. As the title of the bill says, it is "An Act to provide first nations with the option of managing and regulating oil and gas exploration and exploitation and of receiving moneys otherwise held for them by Canada".

This is legislation which first nations will be expected and required to make a decision about. The subject matter of the legislation is very broad, providing first nations with extensive control over all matters relating to control of their own oil and gas and their own money. In particular, the definition of exploitation in relation to oil and gas in the legislation includes its extraction, production, storage, distribution, processing, refinery and use.

The definition of exploration includes all things which are ancillary to exploration. Of course, oil and gas money includes all of the money derived by first nations from their oil and gas assets as well as other money which is held by the Government of Canada to the account of the first nation in question.

It is important to point out that this legislation has been well thought out. It has been developed in a manner which is consistent with the principles of fundamental justice. It contains precautionary measures, balancing measures which I will speak to.

First, the procedural protection for first nations citizens is very extensive. Oil and gas assets can only be transferred from the Government of Canada to the first nation if the procedures set out in clause 6 of the legislation are followed which specifically requires a council of the first nation by resolution to invoke the process. Similarly, if a first nation wishes to access its own money, it requires the initiation by a decision of the council of the first nation either to access money which will be collected in the future or money which is currently held in trust for the first nation.

Before any first nations are entitled to access their own oil and gas they are required, pursuant to subclause 10(1) of the legislation, to pass an oil and gas code. That code is defined in the legislation. It contains extensive mechanisms to protect the process for amending the code itself, accountability mechanisms, mechanisms to disclose any conflicts of interest, and in addition, under subclause 10(2), first nations are also required to pass a financial code.

Stated simply, no aboriginal community can access its own oil and gas resources until such time as it has taken the legislative steps that are required by the Government of Canada in this legislation to be invoked.

● (1530)

Similarly, no first nation is entitled to access its own money on the terms of its own trust conditions and indentures unless it has passed the financial code. The financial code must deal with the method of holding money, the form of the trust, the nature of the trustees, the manner in which money is to be collected and distributed, and to whom it is to be distributed, and also dealing with the resolution of conflicts of interest.

It is important in examining this legislation to consider that the legislation does contain protection both for aboriginal Canadians but also for others such as third party interests who have an interest at the present time in oil and gas activities on aboriginal reserves or aboriginal assets.

We not only have the oil and gas code and the financial code, but there is a clear prohibition that the council members of the first nation are not allowed to serve as trustees in a trust. They do not meet the qualifying requirements to be trustees and therefore are not able to serve in that capacity.

Clause 14 of the legislation also contains specific bonding requirements, so that the people who do serve as trustees need to meet the requirements of the provincial trustee legislation such that they are reliable people, properly secured and properly bonded if they are to be entrusted with aboriginal moneys.

Clause 24 of the legislation is quite important because in the context of the transition toward this kind of sectoral self-government, the protection of existing contract holders, people who have currently a contract or an expectation from the Government of Canada, are quite important. Clause 24 provides that oil and gas laws that come into force on a first nations transfer date may not impair the rights or interests of the contract holder under a contract as signed by clause 23. So, in effect the oil and gas contracts that are in place today are transferred from the Government of Canada to the first nation. The first nation must by law honour those obligations.

It is also important in considering this type of legislation to address the extent to which the position of the Crown has been protected. This is consistent with the Samson decision, but the legislation actually could not be clearer. After the oil and gas assets are transferred to an aboriginal community, a first nation, subclause 27(3) of the legislation provides as follows:

> Her Majesty is not liable, as the holder of title to reserve lands or to oil and gas found in those lands, in respect of any damage occasioned by oil and gas exploration or exploitation under this Act.

It carries on in clause 28:

> Subject to section 27, this Act does not affect the liability of Her Majesty or a first nation for any act or omission occurring before the first nation's transfer date.

Therefore, the effect of this is clear. Any claims or disputes that might exist between a first nation and the Government of Canada relating to the management of aboriginal oil and gas are not affected but on a go-forward basis, the communities that accept responsibility for the governance of their own assets are responsible themselves for the governance of those assets and the Crown is not exposed to liability for any decision making. Nor is the Crown exposed to any liability if a first nation decides of their own volition to pursue these remedies.

The mechanisms are equally clear with respect to money. Subclause 32(2) provides that:

> Following the payment of moneys out of the Consolidated Revenue Fund into an account or a trust under section 30 or 31, Her Majesty is not liable for the payment or the management of those moneys.

Again, making it very clear that if a first nation decides that it is going to assume responsibility for its own financial decision making, the management of its own money, henceforth on a go-forward basis, the Government of Canada is no longer responsible for any of the decision making that is made by that first nation.

This is consistent with the principles of self-government because if first nations are going to accept responsibility for these assets and these moneys and benefit from the upside, they will be responsible as well for any decisions that are made which do not over time prove to be happy ones, if I could say that.

● (1535)

In light of the significant consequences of a first nation therefore invoking the legislation, it is important that we look at the process by which a first nation is able to invoke the legislation. The ratification procedures are set out in the statute and specifically, the majority of the majority has to approve if a first nation is going to opt into the legislation.

A majority of the eligible voters on the reserve must show up to vote and the majority of those who vote must be in favour. It is a provision known as the majority of the majority and it means that once a majority of a majority is on side, that is essentially approval, the Government of Canada can then pursue the devolution of responsibility.

It is also important that we have regard to the constitutional framework in Canada, the federal legislative constitutional jurisdiction, because self-government will not work in this country unless there is a respect for the distribution of powers between the federal and provincial governments. We are essentially overlaying on top of the existing federal distribution of powers a legislative framework for self-government in a sectoral sense.

The legislation does deal with that. Clause 34 outlines very clearly the circumstances in which a first nation has the right to pass legislation. Clause 35 is very important. It allows for the passage of laws and says: "to the extent that those laws are not in relation to matters coming within the exclusive jurisdiction of a provincial legislature". Clause 36 protects areas of federal jurisdiction. In a sense we have a clear attempt to ensure that the self-government legislation respects provincial and federal jurisdictions and that we do not have unacceptable overlaps.

It is also important that one of the hallmarks by which we judge the legislation is the extent to which it protects the environment. I would point out clause 37 of the legislation where environmental assessments are mandatory. The legislation specifically provides that in the context of the oil and gas code that the first nation develops, the provincial environmental legislation must be adhered to and first nations must pursue environmental assessments if they are to exploit oil and gas resources on their own land. Once again there has been a recognition and an attempt to protect the environment.

It may seem to be a small point, but this is a difficulty that exists elsewhere in Canada. The legislation specifically preserves the right of the federal Crown, if necessary, to expropriate an interest. Pursuant to the legislation, the federal Crown has reserved its right, in circumstances that are in the overall public interest, to step in and actually expropriate an interest if that is needed.

I raise this as a very important point because there are other jurisdictions in the country where there are now, because of the failure of the government to address this in a proper way, issues about whether the federal government has in fact vacated its jurisdiction to ever act in the public interest on first nation lands. Clearly, if we are going to have constitutional workability in the country, paramount authority must rest with this Parliament, with the Government of Canada, and we must have the capacity preserved to act.

Finally, the legislation is also consistent with the Federal Court decision on the Terry Buffalo case which is a court decision of some importance in this country. It was a decision for billions of dollars where the Samson Indian Band sued the Government of Canada claiming that its oil and gas assets had been mismanaged over a period of 30 years.

Last year the judge in that case issued a decision calling upon the Government of Canada to deliver those assets to the first nation and he stipulated a process that the government and the first nation would have to follow to ensure that there was procedural protection. The legislation is in fact quite consistent with the Samson case.

For all of those reasons, I will conclude by saying that this is an important step forward. It is extremely important self-government legislation and of obvious importance in western Canada but applicable throughout the country. It is consistent with our party's position and we are pleased to support it.

● (1540)

Mr. Kevin Sorenson (Crowfoot, CPC): Mr. Speaker, I listened with some interest to my colleague and I commend him on his speech which was well delivered. He basically lives this portfolio and has done so for many years. He has dealt a lot with aboriginal concerns throughout our country.

My colleague mentioned that the Crown reserves the right to expropriate certain lands under certain circumstances. I am wondering if he could enlarge on that a little and give me an idea of what types of circumstances would be deemed as cause for expropriation.

● (1545)

Mr. Jim Prentice: Mr. Speaker, the member for Crowfoot is one of the hardest working members in the House. I applaud his interest in this legislation.

It is difficult to say where and when the power of expropriation might be necessary. What the legislation does do is it preserves the right of the Government of Canada, essentially this Parliament, in the best interests of the citizens of Canada to proceed to expropriate first nation lands or other assets. The point one can take from that is that aboriginal communities under this legislation are in really the same position as all other Canadians, in the sense that they are subject to the overall best interests of Canada. If Canada needs to proceed for whatever reason with taking a forced entry, as it is called in law, the government has the power to do that.

The reason I raise this as important is that one of the very difficult questions we have in the Mackenzie Valley, which has emerged in the context of the negotiations over the Mackenzie Valley pipeline, is whether or not through sheer negligence the Liberal government neglected to protect that very right. There are those who argue that if we examine the treaty negotiations that have taken place and the treaties that have been put in place up the Mackenzie Valley, the Government of Canada has, through a constitutional agreement, given up its right to expropriate, for example, a pipeline easement or a pipeline right of way. Some would make the argument that because it is not in the treaty, it is not in the legislation, this House in fact no longer has the authority within the sovereign jurisdiction of Canada to actually make those kinds of decisions, that because of the negligence of the Liberal government in putting that legislation in place, it overlooked that fact. That is, I am told, a significant issue in the negotiations in relation to some of the pipeline questions.

I might conclude by saying that is not the case with this legislation. We have been vigilant to make sure that those authorities, the authorities of this Parliament, are protected and maintained. It is one of the reasons we support the bill.

Hon. Ethel Blondin-Andrew (Minister of State (Northern Development), Lib.): Mr. Speaker, I am pleased to rise in the House today to speak to this legislation.

Serving the public here in the House of Commons is a wild and wonderful experience. I have just come from the Commonwealth Room where I met with the Métis of Alberta. If there ever was a group that was impacted by resources in their region it is that group. They felt such empowerment from the legislation they put together in terms of the Métis settlement. It will enable them to create wealth and opportunities for employment for themselves. This speaks loudly in support of Bill C-54. This legislation is necessary, empowering and definitive.

The Métis were here today to announce the opening of an office in Ottawa. This will further empower them to achieve and enact the provisions of their settlement.

Bill C-54, the first nations oil and gas and moneys management act, will equip first nations that choose to participate with vital tools to create good jobs, stimulate economic activity and improve the quality of life in their communities.

I would also like to share some of the successes of my first nations constituents in oil and gas development north of 60. It is not doom and gloom. People have different interpretations on how expropriation works. The reality is that every democratic government does not have expropriation as the first step. It is something that is done after having exhausted every other possibility.

I like to be positive about these things. I think this is a wonderful piece of legislation. I am really into empowering our people to create their own wealth and to be self-sustaining. Bill C-54 does that. It makes the rules quite clear, which is a good thing.

First and foremost, this legislation was designed to respond to the specific needs of the three sponsoring first nations, the White Bear First Nation, the Blood Tribe and the Siksika First Nation, which were directly involved with the first nations oil and gas pilot project launched in 1994. Not every pilot project ends in legislation. Obviously a lot of success was gleaned from that pilot project.

I would like to take this opportunity to recognize the efforts of the sponsoring first nations and the great success that has already been achieved over the past decade. Their commitment to working in partnership with Canada to develop this legislation is honoured as we help them to reach their goals.

Bill C-54 builds on the excellent progress the government has made through several recent initiatives, including the Canada-aboriginal peoples round table, the policy retreat, and the upcoming historic first ministers meeting. It builds on the commitments made in recent Speeches from the Throne, budgets, land claims and self-government agreements. We have achieved some major milestones with our partners in the aboriginal community across the country.

This legislation provides two related but distinct authorities for first nations. First, it provides communities that opt in with the authority to gain complete control and management over their oil and gas resources, creating jobs in the expanding oil and gas sector. Second, it provides these communities with the authority to gain complete control over the management of their moneys held by Canada on their behalf, allowing them to respond to emerging economic opportunities. Therein lies the challenge. First nations are not always in a situation to do that, but in this case we are heading in the right direction. I believe this will be very helpful.

A first nation that chooses to opt for the legislation can opt in to either the oil and gas provisions or the money provisions or both.

Economic development on reserve and strengthening communities continue to be priorities of the government. I am pleased to note that first nations communities both north and south of 60 will be able to take advantage of the opportunities afforded under the moneys management provisions of the legislation.

● (1550)

However, the oil and gas provisions do not apply in the north because oil and gas development is presently governed by a distinct legislative and regulatory framework. South of 60, FNOGMMA as Bill C-54 is known, would remove several levels of federal oversight and offer to first nations the same benefits that many northern communities are already enjoying in managing their own resources. In fact equity participation is a huge part of that. That is something I just gleaned from a recent trip to St. Petersburg, Russia to attend an oil and gas symposium. All circumpolar indigenous peoples have the aspiration to be involved in managing the resources that are in their region, and any of the resource development activity that takes place.

Extensive efforts have been made and continue to be made in the north to negotiate land claim and self-government agreements to respond to first nations' and Inuit people's desire to manage their political and social affairs and to advance economic development and self-sufficiency. That is the goal of every government at all levels.

Regarding oil and gas development and management, the land claim and self-government agreements enable resource development in the north. They clarify land and resource ownership rights, which are of vital importance to investors. These agreements have created conditions for sustainable economic and social development, providing a land base, opportunities for economic development and modern institutions of government to secure a higher standard of living and quality of life for all northern and first nations people.

Consider for instance the Inuvialuit whose land claim was finalized more than two decades ago. Since then the Inuvialuit have secured valuable partnerships with several companies and have launched dozens of businesses. These partnerships and businesses generate revenues that help pay for physical and social infrastructure in Inuvialuit communities and create jobs and training opportunities. They create hope and a vision of prosperity for the people in that region, or at least participating in the wealth that is being created in that area.

By facilitating the success of resource projects, land claim and self-government agreements also have a significant impact on Canada's economy. The economic benefits of large scale resource development projects are felt across the country. Never let it be said that people are not trying to achieve important milestones in going ahead with these projects. Anyone who says to the contrary is wrong.

Land claim settlements and self-government agreements are just one way to ensure first nations and Inuit peoples have the tools needed to assist in fostering business partnerships between industry and aboriginal groups. FNOGMMA provides first nations with similar tools and will also be of tremendous benefit, as we have seen from the northern experience.

Although Bill C-54 describes a somewhat different path than the land claims settlement or self-government approach, it is designed to enable first nations to achieve many of the same goals, such as fostering prosperity and strengthening communities. With the passage of this legislation, first nations that vote to come under its provisions will have more tools available to them as they seek to be more self-sufficient and better able to take charge of their economies. What more could we want for people of any part of this country?

The management authority that this legislation provides will help create jobs in the oil and gas sector, as well as in the many spinoff businesses and all of the value added that result, helping first nations improve their members' quality of life and standard of living. This is a goal shared by all members of this House, I am sure, and all Canadians.

Every community has the right to decide for itself whether it wants to take advantage of this legislation. It simply provides the three sponsoring first nations, and any other first nations in similar situations that choose to opt in, with the authority to assume control of their oil and gas and related revenues, and to assume control of moneys held on their behalf by the Crown.

In effect, Bill C-54 will enable first nations communities to participate in the oil and gas sector and to access moneys held in trust. With these powers, first nations will become more engaged in the economy and better able to implement projects that will improve social and economic infrastructure in their communities, as we have witnessed in land claim settlements and self-government agreements.

● (1555)

If we consider the example of the Inuvialuit or, more recently, the Tlicho, the Labrador Inuit, the Westbank First Nation and even the Kwanlin Dün self-government agreement signed in February of this year, we can see where Bill C-54 might lead. We can see improvements in the transportation networks and in health care and educational facilities. We can see post-secondary scholarships, youth centres and assisted living residences for seniors. For the first time in generations, we can see young people looking forward to bright futures.

In the end, this is what Bill C-54 is all about: enabling first nations to assume greater control of their social and economic destinies. It is about ensuring that first nations have the access to the tools they need to improve the quality of life in their communities.

It is through these types of arrangements, whether they are land claim settlements, self-government agreements or initiatives such as FNOGMMA that ways are found to forge a lasting partnership between first nations and Canada which will set us on a new path toward prosperity.

In my area, we are proposing to build a pipeline that is 1,200 miles long, all along the Mackenzie route. We have achieved significant milestones to move that along. These are not easy things. It is this type of legislation south of 60 that will enable our friends, relatives, people in the south and neighbours to be part of what is happening in their backyard. That is so important. For too long, aboriginal people have been sitting back and waiting for arrangements to evolve. That is not going to happen.

This bill will help that. This is the work of first nations people. They did the pilot project that actually enabled them to come up with this legislation. They are responsible for this. This is a very good piece of legislation. We should support it.

We believe the empowerment of our people is a singular objective of every first nation in Canada. I want to appeal to the members of the House to support this wholeheartedly.

● (1600)

[*Translation*]

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Mr. Speaker, obviously, the Bloc Québécois will support Bill-54. This leads me to put a question to the hon. member.

Since Quebec has been a pioneer in the signing of agreements with first nations—such as the peace of the braves agreement, for instance—could the hon. member explain how Quebec served as an example to the federal government, with the result that it is now proposing Bill C-54? This measure will give first nations the opportunity to manage and regulate oil and gas exploration and exploitation. What was Quebec's contribution and what example did it set in this area?

[*English*]

Hon. Ethel Blondin-Andrew: Mr. Speaker, I would never claim to be an expert on Quebec, but I do appreciate that Quebec has forged a unique relationship with first nations. Agreements have been struck that relate to resource development revenues and that help to empower the Cree of James Bay and work with all first nations in Quebec.

Quebec has its strengths. It is known for the work that it does on the social agenda, for all of its social programs: child care, housing, and looking at the needs of the civil society in terms of how community development happens, how people live within a community and what their needs are.

The first nations are very indicative of those needs. Quebec has been very skilled at being able to integrate the first nations into this. Not only that, but Quebec has been very skilled at developing a very good relationship with the first nations leadership like Matthew Coon Come, Bill Namagoose, Albert "Billy" Diamond and many of the other leaders, all those people who are from the Quebec aboriginal leadership community. A good leadership relationship was forged. That is the unique part of it. Also, the work plan set together to achieve those milestones is pretty significant.

I think Quebec does set a good example, but every province has its own story to tell, not just one province. All the different communities have that story to tell as well. It is not one partisan issue. Successive governments replace one another and basically do a good job with the first nations. We have to look at those examples.

For me it is not a partisan issue; it is what each different government does well, what are the best practices and what we learn from them. I understand that. To be fair, we have to look at what different provinces and municipalities have achieved. Some people will say that a province is weak in one area but strong in another. Forging that relationship with the leadership and setting an agenda with the first nations has been pretty significant. That is hard to deny.

● (1605)

Mr. Ed Komarnicki (Souris—Moose Mountain, CPC): Mr. Speaker, with respect to Bill C-54, first of all I would like to acknowledge the critical role that Chief Brian Standingready and the White Bear First Nation have played and continue to play in the self-government of White Bear in particular and the first nations in general.

White Bear First Nation, the Blood Tribe and the Siksika First Nation were all part of a pilot project with respect to the co-management of oil and gas on their reserve land as early as 1994. I am proud to say that White Bear is within my constituency. They were the forerunners in the establishment and passage of an act to provide for real property taxation powers which involved a series of different structural organizations and changes that they put together.

The driving force behind that piece of legislation, as in this one, was the economic development of reserves and the improvement of the quality of life. It provided the ability to raise capital and generate revenue. It was an initial step in self-government, in being in charge of one's destiny and being responsible for one's own economic development.

At that time, I said that it was a good step but that there was a much larger journey that must be taken for the first nations to truly arrive at self-government. As Bruce Standingready of the White Bear First Nation put it, "You can only eat an elephant one bite at a time". Chief Brian Standingready of the White Bear First Nation put it quite correctly when he stated, "If you don't have the jurisdiction, you don't have the ability to make decisions". With respect to this legislation, he indicated, "This new enabling legislation is recognizing our inherent rights to make our own laws in regard to managing and controlling our oil and gas revenue derived from these sources".

The bottom line is that not only should first nations have the legislative means to address issues facing first nations on the reserves, but they should also have the financial means to do so. The White Bear First Nation is willing and eager to take charge of its own destiny and to participate in the development and use of its natural resources to better the life of its people

On the reserve there are many basic issues that need to be addressed: housing, infrastructure, water, sewer and electricity. It is important, however, that a good foundation be laid by the legislation to ensure the future success of first nations initiatives.

I support this legislation, as does my party. There are some important features and principles in place that will help in success. They relate to the transfer of moneys held on behalf of first nations and the transfer of the management and regulation of oil and gas exploration and a host of activities related to it.

Let me speak of some of the important features. There is an oil and gas code that provides for accountability of the council to first nations for the management and regulation of exploration and exploitation and the establishment of a procedure for disclosing and addressing conflicts of interest of members of council.

The legislation provides for a financial code, specifying the mode of holding oil and gas moneys, either by deposit in a financial institution or payment to a trust of which the first nation is settlor and sole beneficiary. It prescribes the conditions governing subsequent changes from one mode to another.

The legislation also provides for the manner of expending moneys. It provides for accountability. It addresses procedures for disclosing, as I said, and for addressing conflicts of interests. It also requires that books of account be maintained and annual financial statements be prepared in accordance with generally accepted accounting principles. I think these are all good and proper safeguards.

I am somewhat disappointed that the proposed legislation fails to specifically and in advance set out some generic, boilerplate, basic prerequisites that one would expect to find in a trust agreement, not only in terms of the fiduciary duty of the trustees but the specific objects of the trust and the method of spending approval.

However, the legislation does provide for a vote where a majority of those present, not less than 25%, would approve any of the procedures or codes outlined. That in itself provides some safeguards.

Having said that, I see great potential for the first nations, White Bear in particular, in the transfer of moneys and oil and gas rights by giving them an opportunity to chart their own destiny. It seems to me that education, skills training in jobs in various sectors, and management of various forms of business will be a way of ensuring economic prosperity and an acceptable level of quality of life.

There is much to be gained from oil and gas management. As the preamble of the bill states, first nations are able to assume control of their oil and gas industry.

● (1610)

What does that mean in practical terms? It means that first nations can enter into petroleum and natural gas leases, surface leases, easements, rights of way and rights of entry. They can participate in the extraction of oil and gas, in exploration, in production and storage, in distribution and even in processing or refining. There are many associated activities, such as surveying, mapping, test drilling, pipelining and all other related activities that will provide an opportunity for employment.

The White Bear First Nation has experienced some of this in its involvement with Tri Link Resources. It gives it an opportunity to receive a royalty on production and even to participate in oil production. Moneys raised can be placed back into production or used to help the community. It is a great opportunity to create employment, to encourage education and to be trained and employed in the oil industry.

A good example of that was articulated in an article dated May 29, 2000, prepared by Wayne Dunn & Associates, titled, "Experiences and Thoughts on Indigenous Business and Economic Development". The article, although somewhat dated, provides a little bit of history that the White Bear First Nation has experienced. The article states:

> Since White Bear began working with Tri Link, a number of First Nation members have been trained and employed in the oil industry. Tri Link hired two university graduates from White Bear to work in their Calgary office as a petroleum land administration assistant. A summer student was hired to work out of their Kipling office to gain environmental and production experience.
>
> Two White Bear members work out of [White Bear's] office and two members work as Petroleum Land Administrators with the White Bear Pilot Project. These individuals all attended the Southern Alberta Institute of Technology for training sponsored by the White Bear First Nation and received certificates as Petroleum Land Administrators.
>
> Many White Bear First Nation members have gained training and experience in the oil industry thanks to WBOG. So far approximately 38 members have been trained and employed by drilling rigs that are working for Tri Link and four have been trained and are working as contract battery operators. Recently four White Bear members were trained and certified as heavy equipment operators in a program jointly sponsored between Tri Link and the First Nation-run Kakakaway Learning Centre. In the past, the Kakakaway Learning Centre and Tri Link have teamed up to offer training to 30 individuals in the areas of chainsaw certification, chainsaw instructors certification and entry level training such as first aid, CPR and H2S Alive.
>
> As well, the agreement provides White Bear companies and private contractors with the opportunity to bid for services required by Tri Link such as surface lease construction, pipeline construction, seismic line clearing, well site reclamation, trucking, well site maintenance and drilling and service contracting. As a result, seven new businesses have developed on the White Bear First Nation creating new employment opportunities and on-the-job work experience for many First Nation members. These activities have provided over 90 First Nation people with short or long-term employment".

Part of that in the bill allows this to continue and to be expanded as they take control and management of their own resources. The bottom line in all of this was best stated by Chief Brian Standingready when he said that he "believes it is important that the first nation focuses on helping their people, rather than making profits". "The oil", he said, "won't be here forever, our people are our priority. We have to respect the land, our heritage sites, the environment. We always consider the future generations and ask what this is doing for them".

White Bear in particular has been developing its governance structure in a number of ways. It operates White Bear Lake Resort, the Bear Claw Casino and works in an integrated and cooperative manner with the community of Carlyle, Saskatchewan. With the passing of this legislation, I see the role only increasing into the future. I think it is a good step and is going in the right direction.

I am looking forward to the White Bear First Nation continuing to lead by example, in its industrial expansion and in its involvement in various activities on the reserve, in upgrading the skills of the various participants, in taking part in business, in bringing back some prosperity and putting itself in a position and a place where it can look after some of the very basic needs that it finds facing its community.

Mr. Mario Silva (Davenport, Lib.): Mr. Speaker, it gives me great pleasure to speak to the bill at second reading.

One of the countless good reasons to support Bill C-54, the first nations oil and gas and moneys management act, is the fact that three first nations, which are directly involved, the White Bear First Nation from Saskatchewan, the Blood Tribe and Siksika Nation from Alberta, have taken the necessary steps to prepare their communities for the new responsibilities participation in this legislation would bring.

As a result of 10 years of hard work and dedication building capacity in their communities, these three first nations are now ready to assume control over the management of oil and gas resources on their land.

Working closely with federal officials and Indian and Northern Affairs Canada, the White Bear, Blood Tribe and Siksika Nation entered into a pilot project back in 1994. It would see them move to full first nations control of oil and gas resources and related revenues on their lands and the management of first nations' moneys as envisioned in the sectoral self-government legislation before us today.

To appreciate this progress we need to know a little history behind it. This work began through a pilot project initiated by the Indian Resource Council. The council is a stand alone, first nation-owned and operated agency representing over 130 first nations with oil and gas interests. It provides a mechanism for first nations to become involved in the planning, policy development and strategic direction of Indian and Oil Gas Canada, a special operating agency of Indian and Northern Affairs Canada.

The three first nations, White Bear, Blood Tribe and Siksika, entered into the pilot project so they could one day assume responsibility for the management of oil and gas resources on their lands.

In phase 1 of the project, they entered into a co-management agreement with Indian Oil and Gas Canada. Co-management involved specific oil and gas training as well as capacity building exercises. After three years of co-management capacity building, the three first nations were ready to move on to phase 2 in 2000. This phase involved continuing the joint administrative and management processes begun in the earlier phase. It also equipped the first nations with the necessary knowledge to jointly approve all administrative and management decisions with Indian Oil and Gas Canada.

However it went further: developing a process to transfer control of oil and gas resources to the participating first nations. This stage also required building capacity through enhanced training. Equally critical, it entailed developing individual communication processes incorporating first nations values and beliefs to inform community members as well as industry and government.

This latter point is extremely important as we recognize that any initiatives undertaken to support first nations development must conform to the values of the first nations people affected.

In mid-2001 the three first nations entered into discussions on a framework proposal that served as the launching point for work leading to the current legislation. At this time, the first nations, which initially began this capacity building exercise, are ready to move on to the final phase of this process.

As part of this legislation, first nations choose to control the moneys derived from oil and gas activity when they choose to manage their oil and gas, or moneys in the consolidated revenue fund held by the Crown on their behalf. Opting into one or both parts of this legislation can ensure first nation governments have the tools needed to better manage their community affairs.

Bill C-54 encompasses all of these objectives for the first nations that want to opt into its provisions. There is no obligation for any first nation to take advantage of the bill.

A first nation would be able to choose whether it wishes to assume control of oil and gas resources on reserve and related revenues, assume control of moneys held in the consolidated revenue fund or both. It would be up to community members to decide.

The bill before us is a tribute to the first nations that have shown determination and the desire to acquire the skills needed to manage their own resources and moneys.

● (1615)

This past weekend I was pleased to participate in a first nations event in my riding of Davenport. Consistent with the aims of the bill, I witnessed the desire of first nations to manage their own future and to honour the long, rich and vibrant first nations legacy in this country.

After 10 years of hard work and dedication, the White Bear First Nation, Blood Tribe and the Siksika Nation are now ready to fully assume the roles and responsibilities for which they have been preparing for more than a decade. Should their communities decide to participate in the legislation, the sectoral self-government legislation would enable the White Bear First Nation, Blood Tribe and the Siksika Nation to assume full authority for decision making in relation to oil and gas activities and the revenues generated as a result.

It is now our responsibility to transfer the necessary authorities. I urge all hon. members of the House to support the legislation and to ensure this progress is fully realized.

● (1620)

Hon. Shawn Murphy (Parliamentary Secretary to the Minister of Fisheries and Oceans, Lib.): Mr. Speaker, I have been following the legislation as best I could this afternoon and there is one issue I want clarified. I would ask the member to perhaps explain or clarify the necessity for this particular legislation for the first nations to manage their own oil and gas resources. In other words, what new legislative capacities would this legislation give them that they cannot already do now?

Mr. Mario Silva: Mr. Speaker, presently there are gaps and constraints in the legislation that do not permit first nations to engage in the type of activity we want them to, which, in many ways, lead them to self-government. In particular, the oil and gas sector is an extremely important one for them because we are talking about economic controls that should be in the hands of the people who are most affected.

The present legislation has some of these gaps and constraints and this legislation would allow them to take on these steps. It is a move forward for the first nations in this country and is the reason that I would hope all members in the House will support the legislation.

The Acting Speaker (Mr. Marcel Proulx): Is the House ready for the question?

Some hon. members: Question.

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

Some hon. members: Agreed.

The Acting Speaker (Mr. Marcel Proulx): I declare the motion carried. Accordingly, the bill stands referred to the Standing Committee on Aboriginal Affairs and Northern Development.

(Motion agreed to, bill read the second time and referred to a committee)

* * *

SPIRIT DRINKS TRADE ACT

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.) moved that Bill S-38, An Act respecting the implementation of international trade commitments by Canada regarding spirit drinks of foreign countries, be read the second time and referred to a committee.

Hon. Wayne Easter (Parliamentary Secretary to the Minister of Agriculture and Agri-Food (Rural Development), Lib.): Mr. Speaker, I am pleased to rise in support of Bill S-38 because it is important to our agriculture and agrifood sector and indeed to all of Canada and all Canadians. The bill would open up possibilities not only for the Canadian spirits drink industries, but for our wine industry and for our growing agri-tourist sector as well.

The bill is about jobs and about the diversification of regional economies. It is about growing Canada's $26 billion a year agriculture and agrifood exports in a manner which is most beneficial to our economy and our jobs.

One might ask how Bill S-38 would do all that. The bill would accomplish that by helping our agrifood sector add more value to our agriculture products, our grains and our grapes here at home so we can keep the dollars and economic prosperity within Canada.

Bill S-38 is also known as the spirit drinks trade act. Basically the bill would bring into full force a bilateral wine and spirits agreement that was signed by Canada and the European Union two years ago. It is this agreement which will benefit Canadian producers in both our domestic and foreign markets in the ways that I have just outlined.

The agreement, signed in September 2003, covers a wide range of wine and spirit trade issues between Canada and the EU. These include updates to an existing bilateral agreement which has been in place for some 15 years.

I will speak first to the technical provisions in the bill regarding spirit drinks which upholds Canada's end of the Canada-EU agreement.

In a nutshell, these provisions protect the identity of certain European drink names such as ouzo from Greece, grappa from Italy, pacharan from Spain and others.

Under Bill S-38, only spirit drinks from those specific countries and nowhere else could carry those names. In other words, a distiller in Niagara could not produce a spirit drink and sell it as a grappa or an ouzo. To be clear, no Canadian producers are doing this now.

Certain wines and spirits which are named after the geographic regions where they come from such as Rheingau and Baden in Germany already are protected in Canada under the Trademarks Act. So are Canadian geographic indicators such as the Okanagan Valley, or the Niagara Peninsula or Canadian rye whisky. Products like grappa and ouzo do not fall into that geographical indication category so they needed the specific protection provided under Bill S-38.

New legislation is needed to house the protections required by the Canada-EU bilateral agreement on wines and spirits. This is because these provisions could not simply fall under the Trademarks Act. It does not cover generic names for goods. Furthermore, it only protects private rights while the agreement calls for state enforced protection of these names.

As well as protecting European spirit drink names, Bill S-38 also would protect a number of North American spirit drink names, including Bourbon whisky from the United States and tequila from Mexico. These provisions fall under Annex 313 of the NAFTA.

Bill S-38 would also incorporate Canada's long-standing protection for the names Scotch whisky, Irish whiskey, cognac and Armagnac. Finally, the bill would provide protection for Caribbean rum under the Caribbean and Canada trade agreement. These existing commitments are currently implemented through provisions in the food and drug regulations, however Justice has advised us that it is not the appropriate home for them or the appropriate legislation for them to be within

● (1625)

I would also note that following consultations with Industry and International Trade Canada, a number of minor amendments were made in the committee in the other place. These amendments were designed to more clearly differentiate between the types of protection that Canada undertook to provide for each spirit drink name.

These are the nuts and bolts of Bill S-38. As I said earlier, while the bill may be viewed as a minor technical matter, Canada's wine and spirits industries regard it as much more than that. For them, Bill S-38 is nothing less than a wide open doorway to new growth and exports and new market development opportunities.

We are talking about is helping an industry that is already a strong contributor to Canada's economy and jobs, particularly in rural Canada where many of our wineries and distilleries are located. Rural Canada, as I have said on a number of occasions, is an important part of our country and the government takes that part very seriously. For urban Canada to be strong, rural Canada must be strong as well. They are not separate entities and they are not separate ideas, and we must support both. Rural Canada is home to one-third of Canadians. It provides one-quarter of all jobs. It contributes 22% to Canada's GDP and 40% of our total exports. Certainly the wines and spirits industry is an important contributor to that output.

We should never lose sight of the fact that our rural communities, our rural resource base and our rural people are the fabric and backbone of what makes our country strong. Canadians know that rural communities are key to both our social and our economic competitiveness. They are the front lines in building a better quality of life for the entire country. There is no question that wineries and distilleries are good for the rural economy. They generate crop sales for primary producers.

On the winery side, we are seeing a tremendous boom in the whole agri-tourism sector. More and more tourists are flocking from all corners of the globe to take wine tours in the Niagara Peninsula, the Okanagan Valley, Prince Edward County and elsewhere, even the Annapolis Valley as my colleague next to me has indicated, much as they do in the Napa Valley in California or the Loire Valley in France. That influx of tourism brings important economic benefits right throughout the rural economy: the hospitality sector, the restaurant sector, the travel sector and much more.

The Canadian wine and spirits industries are agrifood success stories, to be sure. Our wine sector continues to grow at a steady pace in many parts of Canada, including, if I may add a commercial message, in my own province of Prince Edward Island. Today about 170 wineries across Canada annually sell some $400 million in wines and purchase $75 million in grapes from producers. As for the spirits industry, Canada has 21 distilleries that produce over $1 billion worth of spirit drink products each year. Of that, some $500 million worth is exported.

As we heard in committee in the other place, both the wine and the spirits industries, including the Canadian Vintners Association and Spirits Canada, are in full support of Bill S-38. Why? Because, as I mentioned earlier, it secures the benefits achieved under the 2003 Canada-E.U. agreement. This agreement provides the industry and the Canadian economy with trade rules in the domestic marketplace, with greater access to the E.U. marketplace, and with a framework to manage any potential grievances in a cooperative and collaborative manner. Best of all, this is a balanced agreement that would benefit both sides without causing any disruption in the Canadian marketplace whatsoever.

● (1630)

With this proposed legislation bringing the 2003 Canada-EU agreement into full force, Canadian wines and spirits producers can look forward to improved access to the European market with which the recently expanded membership is now home to almost half a billion potential consumers. That is a considerable marketplace which is now open to more products thanks to this proposed legislation, products of which Canadian producers and the rural economy can take advantage of.

With Bill S-38 in force, wine and spirit producers in both Canada and the EU will have an agreement that would give them access to more trade opportunities and more stable trade rules. As well, consumers in Canada and the EU have access to a greater variety of wines and spirits than they have had in the past.

The Canadian industry is confident that the agreement will help free up some of the market restrictions that they have encountered in the EU market over the years and in doing so, secure greater recognition in the international reputation of the Canadian wines and whiskey.

As members will know, the Canadian wine industry has made great strides in quality over the past decade, due in large part to the development of the VQA , or the Vintners Quality Alliance, application. Today Canadian VQA wines are known and respected in international wine circles. It is interesting, even if we go to the stores around here, we will see people looking for that VQA symbol because that is the wine they like to buy and that is quality.

The next important step will be to make our quality Canadian wines household names right across Europe, to get them into basement wine cellars from Paris to Prague. The bill marks an important step in that direction. In fact, the wine industry believes that on the strength of this agreement, it will be able to grow wine exports from about $1.5 million annually to some $5 million over the next 10 years.

To give a few more specifics of the Canada-EU agreement, it will recognize for the first time Canadian wine-making practices in labelling rules for VQA wines in the EU market. It will provide for simpler certification for VQA exports, giving wine exporters greater certainty of market exports and allowing them to invest in market development. While protecting EU spirit names, it will protect our geographic indicators in the EU, notably Canadian whiskey and rye whiskey.

I must add that Canadian whiskey is an incredibly positive ambassador for Canada in many markets around the world. A full 80% of our production of Canadian whiskey is exported. Formal recognition by the EU of Canadian whiskey and rye whiskey provides the Canadian spirit industry the opportunity to invest and grow their brands, secure in the knowledge that they will not be undermined by cheap imitation knock-off products in the markets that they serve.

Just as important, here at home the Canada-EU agreement permits provincial liquor boards in Ontario and British Columbia to continue to allow producers in those provinces to make direct sales to consumers. Quebec also will be able to maintain its requirement that wine sold in grocery stores be bottled in the province of Quebec.

To sum up, Bill S-38 is about jobs. It is about regional diversification in rural Canada. It is about growing Canada's exports and adding value to those exports to keep more prosperity and more economic benefits here at home and to continue to build rural Canada. Bill S-38 is about Canada living up to our international trade obligations. We take these commitments very seriously and we expect no less from our trading partners. Canada is a trading nation and a rules-based trading system is fundamental to the global economic competitiveness of Canadian industries.

● (1635)

It is for these reasons that I would urge my hon. colleagues on all sides of the House to lend this important bill their full support. I would note that Canada agreed to provide protection for these names by June 2006, so it is important that we move forward with this bill rather quickly.

We must pass this legislation because it gives Canada a legal mechanism enabling it to meet the trade obligations we have so carefully negotiated. In the context of the discussions which led to the renewed agreement on spirit drinks and wines, Canada has succeeded in obtaining many benefits from the EU which Canadian producers and consumers can enjoy. However, to retain those benefits, we must ensure we are in a position to honour our obligations to our trading partners.

The provinces, the members of the wine and spirits industries in Canada and the federal government have worked hard together in negotiating the Canada-EU agreement on wines and spirits. The bill we have before us is the end result.

I would also like to recognize the contribution, hard work and collaboration of a number of federal departments including Agriculture and Agri-Food Canada, International Trade, Justice, Industry, and others. This is a significant accord that ensures Canadian wine and spirit drinks producers will have increased access to markets in the European Union in the years to come.

Again, I urge members to support the timely passage of this legislation.

● (1640)

Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC): Mr. Speaker, I listened intently to the presentation by the parliamentary secretary. As usual, he did a very good job in talking about a product that is important to the agriculture field, a field in which he is very interested. I also know the gentleman, as a former chair of the Standing Committee on Fisheries and Oceans, is also interested in fish.

My question actually has two parts. I cannot ask too many questions on wine, being someone who has never had a drink in his life, and I do not know why. Anyway, I am no expert in wine. I totally agree with him by the way, but if we can put this kind of an effort into protecting and promoting our products, how many more Canadian products can we do much better with on the national stage, and the international stage in particular? I would refer to him a product that goes to the EU. Should we try to put the same effort into protecting and promoting Canadian shrimp? As he well knows, a 20% tariff has been placed on shrimp and it is destroying the industry in Atlantic Canada in particular, including affecting people in his own province.

He initiated an effort on that some time ago and nothing is happening. Why is it we pick certain things to really make an effort on, and other things perhaps of greater magnitude are ignored?

Hon. Wayne Easter: Mr. Speaker, I know how seriously the hon. member takes the issue relative to trade in shrimp with Denmark and some of the other European countries.

Yes, in my past capacity as a member of the Standing Committee on Fisheries and Oceans, we did a tour in the Newfoundland and Labrador area. I talked to lots of producers about that very serious issue. I think we made a very good report which went to the Government of Canada.

I can very clearly say that the government, through its international trade department and others, has continued to try to deal with that controversial issue. It is still ongoing.

I gather as well that last week the Standing Committee on Fisheries and Oceans was again in the province of Newfoundland and Labrador looking at some of those fisheries issues. I expect the committee will again be putting pressure on the government as a whole on the serious concerns within that province over those 20% tariffs.

This agreement shows what is indeed possible when negotiations go well. We are having difficulty on the other side and admit that. I can say that it is not for lack of effort by the Department of International Trade and the negotiators on many fronts. This agreement will certainly be helpful to rural Canada by opening up markets for our producers, for our wineries. It will give us the kind of protection that we need for those products in an international trading environment.

● (1645)

Mr. Peter Julian (Burnaby—New Westminster, NDP): Mr. Speaker, we are, of course, very supportive of Bill S-38 because it shows what can be done when we have good, effective trade policy that is win-win.

Basically the European Union wanted access to our markets in the same way that Canada wanted access to its, but at the same time we wanted to protect the appellations that exist in Europe and in Canada for the creation of a market for good Canadian quality products. Bill S-38 is an example of very effective trade policy.

As the parliamentary secretary knows, we have another issue, that of softwood lumber, where the government has clearly been completely ineffective and in fact negligent. We have an industry that is bleeding $4 million a day. Our partner in the United States has ripped up those aspects of NAFTA that the Bush administration does not like and the government has done nothing, absolutely nothing, to defend the interests of the softwood lumber industry, the 20,000 workers who have lost their jobs, and the communities across British Columbia, across northern Ontario, across Canada indeed, that are suffering from this long-standing dispute.

I would like to ask the parliamentary secretary what has worked in this case. Canada very clearly has negotiated equally with the European Union in order to bring forth a bit of trade policy that works for both partners. Why has the government manifestly failed on softwood lumber?

Hon. Wayne Easter: Mr. Speaker, the member made allegations in terms of the Government of Canada's efforts on the softwood lumber issue and he has it all wrong. The fact of the matter is that members of the government right up to the Prime Minister have worked hard on this issue for quite a number of years. We have been supportive of the forestry industry and we recognize that it is extremely important to the Canadian economy.

Although the tariffs and the anti-dumping percentages are there, we have continued to export more product to the United States at higher values. In fact, this morning we met with the maritime lumber industry. Yes, that industry wants the issue resolved, but it was certainly not critical. We are getting some criticism from some of the political parties, but we are really not getting criticism from the industry itself, which knows that we are working cooperatively with it to try to win this argument with the Americans.

In fact, on the weekend a number of Canadian parliamentarians, including a member of the New Democratic Party, were in St. Andrews, New Brunswick speaking with U.S. legislators, again laying out to them the Canadian position on where we are on the softwood lumber issue.

The Government of Canada is indeed working hard. We are aware of the ruling in Canada's favour relative to NAFTA. That shows the kind of background, research and work that was put into that issue by the Government of Canada, its negotiators, its members and others.

Specifically on Bill S-38, the spirit drinks trade act, the member is absolutely right. It is a win-win situation. It shows what can be done when people sit down, negotiate and accept that those negotiations are a win for both parties.

On the other issue, the U.S. does not seem to want to abide by the ruling on a trade agreement that the U.S. in fact signed on to.

● (1650)

Mr. James Bezan (Selkirk—Interlake, CPC): Mr. Speaker, I know we want to move this bill through Parliament on an expedited basis because there are some deadlines to meet to honour the negotiated trade settlement we have with the European Union.

The one thing I forgot to ask in committee and would like to ask the parliamentary secretary now is whether there are any businesses here that are going to be ill affected by this bill. Are there any distillers or wineries here that are producing products that carry protected names by European standards? How is that going to be negatively felt in Canada? That is something we need to know.

Hon. Wayne Easter: Mr. Speaker, it is a very fair and legitimate question. The bill is fully supported by the wine producers and their organizations. The wine sector as a whole is a major benefactor of the agreement. It is Canada's objective really to maintain existing provincial liquor board policies that benefit Canadian wine and spirit producers. We achieved those objectives. It improves access to the European Union market for quality Canadian wine and spirits.

We see no reason that anyone should be disadvantaged because of this bill. In fact, I think it is one of those cases where there should be positive benefits to all players in the industry.

Ms. Diane Finley (Haldimand—Norfolk, CPC): Mr. Speaker, I rise in the House today in support of Bill C-38. The bill respects the implementation of an international trade commitment by Canada regarding wines and spirit drinks.

The bilateral agreement between Canada and the European Union affords the Canadian industry recognition and protection to signature products. This is important because the value of this industry is tied to the inherent value in Canadian brands.

The Conservative Party supports the intent of the bill as an export strategy for the Canadian wine and spirits industry. Conservatives are very supportive of rules based trading systems, especially ones that help secure international markets for Canadian products and that help ensure that Canadian consumers have access to high quality products produced in other countries.

As such, we support the general thrust of the bill and the agreement that it helps implement.

Formal recognition by the European Union of rye whiskey exclusively as Canadian will provide Canadian industry participants the opportunity to invest and grow knowing that their investments will not be undermined.

The bill is good for many reasons; for the wine industry and for the distilleries. It also is good for rural Canada. Why rural Canada specifically? Many of Canada's distilleries, wineries and breweries are based in rural Canada, so they provide jobs which are good. Also it is agriculture which takes place in rural Canada that provides all the ingredients for these beverages. After all I have not seen many corn fields or grape fields in the middle of downtown Toronto. Therefore, this is good for rural Canada.

As our brand names become known on the international stage and through this bill, which would protect the integrity of those products, in other words people from other countries would be unable produce copycat products, the integrity of our products will be preserved. That will encourage our Canadian distillers and wineries to continue using Canadian product that comes from rural Canada.

Rural Canada does not just feed the cities, it also provides power. Rural Canada also provides the key ingredients for all our world famous wines and spirits.

Many people are confused by the bill. I have spoken with different people about it. They are afraid we will be unable to buy Merlot wine again. That is not the case in fact. The bill would is protect Canadian wines on a regional basis and Canadian spirits such as rye whiskey. No matter where we go in the world, if we order rye whiskey, we would be certain that it came from Canada and was made here with Canadian product.

This is a good thing for Canada on the world stage. We have a high quality reputation on the world stage. Our rye whiskey has been available around the world. There has been a demand for it for many years. Our grapes are quality, whether they are from the Annapolis Valley, or southern Ontario including my own riding of Haldimand —Norfolk, particularly the Niagara Peninsula, or the grapevines across the Prairies or the Okanagan Valley. The wines we make in Canada from these grapes are winning first prize awards around the world. It is wonderful for Canadians to be represented that way on the world stage.

I said that there was some confusion. Merlot is a grape, but for many years some thought that was a region. Italy and France have had regional protection of their wines for many years. If we go into a restaurant and order a glass of Bordeaux, we know that it comes from the Bordeaux region in France. Its quality is very carefully controlled. It is the same thing for Burgundy as well as the many great Italian wines. They have regional designations that protect and promote the integrity of the quality that wine.

The proposed bill will open the doors for our wines to have that same promotion and that same protection. This is a good thing. We will be unable to refer to a Bordeaux or a Burgundy because those come from France. We will be able to promote the Niagara Peninsula and the doors will be opened for our great Pelee Island wines as well. There are many other award winning wines produced in Canada, but I do not have the time to go through them all today. I congratulate them for being such ambassadors for us on the world stage

● (1655)

Another benefit of protection and bringing us in compliance is a number of years ago legislation was originally written to protect a product very similar to our rye whiskey, and that is Scotch whisky. Scotch whisky is very special. It is called the water of life. As we know, it comes from Scotland. However, that has not always been a controlled situation.

Many years ago one of the eastern nations decided that it wanted to meet the taste buds of its population by providing a Scotch-like product. The rules at the time on the international stage said that it could only be Scotch whisky if it were made in Scotland. It was a bit loose on the definition. One very ambitious distillery decided to make Scotch-type whisky in a town that it renamed Scotland so all bottles then could say “made in Scotland”. Fortunately the powers that be on the international stage got together and recognized the type of deception that was attempted there. That is why they tightened up the rules. That is why I am so glad that as we proceed with Bill S-38 we are tightening up the rules even more so to protect Canadian product.

Contrary to what the parliamentary secretary said during his speech, we have a few concerns with the bill. When we spoke with Canadian distillers, they indicated that they still had some concerns. While they are generally in support of this bill, there are a few things that they would like to see fixed.

First, they believe that there is a need for the government to eliminate certain provisions currently found within the food and drug regulations that would duplicate provisions in Bill S-38 if passed. Second, they are also requesting, though, that no provisions be deleted from these regulations without a comprehensive and full consultation with the industry.

Quite frankly, that request on the part of the distillers causes me some concern. We have seen all too often in the 12 months that I have been in the House that while the Liberal government has claimed consultations with industry, in fact it has met with maybe one stakeholder, if it is being generous on that given day. However, in terms of doing a cross-spectrum consultation to get the impact of its decisions on others, we have not seen that at all.

We are dealing with this very issue on Bill C-27 these days, where industry has not been considered. The impact of the government's intentions and actions has not been duly considered, and we are looking at a real mess coming up there.

I am not sure that this is the time or place to address it, but my Conservative colleagues and I will be opposing Bill C-27 as hard and as loudly as we possibly can. Someone has to stand up for the producers and processors in our country. Sadly, the Liberal government has not done it. Fortunately, and thankfully, my Conservative colleagues and I are happy to step up and take on that role.

Apart from the elimination of the heavy-handed approach, we would also ask that the government respect the request of the Canadian distillers and this time work in close consultation with them as the changes move forward.

For purposes of due diligence and legislative housekeeping, we are prepared to consider recommendations with regard to improving the legislation, particularly with respect to explicitly defining what constitutes a spirit drink. This is something that is omitted in the bill. Normally in legislation one tends to define what the key subject is and what the parameters are. Nor is there any reference to its definition under things like the Excise Act or whether it is that definition that applies here. We would very much like to see an explicit and unambiguous definition of spirit drink to guide the interpretation of this act for its future and for possible expansion.

Some of the members on the other side of the House are chuckling to themselves as I say that as if to say, "How could anyone not know what a spirit is?"

● (1700)

Let me assure members that definitions change over time. A number of years ago I worked in the wine and spirits industry, and new products came out that caused a lot of concern. Perhaps members will remember the invention and introduction of the cooler. It started out as a wine cooler. Then it moved to become spirit coolers. The industry and the regulating bodies over those industries had real problems. No one could class them as wines, or spirits or beer. They did not fit any of the previous definitions.

There was a great deal of consternation at the time about the tax levels that would apply to them and how they should be priced. The provincial boards that sell their own wines and spirits have different pricing formulas depending on whether the product is classed as a wine or a spirit. No one knew what to apply because these products defied the current definitions. The world moves on. We want to ensure that whatever is in this act is very clearly defined so there can be no ambiguity.

We also will seek clarity on the necessity to reduce legislative and regulatory duplication in the food and drug regulations under the Food and Drugs Act.

We also want to seek assurances from the government about its assumption that there are currently no instances of products in Canada which are non-compliant with the bill, so we can ensure that vendors are not unfairly penalized once the act comes into existence.

The government does not appear to have anticipated what will be done if in fact there are pre-existing inventories of non-compliant spirit drink products once this legislation comes into force. The parliamentary secretary has indicated that he does not believe that there are any known non-conforming products. As we have seen so often, particularly during question period in the last week, just because the government is not aware of something happening does not mean it has not happened and does not exist. We have seen examples all this week where the government claimed not to know anything, and in fact millions of dollars of taxpayer money was being spent. The fact that the government did not know about it does not mean it did not happen.

We want to ensure with this bill that there is a thorough due diligence done to ensure that any pre-existing inventories are dealt with in a proper manner.

Overall, this is a decent bill. It will help promote and protect Canadian wines and spirits. It also will be a boon for rural Canada, both at home and abroad. For that reason, I will be happy to support it. However, we want to ensure that it is done right. For these reasons, we look forward to working on the bill as it is debated in the House.

In closing I would like to add a light note, being that it is the end of the day. I am told this is a true story, and I worked in this industry for a number of years.

The country I mentioned before, which tried to produce a product labelled "made in Scotland", also did some market research. It decided it wanted to introduce a scotch-type whisky, but it wanted to ensure that it would sell. Therefore, it did a lot of research into popular brand names of the day. They discovered a few. One was Queen Anne. I am sure many members in the House are familiar with that. Another was King George. It thought it would get the best of both worlds so it came out with a product, which it put on the market, called King Anne.

We are trying to ensure that our quality and standards are much higher than that . I believe Bill S-38 will help us achieve that and achieve even more prominence for the quality of our wines and spirits in the world market.

● (1705)

Hon. Wayne Easter (Parliamentary Secretary to the Minister of Agriculture and Agri-Food (Rural Development), Lib.): Madam Speaker, I am pleased to hear that the member for Haldimand—Norfolk and her party will be supporting Bill S-38. She has outlined a number of points in terms of its benefit to rural Canada.

I want to deal with a couple of points with which the member had some concern. One point the member mentioned was the matter of consultations. I do not think a government in Canadian history can be found that has consulted as wide as this one has on so many issues. In fact, Spirits Canada has made it very clear to us that it is supportive of the amendments that were made in the other place. I am not sure whether or not the member is aware of those amendments. I will outline them for the member.

It is clear that when the bill was being debated in the other place, we did receive input from the Association of Canadian Distillers, as well as additional input from International Trade Canada regarding the exact nature of Canada's trade obligations. The Senate acted to deal with those concerns with amendments.

The Senate decided to amend the bill to make a distinction between the type of protection Canada is obliged to provide for the spirit drink names under the Canada-EU wine and spirits agreement and the type of protection for names in the NAFTA and in the food and drug regulations.

The Senate decided to eliminate the blending provisions for Scotch whisky and for Irish whisky, as these provisions would more appropriately remain in division 2 of the food and drug regulations where the rest of the blending provisions for spirit drinks reside. I believe that concern that the member raised has been in fact addressed.

With regard to her second concern on the term "spirit drinks", the government and the department has undertaken an interdepartmental review of this question related to the provision of Bill S-38 and feels that including a definition for spirit drinks would not be necessary. A general definition is not required as the legislation is very specific as to which spirit drinks are affected.

The proposed legislation does not actually reference "spirits" only "spirit drinks" and those specifically identified in the schedule to the Spirit Drinks Trade Act. We do not see a problem with relying on the definition of spirit drinks as that term would be commonly understood.

I believe we have addressed the concerns that the member raised. We would hope that hearing that, the member will be game for speedy passage of this legislation.

The last point is with regard to her comments on Bill C-27. There will be an opportunity to debate that on another day. Certainly, I hope that the official opposition is not going to start to compromise on that bill. Really, what that bill is all about, where the fuss is at the moment, is the dairy industry coming forward and wanting truth in labelling. I think all parties in this House should be supporting truth in labelling.

● (1710)

Ms. Diane Finley: Madam Speaker, I am delighted first of all, if what the parliamentary secretary says is true. If it has happened, I am delighted. We wanted to address those issues. They were raised with us by the Association of Canadian Distillers and we wanted to ensure that their voices were heard. It would appear that this has been done and that makes a nice change.

What really concerns me though is what the parliamentary secretary just said. It proves something that this side of the House has been saying for a very long time. The fuss over Bill C-27 is not at all about the dairy labelling amendment. Not at all, and this is what the other side of the House does not get and it would appear the parliamentary secretary does not get.

It is about the same thing that the last election was about and why that party has such reduced numbers on that side of the House. It is about accountability. We have been fighting Bill C-27 on the basis of a lack of accountability that is there. We have been fighting it since day one. We have made numerous efforts to introduce various forms and mechanisms of accountability into Bill C-27. We believe it is extremely important to Canadian producers and processors to have protection from their own government. These protections do not exist in Bill C-27. When we have tried to introduce them, every attempt to do so has been thwarted by the Liberal government.

When the parliamentary secretary says that the fuss is about something else, he is either grossly misleading the public who are watching this, or he still does not get it. That is unacceptable because the government has to learn about accountability. People have to be responsible for their actions and it is time that the Liberal government learned that.

[*Translation*]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Madam Speaker, the timing is perfect to talk about wine and spirits, since it is about time for a drink. I want to assure the House here that I did not have a drink before beginning my speech. My mind is always very clear when I am working. As we know, there used to be a bar in this place. I think hon. members know that. Perhaps that explains why some questionable bills were passed in this House. Be that as it may, this government is still passing questionable legislation, even though there is no longer a bar here.

Enough joking. I am pleased to address Bill S-38, an Act respecting the implementation of international trade commitments by Canada regarding spirit drinks of foreign countries. The Bloc Québécois supports the principle of this bill. There are several good reasons to pass this bill on the implementation of international agreements already signed by the European Community, the United States and Mexico, under NAFTA, and the Caribbean countries.

This bill is consistent with Quebec's policy on labelling and the recognition of local products. In Quebec, as we know, there is more and more emphasis on transparency and consumer choice. There is a great debate at the present time on new legislation regarding the designation of local products. In our view, in fact, the word "terroir" or local site should be protected. It should be a registered designation of origin that is used advisedly. That is what the debate is about because the Government of Quebec's bill was not satisfactory in the eyes of people in the farming sector.

However, it is a step forward. We hope that the debate will prove fruitful and people will succeed in getting adequate protection. My riding is involved, among other things, in a lot of fine cheese production. The French protect the trade names of their cheeses and we would like to do the same. When a product becomes more and more popular, there is a danger that it will be copied. A little earlier, the Conservative Party member mentioned certain scotches that had been copied. It is the same for all agri-food products.

That is why we need to push harder and harder both to protect our products and to inform consumers. These two reasons go hand in hand.

This bill will also enable consumers to choose wines and spirits in an informed way because they will know their real origin and nature. For example, Bill S-38 states that Scotch whiskey can be sold as such only if it was distilled in Scotland. That is only common sense, but it had to be written somewhere in a law. Armagnac and cognac come from France and can only be sold under these names if they have been produced in the regions of Armagnac and Cognac. It is the same for tequila, which is a product of Mexico, and bourbon, which is a product of the United States. These trade names must be protected in order to dissuade fraudsters and copiers, as I said earlier.

Television and the media often mention copiers or people who have produced knock-offs, especially in the area of fashion. Nowadays, products of any kind are copied, whether watches or food products. It is important, therefore, to ensure that products can be protected.

This agreement will help our exports on European markets—that is the good news because we also have an interest in being able to export our fine products there—while our internal measures are maintained, such as the ability of wineries to operate sales outlets that carry only our own products. This will not prevent us from doing what we need to do on our own territory.

The same thing applies to Quebec's requirement that all wines sold in grocery stores must be bottled in Quebec. We would never have let such a thing get by. If we notice a problem as we study a bill, I assure my colleagues that we will deal with it. I have said that we were in favour of the bill in principle, but we are just at the initial stage now. We will make sure that everything is in line with Quebec's requirements.

It is, I repeat, important for the consumer to be protected. There has been some talk of recognizing the specificities and peculiar characteristics of the various terroirs. Bill S-38 also suggests a clearer labelling policy.

Consumers are entitled to know exactly what they are buying and consuming. Quebec feels strongly about this. I am speaking of Quebec as a whole, the consumers, the producers and all the stakeholders who are concerned with this situation.

One need only think about the situation with dairy products. I will repeat what I have said many times: my region, the RCM of Arthabaska, has the highest number of dairy producers in Quebec. I am therefore very much aware of what is going on in that field.

Some hon. members: Oh, oh!

● (1715)

Mr. André Bellavance: I must thank my colleagues, and even some across the way, for their signs of approval when I raise that point.

So there are some terms that have to be protected: butter, milk, cream and cheese. Strangely enough there is no protection for them at the present time. Changes are, however, in the cards with Bill C-27. Obviously we are in favour of very clear labelling in order to protect our good local products.

Take fruit juices as another example. Strange as it is, "100% fruit juice" on a label must mean that the container has 100% juice inside it. Even if it only says "fruit juice", that is the only thing that can be there.

That is not the case with dairy products, however. There is no such obligation at this time. So supermarkets can sell something labelled "buttered popcorn" when no butter is listed among the ingredients. It is just a marketing ploy to attract a buyer who thinks he is getting something extra: butter. Sometimes he does, and sometimes he does not. So we need to look at the list of ingredients every time.

We can buy a cream pie that contains no cream. That too exists. It can be found at the supermarket. We know that ice cream can be made using butter fats instead of real cream. The labelling is misleading. Fortunately, this will change thanks to provisions included in Bill C-27, which has yet to be passed.

Obviously, the idea is not to prevent certain products from being manufactured or marketed, but rather to regulate their labelling, so that consumers know exactly what they are buying. Popcorn without butter is still popcorn; but if there is no butter, the label should not say something different. It will no longer be permitted to use the word on a label or in a trademark. Manufacturers will not be allowed to write on the label that the popcorn is buttered if no butter was used. That is what we want and wish for. Bill S-38 on wines and spirits provides for similar protection.

With respect to dairy products, according to a Quebec dairy producers survey, dating back to 2001, when they read the word butter on products at the grocery store, a majority of consumers tend to think that the products contain butter. That is a reasonable assumption, because we are used to reading information and relying on it. But in such cases, as I said earlier, it is simply a marketing ploy to have consumers believe that they are selecting a good dairy product when it is not the case. We must always be wary of what is written on the packaging.

We had another long debate on the labelling of GMOs, genetically modified organisms. Naturally, the Bloc Québécois is spearheading efforts in that area.

Another, more recent survey, conducted by Léger Marketing and released in May 2004, shows that 91% of Quebeckers and 83% of Canadians are in favour of mandatory labelling for GMOs.

An hon. member: The Liberals are against it.

Mr. André Bellavance: The Liberals are against it. All we are asking for is that labelling and advertising be consistent with the reality. People will not know that products contain GMOs until it says so on the labels.

We saw all the problems this caused with regard to Starling corn. We have concerns about this. Consumers are also concerned about it. They have the right to know what they are buying. When they select a product, they are entitled to read on the packaging what it contains. That is all we are asking.

I want to talk about trans fat now. Our NDP colleagues have done a good job here, and we support them. By 2007, all businesses will have to indicate on food labels the quantity of trans fatty acids in their products. Since trans fat is bad for us, consumers will be able to better decide what to eat and can, of course, make healthy choices. In this respect too, this debate is not a witch hunt. Just because cookies contain trans fat does not mean their sale will be banned. We can eat them. It is a question of moderation.

I started my remarks by joking about pre-dinner drinks, but when consumed in moderation, we are not hurting ourselves or anyone else. Obviously, when we eat or drink too much of anything, we have a problem. The same holds true for this kind of product. If we know that cakes or cookies contain trans fat, perhaps we should eat just one instead of two or eat them less often.

Also, if there are any companies concerned about health, they should offer similar products but without such ingredients. Then perhaps we could select them. Consumers would have a choice, but an informed choice. That is what it is important to remember here.

● (1720)

However, there are deficiencies in Bill S-38. We were not going to give our support without identifying some small problems. The bill before us today has good things but it could go further.

For example, with regard to the policy on labelling and respect for local products, not only must we support protection for appellations of origin and wine varieties, but we must also monitor quality standards for products. In the United States, bourbon, which is a type of whiskey, must be at least 51% corn and has to be produced in the United States. Rye whiskey, which is produced both here and in the U.S., must be at least 51% rye in the United States, while Canada has no such requirement.

According to some documents I have read here and there, Canadian whiskey has to be made in Canada. There is a list of requirements for making a good product. Far be it from me to think or say that Canadian whiskey is not good. However, here it is not required, as it is in the United States, to be 51% rye. This bill could have been used to tighten the rules on manufacturing in order to have the best possible product and for people to be better informed on what that product should be.

We could discuss this at length. However, I just want to draw a parallel between this bill and international agreements. International treaties have been ratified. In ratifying agreements with the United States and Mexico under NAFTA, the European Union under the WTO, and the Caribbean, Canada has nonetheless, yet again, been short on transparency. Let me explain.

The government asks for our approval once agreements have been ratified. This is a blatant lack of transparency toward Parliament and the people who elected us. Voters elected us to Parliament to represent them in examining, considering and passing, or not, bills of all kinds. As for international agreements, there is a democratic deficit that is far from being corrected, even though that was one of the Prime Minister's platforms during the last election campaign. It was simply an empty promise, as we so often get from the government side, since the democratic deficit still exists.

Since we have been asking for this for such a long time, the democratic deficit could have been reduced by allowing democratically elected parliamentarians a voice during negotiations with other countries and the signing of agreements in principle. There are initial steps in international agreements. There are agreements in principle before the parliaments of the countries concerned officially confirm the accord.

In other words, we are asking to participate from the very beginning of the process since, ultimately, it is still Parliament that will accept or reject a bill on an international treaty. The example that comes to mind is a recent one. Previously, I was the assistant to the member for Joliette, who was and still is our critic on international trade. Of course, there were a number of issues relating to international agreements, including one in particular on which we worked very hard, along with the hon. member for Hochelaga, since he had sugar refineries in his riding. Let me explain why I am talking about this.

Shortly before the last election, the Liberal government signed a free trade agreement with Costa Rica almost in secret, since we were not even aware of this initiative. We did not know that a free trade agreement with Costa Rica was being negotiated. That agreement sought, among other things, to remove tariff barriers on sugar. The Bloc Québécois and sugar companies in Quebec fought against that part of the agreement. We were experiencing some problems because the world market for sugar was heavily subsidized. Moreover, we did not have access to the U.S. market, because the Americans were very protectionist regarding this product.

Earlier, I was pleased when the NDP member raised the softwood lumber issue. When the Americans decide that they want to protect one of their markets, they do not beat around the bush. They are even prepared to kill or jeopardize a particular industry in other countries, including Canada, its main economic partner, to achieve their goal. So, the Americans did the same thing with sugar. It is out of the question for Canadian sugar to transit through the United States.

● (1725)

It was obviously a major concern for the Quebec sugar industry. Costa Rica is not currently a threat to our sugar industry, but it could be one day. In fact, it has the capacity to produce more and more sugar. But that is not necessarily the problem.

In reality, the federal government is currently negotiating—always in secret, but we are increasingly aware of this because we are on the lookout—with four other Central American countries that are major sugar producers: Honduras, Nicaragua, Guatemala and El Salvador. Here is an example where Parliament will be presented with a done deal once an agreement is reached. This agreement will threaten an industry, whereas if we are consulted right from the start, perhaps this agreement will not take the same shape.

This could and should have been done with Bill S-38. As democratically elected parliamentarians, we should have been involved in the negotiations right from the start.

In closing, I want to say that we support market liberalization. However, with specific regard here to foreign subsidies, American protectionism is creating an imbalance that should have been resolved before the agreement was signed.

In the case of Bill S-38, the agreements signed under NAFTA and the WTO will promote the exchange of spirits and wines between the signatories, while protecting the local products of each. That is why, despite its deficiencies, we support the principle of the bill, as I stated earlier.

● (1730)

The Acting Speaker (Hon. Jean Augustine): 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

[*Translation*]

AMENDMENT TO INCOME TAX ACT REGULATIONS

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ) moved:

> That, in the opinion of the House, the government should amend the Income Tax Act regulations so that they do not override certain provisions of the tax agreement between Canada and Barbados allowing Canadian businesses to use their subsidiary in Barbados to avoid paying taxes in Canada.

He said: Madam Speaker, it is an honour to have the opportunity to speak to this issue that is so important to the integrity our country's tax base. It must be shown how the current Prime Minister, sometimes through his inaction but mostly through very specific measures he took when he was finance minister, managed to arrange things so a good number of businesses, particularly in the shipping industry, avoid paying taxes.

First I will read the motion, which is as follows:

> That, in the opinion of the House, the government should amend the Income Tax Act regulations so that they do not override certain provisions of the tax agreement between Canada and Barbados allowing Canadian businesses to use their subsidiary in Barbados to avoid paying taxes in Canada.

The purpose of this motion is to amend the income tax regulations so that they do not override certain provisions of the tax agreement between Canada and Barbados. These regulations currently allow Canadian businesses to repatriate income without paying taxes in Canada, which is a serious threat to our country's tax base. Moreover, this violates the spirit of these tax agreements, the purpose of which is to avoid double taxation. It so happens that in tax havens like Barbados, where the tax rate applied to foreign businesses is ridiculously low, not only do these businesses avoid double taxation, but they avoid taxation altogether.

As members of the House, we cannot turn a blind eye and ignore this reality when our constituents pay taxes and some businesses avoid doing so by using tax havens.

The necessity to look into this issue right now has to be put into perspective. Various measures taken by the current Prime Minister, especially when he was finance minister, are now allowing a number of businesses in the shipping industry, among others, not to pay their fair share, whereas the vast majority of taxpayers do pay their fair share of taxes.

The Office of the Auditor General has provided various opinions on this matter over the past 10 years or more. Since then, instead of getting better, things have gotten worse in many regards.

As early as 1992, the Auditor General brought to the attention of the public the problem posed by tax havens. In chapter 2 of his report, he wrote, and I quote:

> Tax arrangements for foreign affiliates are costing Canada hundreds of millions of dollars in lost tax revenues
>
> Avoidance mechanisms also have a negative effect on the equity and integrity of the tax system and on public attitudes toward voluntary compliance. Access to such mechanisms is usually limited to those who can afford expensive advice. Those who cannot, therefore, may be denied equitable or even-handed treatment.

In 1993, when the Standing Committee on Public Accounts presented its 12th report to the House, it reiterated a number of the recommendations originally made by the Office of the Auditor General. The committee said, among other things, that:

> —care must also be taken to keep the tax system fair and equitable, and that there is no reason, in our tax regime, why income earned in a tax haven should be given preferential treatment over income earned in Canada and subject to Canadian tax.

What happened in the 13 intervening years? The current Prime Minister has not simply been remiss in implementing the recommendations the Auditor General has repeatedly made to him over more than a decade, but we have seen carried out a long-planned measure to foster the use of Barbados as a tax haven.

Backtracking a bit, we have found a great example to illustrate what we mean: a shipping company by the name of CSL. In 1992, CSL created CSL International, which was at that time nothing but a shell company incorporated in Liberia and responsible on paper for all of CSL's international activities. CSL International is involved in very little actual shipping. It is a holding company that owns other companies, and it is those companies that are involved in shipping. It is important to make it clear that, at that time, it was possible to bring back to Canada, tax-free, the profits generated by a Liberian subsidiary of a Canadian company.

As I have said, in 1992 the Auditor General brought the problem of tax havens to public attention for the first time.

● (1735)

What was the Finance Minister's reaction in 1994? To bring down his first budget and to state in it that he intended to put an end to the use of those havens. Such a noble intention.

However, the budget implementation bill and the regulations that came into effect in 1995 left one loophole available, and it is easy to guess where it was: Barbados.

That bill, in clause 5907 of section 11.2, renders inoperable the section of the tax convention which excluded “international business companies”, by setting out a series of criteria by which a company could be considered non-resident in Canada and thus not subject to taxation by Canada.

So that was in 1994, and the legislation was enacted in 1995. Just by pure chance, 1995 was the year CSL moved to Barbados. What an odd coincidence. The Auditor General's office did not let this go unnoticed. In 1996 he again sounded the alarm on tax havens, for a second time.

This is what he said:

> The results of Revenue Canada's program to combat it indicate that avoidance continues to pose a serious threat to the tax base.

So the Minister of Finance of the day responded to the report by stating the government's intent to implement these recommendations promptly and in their entirety.

But far from trying to counter the exodus of capital to Barbados by terminating its convention with this tax haven, Canada encouraged it by signing an agreement to promote and protect foreign investment with Barbados in 1996.

What I am trying to present today is a series of events that will help us understand what we are talking about.

In 1998, the Minister of Finance introduced Bill C-28, the Budget Implementation Bill. One of the clauses in the bill concerned shipping. Henceforth, holding companies incorporated abroad and owning companies involved in international shipping would be considered as involved themselves in international shipping. In this way, they would be exempt from Canadian taxes, even when their profits were repatriated. This clause applied retroactively to 1995, the year when, as if by chance of course, CSL International set up shop in Barbados.

This bill affected only a small number of taxpayers. At the time, the Canadian Shipowners Association had only 11 members, of whom at most eight were involved in international shipping, including CSL. By the way, when he appeared before the Finance Committee on February 10, 1998, the director general of the Tax Legislation Division of the Department of Finance suggested that Bill C-28 could once again apply to a company like CSL International.

Still in 1998, the Auditor General was concerned for a third time. He said:

> —the increasing use of tax havens and the growing number of bilateral income tax conventions mean that ... failure to take urgent action on these matters will severely limit Revenue Canada's ability to manage the risks to Canada's tax base that international transactions represent.

It is apparent, therefore, that between 1992 and 1998, the Office of the Auditor General was already paying the necessary attention to this matter, something that the Minister of Finance at the time was not doing.

Let us advance a little in time to 2001. The Auditor General raised the issue for the fourth time in his report in February 2001, saying that:

> One of the biggest threats to the tax base lies in the international activities of Canadian taxpayers, particularly the use of tax havens.

How did the Minister of Finance respond? In 2002, the government introduced Bill S-2, the Tax Conventions Implementation Act. Far from terminating the 1980 tax convention between Canada and Barbados, Bill S-2 simply renewed it by amending its schedules in 2002.

The Office of the Auditor General took up the issue for the fifth time.

> Although Canada amended its rules in 1995, little has changed. Tax havens continue to attract Canadian money. For example, Statistics Canada reports that Canadian direct investment in Barbados has increased from $628 million in 1998 to $23.3 billion in 2001—over a 3,600 percent increase—

In 2001, investment reached the modest amount of $23.3 billion.

● (1740)

Barbados must be an extraordinary place to invest in. I am sure that economic activity there is rolling along at breakneck speed.

According to data from the Canada Customs and Revenue Agency, in 2000, Canadian corporations received $1.5 billion in dividends from corporations in Barbados.

As you can see, Barbados is of great concern to the government. The question is whether the then finance minister and current Prime Minister is concerned for the right reasons.

Barbados is not a tax haven as such. Both citizens and companies pay 40% in income tax.

Tax laws in Barbados include a special section for International Business Corporations, or IBC. An IBC is a company registered in Barbados that conducts most of its business activities abroad. There are very few conditions to meet: the company must be registered in Barbados, have its headquarters there, hold its board of directors meetings there—a conference call will suffice—keep its board meeting minutes there and make a Barbadian one of its directors. This director may, however, by unanimous decision of the shareholders, have no powers. Registration fees are U.S $390, plus $250 annually.

These companies are then subject to a regressive tax, from 2.5% down to 1%, depending on revenues. They are exempted from tax on capital, from exchange controls, and from tax on transactions.

Fifteen minutes to discuss this issue is excessively short. Therefore, I will conclude quickly by saying that the government must not only review the terms of the Canada-Barbados tax convention but also prevent companies from using dummy companies abroad to avoid paying taxes here.

CSL, for example, must pay its taxes to Quebec and Canada. It must pay its fair share; it must not jeopardize Canada's fiscal balance; and it must not use the power of the government to favour certain specific businesses.

[*English*]

Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.): Madam Speaker, this must be a historic first. It is the first time since I have been in this House that the Bloc Québécois members are worried about the tax base of Canada. They seem to have an immense number of ways in which to spend whatever tax revenues the Government of Canada generates, but in this speech they are apparently worried about it. Of course it has absolutely nothing to do with politics, absolutely nothing, and I know that their concern for the tax base of Canada is very sincere.

The charming naïveté of the resolution would purport to in effect unilaterally revoke a treatment arrangement we have which is modelled on a treaty arrangement we have with 79 other countries. We do have tax treaties. The theory of a tax treaty is simple: when income is earned offshore, we do not tax it. Similarly, when another nation's company earns income in our country, we do not tax it.

If in fact the hon. individual were to pursue his resolution and it became, as it were, the force of law, we would essentially hollow out corporate Canada. Pretty well all the companies in Montreal, Ottawa, Toronto, Calgary or Quebec City that are of an international nature would simply alter their international arrangements. Then the exempt surplus that is generated by those companies for active businesses offshore would not at all ever arrive back in Canada in any form whatsoever.

On the face of it, the hon. member has something here about which the average Canadian taxpayer would say, "Oh my, that is not quite right". When we push below that, though, we realize that he in fact is proposing something which would have significant implications for all of our tax treaty arrangements.

I put it to the hon. member that his concern for the tax base of Canada is really not all that well founded and that he simply is trying to use the notion of exempt surplus in order to be able to play a little politics.

● (1745)

[*Translation*]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Madam Speaker, I am a little sorry to have to say this to the hon. member, whom I really admire, but he did not get it at all.

The idea is not to repeal our tax agreement with Barbados, or any other tax treaty. This agreement provides that when money is brought back to Canada, the people involved must pay their fair share of taxes. The idea is to ensure that the Income Tax Act regulations do not unfairly override certain provisions of that tax agreement.

We do not want to repeal these agreements. Far from it. Through this motion, we want the government to look at the critical need to ensure that what it does with its right hand is in compliance with what it does with its left hand.

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Madam Speaker, I am pleased to speak in this debate. I would like to congratulate my colleague on his presentation, the clarity of what he said, and the need in such issues not just for justice to be done but to be seen to be done. I am thinking of all the things that the government does, especially in the case of people working for the government who were affiliated with companies involved in activities that strike us as a little dubious. I am not speaking necessarily of legality but rather of choices. One might say that a private company can make certain choices, but when one is in public life, one must be sure to be absolutely transparent.

I would like to ask my colleague whether he hopes that the debate here in this House on this matter will actually help to clarify some issues surrounding the situation. Can he tell us what kind of clarifications he wants?

Mr. Guy Côté: Madam Speaker, we do have to make sure that the provisions of the Income Tax Act and regulations are not incompatible with the tax treaty signed with Barbados.

Based on an assessment by a reporter for *Walrus* magazine, which he himself described as extremely conservative, CSL International apparently saved almost $103 million because of this provision. That is the kind of thing to look out for. It is imperative that the tax treaty signed with Barbados be honoured. Some accounting trick involving the Customs and Revenue Agency must not be allowed to come and invalidate these provisions. It is important that everyone in society, whether individuals or corporations, pay their fair share of taxes.

● (1750)

[*English*]

Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.): Madam Speaker, the motion as it sits is not really quite clear. Far from my hon. friend's comment about not understanding this, I think I understand this quite well. It seems to be referring to a provision in the income tax regulations which deals with how Canada's tax treaties interact with our domestic tax law with regard to the treatment of foreign subsidiaries of Canadian companies.

The motion calls for changes to the way foreign source income is treated when it is earned by a foreign subsidiary and repatriated to a Canadian parent company. This is a fairly complex area of law and one that is easily misunderstood. With the greatest respect to my friend opposite, I think he added to the mystification rather than to the clarification of this complex area of law. Let me first of all set out how Canada taxes foreign source income of Canadian businesses.

Since 1972 Canada has had a policy of not taxing the foreign source active, and I emphasize active as opposed to passive, business income of Canadian companies if that income is earned through a subsidiary located in a country with which Canada has a tax treaty. In other words, we have 80 of these tax treaties and the fundamental root of a tax treaty is that we do not tax their companies operating here, and they do not tax our companies operating there. This long-standing policy is often called an exempt surplus system and is generally consistent with the practice of many other countries.

Canada is not in this alone; all of the OECD countries, the United States, everyone has these treaties. These treaties are to avoid a double taxation regime. This means that Canadian companies can invest in subsidiaries in all of these foreign markets and bring back profits to Canada in the form of dividends. The Canadian parent company does not pay Canadian tax on the dividends received. The money is earned abroad. It is taxed in that jurisdiction abroad and then it is treated as exempt surplus and returned to the Canadian parent in the form of a dividend.

The income they represent is subject, of course, to tax in two ways. One is it is taxed in the country, and in the case that the hon. member is worried about, it is Barbados. The second is that Canada taxes the income when it is distributed by the Canadian parent to its shareholders.

One of the countries Canada has a tax treaty with is Barbados. In fact Barbados is one of Canada's oldest tax treaty partners. While Canada's existing tax treaty with Barbados was signed in 1980, Canada had an agreement previously with the United Kingdom to extend the 1946 Canada-United Kingdom income tax agreement to cover the British colonies, as they were then known, which included Barbados. Canada and Barbados enjoy a close working relationship bilaterally through the Commonwealth. We represent Barbados at the IMF. We work with Barbados in the Organization of American States. We also represent Barbados at the World Bank.

On the investment side, there are Canadian companies operating in virtually all aspects of the Barbadian economy, in textiles, financial services, building products and software. Canadian companies have located there in part because that is a very profitable area for them to be in, but in part because this is part of their international operations. Madam Speaker, you and I can think of many companies that have subsidiaries in tax treaty countries, including Barbados.

The motion aims to deny exempt surplus treatment to certain Barbadian subsidiaries. Those Canadian businesses have been able to rely on the Canada-Barbados tax treaties since 1980 to obtain exempt surplus treatment. Again, I will emphasize that it is active income earned in Barbados or whatever the other tax treaty country might be. It is taxed in that treaty country and then repatriated as exempt surplus to Canada.

If this long-standing exemption were denied, a number of scenarios could result. If we went through with the motion, this is what could happen.

● (1755)

It could force many of these companies to restructure their operations, for example, by relocating to other jurisdictions that compete with Barbados. All that is being done by this motion is moving from one tax treaty jurisdiction to other tax treaty jurisdiction. There would be a harm imposed on Barbados and there would not necessarily be any benefit to be gained in the other tax treaty jurisdiction. Of course, we would not be collecting any additional tax since we do not tax the exempt surplus in the first place.

I do not know what we would accomplish at the end of the day. It could mean that profits from foreign operations are no longer brought home if in fact that is the intention of the hon. member. Those dividends would not actually arrive in Canadian corporations to be distributed to Canadian shareholders because the exempt surplus would remain offshore.

If the affected Canadian businesses remained in Barbados and continued to repatriate funds to Canada, it could lead to an overall higher tax burden because of course that money that comes in the form of exempt surplus is distributed as dividends, is taxed and would have to be replaced in some other manner. There would be a counterproductive result to this resolution.

In any of these scenarios the change requested would be a significant shift in policy which many would see as contrary to the government's goal of providing a competitive tax system that fosters international trade and investment and ultimately economic growth. I am sure members would agree that Canada wishes, as a public policy, to encourage our international corporations to succeed and they have to succeed in a competitive environment.

One of the elements of a competitive environment is having a competitive tax system. Frankly, if the resolution were to proceed, a lot of those Canadian international operations would just simply go into other jurisdictions. It would be essentially arbitrary and apply only to Barbados without taking into account the ability of companies to restructure and relocate their operations to other treaty countries.

What I have said thus far applies indeed to a regulatory change sought by the motion were it effective in denying exempt surplus treatment. However, that is not entirely clear. This is due to a clause in the Canada-Barbados tax treaty which may have the effect of guaranteeing exempt surplus treatment to all Canadian subsidiaries located in Barbados.

If that interpretation of the treaty clause is correct, then Canada could not ultimately take away the exemption without renegotiating or revoking the treaty. In this case the change in the regulation would only create uncertainty for Canadian businesses as to whether they could or could not earn exempt surplus.

An hon. member: Oh, oh!

Hon. John McKay: Madam Speaker, I hear some chirping opposite.

This goes to the heart of the matter because the motion would in fact turn out to be counterproductive. It would ultimately mean that we would not even see the exempt surplus as it is being repatriated.

If the regulatory change were effective in denying exempt surplus treatment, it would make Canadian businesses less competitive in the global marketplace, or it would simply cause taxpayers to restructure their affairs with no additional benefit to Canada. If the change were not effective due to the treaty clause, it would only serve to create uncertainty for Canadian businesses.

I urge all hon. members in the House to reject the motion. It is counterproductive to Canada's best interests.

Ms. Bev Oda (Durham, CPC): Madam Speaker, in the 1994 budget, the then minister of finance promised too crack down on tax havens. The implementation of the budget cracked down on Liberia as a tax haven but other tax havens, such as Barbados, still qualified due to a loophole in the Income Tax Act.

The OECD defines a tax haven as any jurisdiction that “has no or nominal taxation on financial or other service income and offers or is perceived to offer itself as a place where non-residents can escape tax in their country of residence”. That is from “Tax Havens”, the Library of Parliament, 2004, page 5.

Barbados is one of the 36 countries identified by the Organisation for Economic Co-operation and Development in 2000 as a tax haven. Canadian FDI to Barbados increased from $1.5 billion to $24.7 billion between 1990 and 2003, making Barbados the third largest recipient of Canadian FDI in 2003 after the United States and the United Kingdom. The value of Canadian direct investment in Barbados now surpasses Barbados' GDP by a factor of six.

According to a Library of Parliament briefing, "as a general rule, Canada negotiates tax treaties only with countries that have comparable taxation rates, structures and information disclosure requirements. There are, however, some exceptions to this rule. Canada has tax treaties with three of the 36 countries listed as tax havens by the OECD in a 2000 report on harmful tax practices. These three "tax haven" countries are Barbados, Cyprus and Malta".

In Barbados the general corporate tax rate and the rules for information disclosure are comparable to those of Canada. Canadian foreign affiliates can, however, choose to incorporate themselves as Barbados international business companies and, instead, to pay tax rates of between 1% and 2.5%. In Canada the combined federal-provincial-territorial corporate tax rate is typically between 35% and 40%.

There is a provision in the Canada-Barbados tax treaty that is supposed to prevent Canadian foreign affiliates from being able to take advantage of tax treaty protection and therefore from obtaining "exempt surplus" status, as the provision implies that any active income earned by a BIBC would be fully taxed when returned to Canada in the form of a dividend. However a provision in the Income Tax Act has served to override the preventative provision in the Canada-Barbados tax treaty. The Income Tax Act gives "exempt surplus" status to any company operating in any country with which Canada has a tax treaty regardless of the content of that tax treaty.

The Auditor General has estimated that the existence of tax havens, including but not limited to Barbados, has resulted in hundreds of millions of dollars in reduced Canadian tax revenues.

According to Statistics Canada, Canadian assets in OFCs, offshore financial centres, increased eightfold, from $11 billion to $88 billion between 1990 and 2003. These centres include countries that are often referred to as tax havens. OFCs accounted for more than one-fifth of all Canadian direct investment abroad in 2003, double the proportion of 13 years earlier.

When companies transfer tax dollars out of Canada into tax havens, hardworking Canadian taxpayers are left to pay the difference. When companies transfer tax dollars out of Canada into tax havens they are evading their social responsibility. Those tax dollars could be used for health care, education or the armed forces. Tax havens deprive the Canadian government of tax revenue that could be used to fund social programs, to pay down debt or to provide tax relief.

● (1800)

One of the results of the government's uncompetitive corporate taxation levels is the desire of businesses to transfer tax dollars out of Canada into tax havens. As a result, the government must use a two-pronged approach when addressing tax havens. It should make Canada more attractive to investment by instituting competitive corporate taxation levels and reinvesting in strategic areas such as skills development and post-secondary education or research.

Closing tax loopholes that allow Barbados to operate as a tax haven for Canadian companies should be part of an overall strategy to restrict the use of tax havens. Merely closing tax loopholes that allow the Barbados to operate as a tax haven without addressing other tax havens will cause many companies to shift their operations to those other tax havens. More important, the government should make Canada more attractive to business by implementing competitive corporate tax levels. It should focus on productivity and make Canada a more attractive place to invest.

Our party is looking forward to the study which will be commissioned by the finance committee during the second week of December. The Conservative Party of Canada feels that it is important to stress that investment is mobile and will continue to move. The problem is serious. Canada is now a net exporter of capital. Neither Canadians nor foreigners are investing in our country. Our party welcomes that Canadians are investing outside the country but we must why they are not investing heavily in Canada.

Our party believes that overall tax reform with an emphasis on tax relief for large employers and reform of investment vehicles is necessary to ameliorate the situation in order that Canadians and other countries consider Canada as a good place to invest.

● (1805)

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Madam Speaker, I would like to use my ten minutes to try to give a clear explanation about the rules that govern the tax agreement between Canada and Barbados and our income tax regulations. How can these regulations, which are determined by cabinet, that is the governor in council, skew the rules contained in the tax agreement with Barbados?

As a general rule, all taxpayers who receive any income generated here or in a foreign country must pay taxes. However, there are exceptions. Tax agreements between Canada and certain countries provide that income that is taxed in a signatory country can be repatriated without being taxed again in Canada. That is the principle behind these tax agreements, and we support it.

Obviously, subsidiaries of Canadian companies that operate mainly in countries that have signed a tax agreement with Canada should not have to pay taxes again in this country when they have already paid taxes in the other country. We recognize that fact, especially when the tax agreement is with a country where income or profits are taxed at a rate that is comparable to what we have in Canada. We have no problem with that. We understand that and totally support the idea.

The rub lies in the fact that the former finance minister and current Prime Minister decided to get rid of the tax treaties signed with tax havens, in 1994, after the Auditor General and the Bloc Québécois blew the whistle on them. So he decided to clean house in 1994, with the exception of the tax treaty with Barbados. Not only did he keep this treaty with Barbados, but the former finance minister and current Prime Minister also had a company called CSL International, which is still owned by his family. It is a holding company that owns shipping lines operating in international waters and that had its head office in Liberia. By cutting its ties with tax havens, of which Liberia is one, the government forced CSL International to move its head office to Barbados in 1994. So, the terms of the tax treaty with Barbados remained unchanged, and CSL International moved to Barbados.

Two other amendments had to be made to the Income Tax Act. The former finance minister had tried to make an amendment in 1996, but an election was called immediately after and the bill died. This amendment was to consider the holding company as a company truly providing international shipping services, and no longer simply a holding company. By doing so, the former finance minister was building a golden cage so as to pay lower taxes from 1996 on, and to be subject to other provisions that were to come later. However, that bill was never adopted. In 1998, he re-introduced his bill, which he managed to get passed. We condemned it both times, naturally.

With time, we see that, in 1994, the first thing the former finance minister did was clean up the tax treaties in order to give the appearance of a government that cared about its tax base, after a number of years of whistleblowing.

On the other hand, he had the cabinet adopt, after he himself presented it as Minister of Finance, a section of the Income Tax regulations, namely 5907(11.2) *c* . And what is its purpose? A return to the tax convention signed with Barbados. And what does section 30 of that tax convention say? That there are two types of taxation in Barbados. There is the standard rate on corporate income— 40%— which is acceptable. But there are special provisions for foreign companies whose principal activities are not in Barbados, and who decide to establish a head office there. Such companies pay a tax of between 1% and 2.5%, as my colleague from Portneuf—Jacques-Cartier has suggested.

What is the intent of article 30 of the tax convention between Canada and Barbados? It states that, for subsidiaries of foreign companies subject to that low tax rate of between 1% and 2.5%, profits returning to the country of origin are not tax exempt.

● (1810)

If they pay between 1% and 2.5% to Barbados, profits such as those of CSL International, when they come back to this country, are subject to federal and provincial tax. In the case of CSL, Quebec tax, since their head office is in Montreal.

In 1994, the Minister of Finance got this change via regulation. He announced that an exception would be made to section 5907(11.2) *c* of the taxation regulations.

This is an exception to article 30 of the Canada-Barbados tax convention, meaning that even if CSL's profits are taxed at 1% to 2.5% in Barbados, under the conditions set out in 1998 by another bill tabled by the Minister of Finance, when they come back here, they escape the provisions of article 30 of the convention. Thus, these profits are exempt from Canadian taxes.

That is the only exception and it was submitted by the then finance minister, who is now the Prime Minister. That is what this allowed him to do, in conjunction with Bill C-28 in 1998, which was retroactive to 1994. It is quite the coincidence that in 1994 provisions of the tax treaty were changed. A regulation was passed to make an exception to the operation of section 30 of this treaty. As for the bill in 1998, it became retroactive to 1994. What a coincidence. Everything fits. Looking back over the specific criticisms we, the Bloc Québécois, have been making since 1994, all the pieces of the puzzle fall into place.

In 1994, tax treaties are tidied up with the exception of the one with Barbados. CSL International moves to Barbados. Tax regulations are passed that exempt CSL International from the provisions of the perfectly acceptable treaty between Barbados and Canada. An exception is made, even though CSL International is paying a maximum of 2.5% in tax. Despite the treaty with Barbados, when profits are repatriated here, CSL does not pay a penny in tax. That is the only exception that currently exists.

From the beginning, the parliamentary secretary has not understood a thing in this entire debate. When he says that we are asking for the tax treaty with Barbados to be torn up, that is not true. He is grandstanding. What we are asking him with this motion is to abolish the section of the Canadian income tax regulations, subsection 5907112(*c*), which makes an exception for the Prime Minister's family business, CSL International in Barbados. Because of this exception, CSL International in Barbados does not have to pay normal taxes like you and me. It should pay taxes just like every other taxpayer does.

It is all well and good to ask business corporations, as we saw with the bill this week, to demonstrate rigour, to be accountable and to be good corporate citizens. But when the Prime Minister has worked out a way, since 1994, since those provisions were implemented, to save his family business $100 million in taxes on the backs of taxpayers, things are bad.

This morning, I likened Canada to a democratic public corporation whose shareholders are the citizens of Quebec and Canada. If one shareholder does something fishy, as the Prime Minister did when he was finance minister—and his family owned corporation continues to profit by it—this means that the other shareholders of the corporation have to live with poorer returns. As a result, we end up paying too much federal income tax because of people like the Prime Minister and his family who, under the provisions of section 5907 of the Income Tax Regulations, unfairly benefit and distort an otherwise perfectly acceptable tax treaty between Canada and Barbados with decisions made here.

I am waiting for the day when I will be proven wrong. Over the coming weeks, at the Standing Committee on Finance, we will be holding a special session with outside tax experts, the Auditor General, and officials from the finance department. The latter told us tales about the provisions of section 5907 in June. Their explanations did not square with the facts. If ever we are proven wrong, that is, that no one benefited unfairly, that the Prime Minister, then finance minister, did not take advantage of his position to derive benefits for himself and his family, then we will shut up and apologize. But so far, for all the whistleblowing we have done, including with respect to the gilded cage built since 1994, there has never been a solid argument against us.

● (1815)

[*English*]

Mr. Pat Martin (Winnipeg Centre, NDP): Madam Speaker, I want to begin by thanking my colleagues from Portneuf—Jacques-Cartier and Saint-Hyacinthe—Bagot for the direction and opportunity they have given us. I learned a great deal from both presentations.

I learned a great deal about things that horrify me, frankly, and I learned things that made me angry. I am not an expert in tax law like my colleague from Saint-Hyacinthe—Bagot, but I am not a sucker either and it seems to me that the Prime Minister of Canada views Canadians the way that P.T. Barnum viewed circus goers. That is the way it appears to me.

Our taxation system is not supposed to be run like some sleazy ring toss game on a carnival boardwalk. That is the way it seems to be stacked against ordinary Canadians. If I learned one thing here today, it is that this idea of "tax motivated expatriation" is the technical term for the popular trend in corporate Canada of using offshore tax havens to avoid paying a fair share of taxes.

The reason they call it tax motivated expatriation is that it sounds better than sleazy tax-cheating loopholes, which is actually what it is to an ordinary Canadian like myself. This is tax avoidance in a systematic and structured way.

If there is one thing that rings true to me from the debate tonight it is that when corporations do not pay their fair share of taxes, not only are they ignoring their social responsibility but the rest of us have to make up the burden. These guys are avoiding taxes in a systemic way that is unfair to the rest of us. It is no wonder our social programs are underfunded. It is no wonder that ordinary working Canadians are being asked to assume more than their fair share of the tax burden. It is because sleazy tax-cheating loopholes like the Barbados tax haven exist.

I know I am probably not using the technical terminology. Some say it is not a tax haven as such, that it is exploiting an aspect of a tax treaty, but it seems to me that since I have been a member of Parliament the government has torn up a number of similar arrangements with other countries. I believe there were 11 or 12 such countries around the world where Canadians could avoid taxes. The government tore up those agreements except, by some happy coincidence, in regard to the country where our Prime Minister happens to have nine shell companies of Canada Steamship Lines. It is galling and infuriating to me that we even need to have this debate.

Corporations are dodging taxes like never before. The latest trend is income trusts. I will not even get into that because there is not enough time, but it is astounding to me that since 1991 our major banks alone, by using tax havens, have avoided paying $10 billion in taxes while showing record profits during those years. Some of them were very tough years for the rest of us. While we were forced to tighten our belts, they were avoiding $10 billion in taxes. Six years ago, Ottawa promised to make it tougher to hide money offshore and today government lawyers are still tinkering with the proposals.

Our Prime Minister, being a corporate CEO, is no stranger to tax havens. One study shows that Canada Steamship Lines avoided paying $103 million in taxes between 1995 and 2002 by setting up these nine shell companies in Barbados. When I say shell companies, I mean just that: we are talking about a table, a telephone and one employee who may or may not have anything to do with the company.

An added complication to allowing this wholesale tax avoidance is that it actually encourages further offshore investment and starves capital from Canada. If the profit from the offshore activity were repatriated it could be re-taxed as earnings, so there is a further motivation to continue investing that sheltered offshore money further offshore and never getting it repatriated back into Canada.

● (1820)

It starves not only the tax revenue for our social programs but it starves money that would otherwise be used to reinvest in companies and expand and grow that Canadian enterprise. This is an added complication.

Speaking on behalf of ordinary Canadians who perhaps do not understand all the technical details the parliamentary secretary tried to explain, frankly in a paternalistic kind of way, it is not that we do not understand the technicality of this tax arrangement. We get it. Instinctively, in our gut as Canadians, we get it when we are being hosed, when we are being gouged, and when we are being cheated. That is what this wholesale tax avoidance represents in my mind.

I want to thank my colleague from Portneuf—Jacques-Cartier for bringing this issue forward. It should be debated in this House. It is an embarrassment to me that we allow this situation to exist. Members of Parliament on every side of the House should stand up in outrage to slam the door on this kind of abuse of our tax system.

If there has to be a tax treaty with Barbados, how the heck do we allow companies to get taxed earnings from Canada being taxed at 1% and 1.5% in that offshore tax haven. Let us call it what it is. It is a sleazy, tax cheating loophole designed by the Prime Minister's buddies on Bay Street for their self-interest. It is against the public interest of Canadians.

Mr. Russ Powers (Ancaster—Dundas—Flamborough—Westdale, Lib.): Madam Speaker, I agree that there is absolutely no reason for us to have a discussion on this. However, since we are, I would like to participate in it. I would like to add to what my hon. colleague has already stated. I believe it is instructive to consider briefly some key aspects of our history when it comes to the taxation of foreign source income.

Prior to 1972 Canadian corporations could earn any type of foreign source income through subsidiaries located anywhere abroad and bring that income home to Canada as tax free dividends, as long as the Canadian company owned just 25% of the voting shares of the subsidiary. This meant that even passive types of income, such as interest on bonds, could be earned through subsidiaries in tax havens and brought back to Canada tax free.

This situation was rectified by the tax reform of 1972, when the basic features of our international tax system were put in place. Since 1972 Canada has taken a threefold approach to the taxation of foreign source income. First, active business income earned by subsidiaries can be brought home to the Canadian parent tax free if it is earned in a country with whom Canada has a tax treaty.

Second, active business income earned in a non-treaty country is taxable in Canada, but only when it is returned to Canada with a credit for any tax paid in the foreign jurisdiction. Third, passive income, such as interest or dividends on portfolio holdings, is imputed back to Canadian corporations or individuals and taxed in their hands on a current basis with a credit for foreign taxes, whether or not that income has actually been sent home to Canada.

This threefold approach has helped Canada to balance the goals of providing a competitive tax system for Canadian businesses to engage in active businesses in treaty countries. There are 80 of them now and I am sure it will build. At the same time, it prevents abuses involving the sheltering of assets to earn passive income in tax havens.

I believe the background I have just outlined highlights a key problem with the motion before us. The motion is aimed at active business income earned by Canadian companies through subsidiaries located in a treaty country, in this case Barbados. Those subsidiaries are used by Canadian companies to invest directly in Barbados and as financing structures to invest indirectly in other treaty countries.

The aim of this motion is to deny these subsidiaries the ability to send home profits to Canada as exempt dividends, even though those profits represent earnings from an active business there. However, that is precisely the kind of income that we intend to be exempt from Canadian tax when it is earned in a treaty country. The motion seems oblivious to the basic features of Canada's policy for the taxation of foreign source income and it should not receive the support of the House.

● (1825)

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Madam Speaker, I am pleased to rise at the end of this first hour of debate on the motion by my colleague from Portneuf—Jacques-Cartier. I also appreciated the speech by the hon. member for Saint-Hyacinthe—Bagot.

Today, the federal government has decided to put in place a money distribution scheme in order to provide lower-income people with compensation for the increase in gas prices. Unfortunately, the administrative or bureaucratic trick that would give people living alone access to this benefit has not been found. It has been decided that low-income people with children, as well as older people, will be entitled to some amount, but there is no mechanical way to grant it to people living alone, as they receive neither the guaranteed income supplement nor the child tax benefit. Without a bureaucratic solution, we will not move forward.

Today, I am speaking to a motion whose movers have proposed a solution. Time and energy have been invested in something that seemed very complex. We are talking about the profits of a company managed for a rather long period of time by the Prime Minister. As soon as he was appointed Minister of Finance in 1994, a number of people began looking for a way to ensure that his company, still managed by his family, could benefit from an unfair advantage.

We all pay tax on our income, every one of us, no matter what our jobs or positions are, and that is right. Our progressive tax system is such that the person who earns a higher income can make a bigger contribution to the workings of our society. That is a good thing. Some provinces and some governments have made more progressive choices than others. But all in all, the basis of our income tax system is for everybody to pay his or her fair share. In the end, that ensures that the government has enough revenue and that all taxpayers pay their fair share.

In this case, the situation all started in a complicated procedure that is difficult to get into. It is a question of investments that are made by an international holding company in a country like Barbados. This allows the investor to save taxes on amounts that should normally be taxed.

Companies doing business in Canada or the United States that have assets here also benefit from efforts made and work accomplished, and also from clients with whom they do business and people in society who contribute to providing them with the necessary infrastructure. Just think, for example, about the St. Lawrence Seaway and other harbour equipment and infrastructure. These things have cost and continue to cost the Canadian tax system. It is the people of Canada and Quebec who foot the bill. We need to have a system whereby highly profitable companies have to pay taxes in proportion to the profits they make.

However, this is not the general practice in this government. The issue of gas prices is another example. The government has condoned for many years a model under which oil companies could generate all the profits they wanted, since market forces rule, and the government thinks that is quite all right. Afterwards, we have seen huge profit margins in refining, which is totally unacceptable.

Under pressure from the Bloc Québécois and the people, the government decided to give more teeth to the Competition Act. The same goes for the tax exemption agreement with Barbados. The government has implemented a system that deserves to be watched closely. We would then avoid creating the situation that we saw with the company that the Prime Minister was responsible for.

Unfortunately, my time has expired. I hope that, during the second hour of debate, beyond the debates that were held during this first hour, we will be able to convince the House of the relevancy of this motion and close this loophole in our tax legislation that is not a credit to Canada.

● (1830)

The Acting Speaker (Hon. Jean Augustine): The time provided for the consideration of private members' business has now expired, and the order is dropped to the bottom of the order of precedence on the order paper.

[*English*]

It being 6:30 p.m., the House stands adjourned until tomorrow at 10 a.m., pursuant to Standing Order 24(1).

(The House adjourned at 6:30 p.m.)

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