



CANADA

# House of Commons Debates

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OFFICIAL REPORT  
(HANSARD)

**Thursday, October 28, 2004**

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**Speaker: The Honourable Peter Milliken**

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# HOUSE OF COMMONS

Thursday, October 28, 2004

The House met at 10 a.m.

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*Prayers*

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## ROUTINE PROCEEDINGS

•(1000)  
[English]

### PERFORMANCE REPORTS

**Hon. Reg Alcock (President of the Treasury Board and Minister responsible for the Canadian Wheat Board, Lib.):** Madam Speaker, as part of a comprehensive effort to inform parliamentarians and Canadians on the government's performance, I have the honour to table, in both official languages, the 90 reports on performance on behalf of departments and agencies.

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•(1000)

### CITIZENSHIP AND IMMIGRATION

**Hon. Judy Sgro (Minister of Citizenship and Immigration, Lib.):** Madam Speaker, pursuant to section 94 of the Immigration and Refugee Protection Act I have the honour to present, in both official languages, the annual report on immigration for the year 2004.

\* \* \*

•(1005)

[Translation]

### CANADIAN SECURITY INTELLIGENCE SERVICE

**Hon. Roy Cullen (Parliamentary Secretary to the Minister of Public Safety and Emergency Preparedness, Lib.):** Madam Speaker, pursuant to Standing Order 32(2), I have the honour to table, in both official languages, copies of the Canadian Security Intelligence Service public report for 2003.

\* \* \*

[English]

### INTERPARLIAMENTARY DELEGATIONS

**Hon. Paddy Torsney (Parliamentary Secretary to the Minister of International Cooperation, Lib.):** Madam Speaker, I rise pursuant to Standing Order 34(1).

[Translation]

I have the honour to table, in both official languages, the report of the report of the Canadian group of the Inter-Parliamentary Union, which represented Canada at the 110th Assembly of the IPU, held in Mexico City, Mexico, from April 15 to 23, 2004.

[English]

I can say, for the new members in the House, that the Canadian group of the interparliamentary union once again has worked very hard at the IPU and continues to make quite a presence for Canada and for all parliamentarians.

I would encourage new members to read the report to see the kind of work on peace and security, on trade issues and on international affairs that affect all our countries but particularly the cooperation internationally.

The IPU is the oldest and largest group of members of Parliament from around the world and each of us in this Chamber and in the other place can join individually as well.

As the president, I can say that I am very pleased that we have such a fine delegation from Canada. I encourage members to participate.

\* \* \*

[Translation]

## COMMITTEES OF THE HOUSE

### PUBLIC ACCOUNTS

**Mr. John Williams (Edmonton—St. Albert, CPC):** Madam Speaker, I have the honour to table the first report of the Standing Committee on Public Accounts regarding the Auditor General of Canada's report on the Privacy Commissioner of Canada. Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response within 150 days of the tabling of the report.

I also have the honour to table the second report of the Standing Committee on Public Accounts regarding a request by the committee that the legal fees of public servants appearing before the committee during its consideration of Chapters 3, 4 and 5 of the Auditor General of Canada's November 2003 report be paid by the government. Notwithstanding the deadline of 150 days stipulated in Standing Order 109, the committee requests that the government table a comprehensive response to this report as soon as possible.

*Supply***CRIMINAL CODE**

**Mr. Richard Marceau (Charlesbourg—Haute-Saint-Charles, BQ)** moved for leave to introduce Bill C-242, An Act to amend the Criminal Code (proceeds of crime).

He said: Madam Speaker, I have the honour to introduce a bill that is a joint initiative of the Bloc Québécois, the Conservative Party and the NDP, to reverse the burden of proof.

As you know, currently, if a person is convicted of involvement in organized crime, it is incumbent upon the Crown to prove that this person's assets come from an illegitimate source. Under the bill introduced today the person convicted will have to prove that the assets come from a legal source, otherwise they will be confiscated.

This is an important measure, which will give even more powerful tools to the police and the Crown to fight the social plague of organized crime.

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

\* \* \*

● (1010)

*[English]***CORRECTIONS AND CONDITIONAL RELEASE ACT**

**Mr. Raymond Bonin (Nickel Belt, Lib.)** moved for leave to introduce Bill C-243, an act to amend the Corrections and Conditional Release Act (establishment of the Office of Victims Ombudsman of Canada).

He said: Madam Speaker, it is a pleasure to rise in the House to table my private member's bill entitled, an act to amend the Corrections and Conditional Release Act, establishment of the office of victims ombudsman of Canada.

The bill is about a more accountable correctional system and a system that is more sensitive and more responsive to the victims of crime.

By creating an office of ombudsman for victims, the House will send a strong message that our justice system must be more responsive to the hurt, loss and needs of victims. By establishing a formal system of assistance and advocacy for victims, their perspectives will receive proper consideration and attention within our correctional system. This will improve the system as well as enhance accountability to the public.

I invite all members interested in the issue of victims' rights and the improvement of our correctional system to join in a serious and reflective debate on this important issue.

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

\* \* \*

*[Translation]***BUSINESS OF THE HOUSE**

**Hon. Karen Redman (Kitchener Centre, Lib.):** Madam Speaker, you will find there is unanimous consent for the following motion:

That at the conclusion of the present debate on today's Opposition Motion, all questions necessary to dispose of this motion be deemed put, a recorded division deemed requested and deferred until 6:15 p.m. on Tuesday, November 2, 2004.

*[English]*

**The Acting Speaker (Hon. Jean Augustine):** 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)

\* \* \*

● (1015)

**QUESTIONS ON THE ORDER PAPER**

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

**The Acting Speaker (Hon. Jean Augustine):** Is it agreed?

**Some hon. members:** Agreed.

**GOVERNMENT ORDERS***[Translation]***SUPPLY****OPPOSITION MOTION—FISCAL IMBALANCE**

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

That the House regrets the attitude of the Prime Minister of Canada at the First Ministers' Conference on October 26, 2004, and that it call on the federal government to recognize the existence of a fiscal imbalance in Canada and that, to this end, the House ask the Standing Committee on Finance to strike a special subcommittee to propose tangible solutions for addressing the fiscal imbalance, and that its report be tabled no later than June 2, 2005.

He said: Madam Speaker, I am pleased to present this motion of the Bloc Québécois concerning the attitude of the Prime Minister at the latest first ministers' conference. The conference was meant to address not only equalization payments but also the other financial pressures, to use the Prime Minister's terminology.

This motion also faults the government on its inertia, given its campaign promises, in coming up with any tangible measures to address the fiscal imbalance between the federal government and the governments of Quebec and the Canadian provinces.

It would be worthwhile reading the motion again, so that it will be sufficiently clear for the members on the other side of the House, because we have noticed that they need to hear a credible and well-documented message repeated for several years before finally getting it.

It reads:

That the House regrets the attitude of the Prime Minister of Canada at the First Ministers' Conference on October 26, 2004, and that it call on the federal government to recognize the existence of a fiscal imbalance in Canada and that, to this end, the House ask the Standing Committee on Finance to strike a special subcommittee to propose tangible solutions for addressing the fiscal imbalance, and that its report be tabled no later than June 2, 2005.

*Supply*

In addition to finding the Prime Minister's attitude regrettable at that conference, the motion also expresses the desire of my colleagues in the Bloc Québécois, and likely in other parties as well, for the government to come up with tangible solutions.

We want the government to pay more than just lip service to the existence of the fiscal imbalance, even if the Bloc Québécois has managed to introduce this concept into the throne speech, with some nuances. We want things to be made clear now. We want the government to recognize the existence of a fiscal imbalance and the House to reach a decision on this question, if the government is incapable of doing so alone, and we want them to get at it. A deadline of June 2005 has been set.

That may seem soon, but in fact we have been working on it for years. We were working on it even before Mr. Séguin began chairing the commission, the Séguin commission, three years ago.

Even before that began, as early as 1997, the Bloc Québécois saw that the system was dysfunctional, such that resources in Ottawa were overabundant in proportion to the federal government's constitutional mandate. The provinces and Quebec in particular, however, did not have enough resources to carry out their fundamental missions, especially in health care and education. We have been talking about it since 1997.

In 1997, the year of the first surplus, we proposed a solution. We proposed that the federal government remove itself from the tax fields it occupied with respect to the Canada social transfer—and it was then called—and return GST revenues to Quebec and the provinces so that they could, alone and independently, carry out mandates such as those of health, education and income support. That was already in the air in 1997.

We are aware, and all these years we have tried to make our colleagues aware of this, too, with varying degrees of success. Still, I think that today we can be confident that some other colleagues have finally understood that we cannot go on this way.

Now the debate is being heard, not only in Quebec and in this House, but all over Canada. The two recent conferences, on health and equalization, which were also supposed to consider financial pressures, have proved beyond a doubt that there is a problem, a disparity in the fiscal resources available to the federal and provincial governments.

During the campaign, when the Prime Minister found himself off balance with the rug slipping out from under his feet, he made a promise to solve the problem of what he calls financial pressures and what some people call the fiscal imbalance. I would remind him that the “some people” are all of Quebec, all the Bloc Québécois members of Parliament, and now all of Canada.

In the Bloc amendment to the amendment to the Speech from the Throne, instead of “financial pressures” we should have said, “what some people call financial pressures and what the vast majority call the fiscal imbalance.” In this case, “some people” would mean the Liberals, the only ones who speak of fiscal pressures on the provinces. Everyone is convinced that there is a fiscal imbalance and that change is needed.

It would not be the first time we have seen this. In 1964 already, at the time of Mr. Pearson, and Mr. Lesage in Quebec, a problem of fiscal disparity existed.

● (1020)

There was already a problem, given the mandates that the Government of Quebec had in education in particular. In 1964, education was the focus of the Quebec City Conference. The existence of a disparity was recognized. It was so evident that, exactly 40 years ago, Mr. Pearson, who was also at the head of a minority government, transferred tax points which, to this day, are used for health, education and income support.

Forty years later, we are facing a similar situation. The current Prime Minister lacks Mr. Pearson's finesse, of course. I think everyone recognizes that. In time, the Prime Minister himself will recognize it as well. The facts have to be recognized.

While promises were made concerning the financial pressures, the Prime Minister said he would be ushering in a new era of cooperation with the provinces. He keeps saying that over and over. What new era is this? The same old one, the one of confrontation. At the first ministers conference in September, he had no choice, he was cornered. One the one hand, his government is a minority government and, on the other hand, the provinces presented a united front to demand more funding for health.

Now, he has gone back to the Liberals' bad habits. We were told that we had to be careful because, for a few years, Ottawa would no longer have a huge surplus, that fiscal prudence was required. That has been going on for seven years. For seven years, the Liberal government has been fooling the public about its financial capacity to meet such basic necessities as education and health. For seven years, it has been telling us that it does not have any financial leeway. Yet, every year, as if by magic, the rabbit is pulled out of the hat, or the cat is out of the bag, depending on how we want to look at it, and there is always a big surplus, which keeps growing year after year.

While he was finance minister, the current Prime Minister made the worst forecasting errors, in the neighbourhood of 500%. A 3% or 4% margin of error might be acceptable, and maybe as much as 10% for a very lousy forecaster but, really, 500% is too much. The Prime Minister and the current finance minister are giving a bad name to the budget forecasters in the Department of Finance. These experts are highly trained professionals. How likely is it that they feel comfortable with the charade of the last seven years? They know perfectly well that the politicians across from us in the House are simply lying to Canadians. In so doing, they are making a mockery of democracy.

I just came out of a meeting of the Standing Committee on Finance that was attended by the Minister of Finance himself. He talked about prebudget consultations and mentioned the importance of coming up with new ideas and new means of managing public finances and forecasting federal government spending next year. However, on what basis would the public be consulted? That is what we need to ask him. It is imperative to know what we are consulting people about. We need a clearer idea of the amounts involved. We need to be told what the surpluses will be for the next few years. The last thing we need is distorted forecasts that have no basis in reality.

### Supply

This, however, is what they have been telling us for the last seven years. This is a disservice to democracy. How can we evaluate, for example, the federal government's ability to meet the needs of the people if, to start with, the true picture of public finances is completely distorted? They are talking through their hats when they tell the people that Canada is not as rich as they think it is and that it will not generate great surpluses. They were predicting a surplus of \$1.9 billion for the fiscal year ending on March 31. And we now have learned that the surplus is \$9.1 billion instead. This year, the government is predicting a surplus of \$2 billion or \$3 billion. That is the figure we are hearing, since the economic growth anticipated by the governor of the Bank of Canada could be a bit too high. The government is saying that he is being more prudent and it believes the numbers will be different. We are heading straight toward a surplus of between \$11 billion and \$12 billion.

They should stop having us on. They should stop misleading the people and lying to their face about the true state of public finances. This makes no sense at all.

I noticed today something that is symptomatic. The finance minister appears so rarely before the finance committee that journalists and cameramen usually come to interview him there.

• (1025)

This morning there were none. Not a single journalist. Not a single camera. Do you know why? Because the government, and the Minister of Finance in particular, have lost all credibility. What he says cannot be trusted. Journalists are no longer interested in covering his presentations to the Standing Committee on Finance on economic forecasts. They are no longer credible. He has become a laughing stock.

What exactly do we know about the surplus? It is estimated at between \$11 and \$12 billion next year. That is what I believe. That is what the Bloc Québécois is forecasting, between \$11 and \$12 billion for the fiscal year ending March 31. A few weeks ago, the Minister of Finance asked the Conference Board to review the forecasts it issued a few months ago for the Séguin commission, regarding the federal surplus over the next 11 years and the deficit of the provincial governments over the next few years.

The Conference Board was given an extremely conservative framework. One must be prudent. However prudence becomes a lie when it is overdone. If you cry wolf too often, nobody will believe you eventually. Even with extremely conservative parameters, the Conference Board concluded that over the next 11 years, the federal government will post a \$164 billion surplus. We are not talking peanuts. We are talking about a \$164 billion surplus. On the other hand, the provinces will post a deficit topping \$60 billion and this is a conservative estimate.

I bet the federal surplus will be around \$200 billion over the next ten years. The Conference Board used as a starting point the federal government's own forecast for last year, which was around \$2 billion. Using as a starting point such an abnormally low forecast, which proved to be off by 500%—the real number being more than four times that—to assess what might happen over the next 11 years, the Conference Board's forecasts will obviously be well below the actual surplus.

That is the picture. That is what makes us say that for the past seven years the public has been duped. The federal government is swimming in surplus, will continue to do so and has far too much money in proportion to its responsibilities, while the government of Quebec and the governments of the other Canadian provinces do not have enough stable and predictable funding to provide for the basic needs of the public, which is what we are asking for.

When a government comes into power, in Quebec as in the Canadian provinces, the public expects the government to serve it in those areas under its jurisdiction. Those jurisdictions include health, education, income support, and public services such as road maintenance, and so on. Governments have a mandate. However, if they do not have adequate resources to carry out their mandates, because the federal government denies them the means they should have, is that not dysfunction? Is it normal to have a \$9 billion surplus here when most of the provinces, except Alberta, which is swimming in oil, of course—here they are swimming in surpluses, there they are swimming in oil—are suffering from the fiscal imbalance? Is this situation normal? No, it is not.

There are three other consequences to the surplus apart from the fiscal imbalance we have been dealing with for many years and will continue to deal with in the coming years.

First, the needs of the public are not being met.

Second, the federal government is using these surpluses to interfere in provincial jurisdictions. In the past four years alone, intrusions have totalled \$16 billion. In other words, the federal government has taken money from the taxpayers, accumulated surpluses and used the surpluses to invade jurisdictions that, under the Constitution, belong to the provinces. I am talking about \$16 billion just to confuse matters. A ship has one captain, not two. The Prime Minister should know that since he has been in the shipping industry for a long time. He should know that we cannot have two captains running the same ship. That is what the federal government is doing. It is interfering in health and education and is using surpluses to do so.

I can give you examples of intrusion. Federal intrusions amount to \$16 billion in the last few years. Incidentally, the Bloc Québécois leader set up a committee on which I had the privilege to sit, along with my colleague from Joliette and Mr. Léonard, a former president of the Quebec treasury board. The committee found out that since 1994-95, and more particularly in the last five years, the federal government has spent more in areas under the jurisdiction of the Government of Quebec and the provinces generally than it did in areas under its own jurisdiction.

• (1030)

In the last five years, this spending totalled a hefty \$16 billion.

There are many examples of this: the youth employment strategy, the health transition fund, the community action program for children, the Canada prenatal nutrition program, the Canadian health information system, the Canadian millennium scholarship foundation, strengthening communities in the voluntary sector, and the Canadian institutes of health research.

Let us talk about foundations, and especially the Canada foundation for innovation. Each and every time money is put into foundations, the Parliament loses all control. In the areas under Quebec jurisdiction, again, we have the nurses using the research and service evaluations fund. What does the federal government know about that? It manages two hospitals, one for aboriginals and one for veterans, and they are a complete and utter disaster. They have no business telling us how health services should be managed. We also have the supporting community partnerships initiative for the homeless. All these areas are under the jurisdiction of Quebec and the provinces.

This is what happens when you have too much money. You invest in provincial jurisdictions. Conditions are imposed for cost shared programs. This is how you end up in a situation like the one we are in right now. While the provincial governments do not have enough money to meet their essential, basic and fundamental needs, the federal government has too much money.

What else besides these intrusions does a surplus situation produce? It produces waste and corruption. Talking about waste, there has been an unprecedented increase in the federal government's operating expenditures since 1998. This was ongoing while this Prime Minister was Minister of Finance. He was the good manager who pretended to be managing public funds in a prudent and responsible manner. Between 1998 and 2003, there was a 39% increase in the operating expenditures while the inflation rate was about 10% for the same period. Is increasing the operating expenditures three or even four times the inflation rate really a responsible way of managing? Hardly.

Is he a good manager? This is easy. How do you think he could accumulate a surplus? The employment insurance fund surplus and the cuts in the Canada social transfer had no effect on the federal government operating expenditures. They were measures dealing with the services offered to the public and concerned their welfare.

I do not think there is doubt in anyone's mind that there has been corruption. The sponsorship scandal is probably just the tip of the iceberg. This is what happens when there is too much money. When people have access to so much money that they do not know how to spend it, it increases the risk of corruption and even promotes it.

This motion seeks to set the government back on the right track and to get the Standing Committee on Finance working on a solution to the fiscal imbalance problem.

They talk about the two conferences. They say it is wonderful; they solved a good part of the problem. Let me say that after the conference on health and the other that concluded the day before yesterday, Quebec will receive \$800 million more this year. Do you know how much the transfer of tax points, such as transfer of the GST to the Government of Quebec, could represent? An extra \$2.4 billion. In order to solve the fiscal imbalance problem we were

### *Supply*

talking about \$3.3 billion this year alone for the Government of Quebec. With this \$800 million, there is a shortfall of \$2.4 billion. They are giving us \$800 million and forgetting to mention that they have already taken \$2 billion in taxes out of the pockets of Quebecers, as part of the surplus. Our share of the surplus is \$2 billion of the \$9 billion. Quebecers have paid \$2 billion too much in taxes to the federal government. Now they are giving back \$800 million and we are supposed to applaud.

It is time that this trickery, this clowning around, this foolishness stops. Right now, it is the taxpayers, sick people, students, and people on low incomes who are paying for the government's negligence and lies.

• (1035)

[English]

**Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.):** Madam Speaker, it is hard to know where to begin with a resolution that is such intellectual conceit and such nonsense. We try to deal in this place with some scope of reasonableness. It is very difficult when we get a phrasing of a resolution in such an inflammatory fashion and in such a manner that leads to an answer that is ridiculous.

In the fiscal year 2003-04 the federal government raised about \$186 billion in revenues. The provinces raised about \$170 billion in revenues. That includes the tax points which are roughly in the order of \$16 billion. In addition to the tax points, the federal government transferred cash to the provinces of about \$37 billion. When we add that to the provincial revenues and subtract it from the federal revenues, the federal government has about \$148 billion in revenues and the provincial governments have \$207 billion in revenues.

As the House knows, in generations past the governments have run up accumulated deficits until the minister of finance, now the Prime Minister, finally got that under control and actually reduced the debt from a run up of \$562 billion down to now \$501 billion.

It still leaves us paying 19¢ out of every dollar that the federal government generates toward the debt. That debt servicing cost costs the federal government something in the order of about \$35 billion this year. We are down to \$148 billion. We then take away the \$35 billion to service the debt and the federal government has about \$113 billion left over for its other programs.

Included in the other programs are transfers to persons, such as elderly persons and to people who are unemployed, which amounts to another \$29 billion. Therefore the federal government's revenues that are available for other programs actually dip below \$100 billion.

The provinces have well over \$200 billion in revenues available, not only from their own sources where they can tax all of their own sources, but in addition to the transfers from the federal government. Meanwhile, they only pay 10¢ out of every dollar toward their debt of about \$281 billion.

*Supply*

If there is in fact a fiscal imbalance, it is exactly the opposite of what the member is speaking about here. I put it to him that all of the debt is with the federal government and all of the revenues are with the provinces.

Will the member at least acknowledge that is in fact the fiscal situation between the federal government and the provincial governments, and that those are accurate numbers?

• (1040)

[*Translation*]

**Mr. Yvan Loubier:** Madam Speaker, I have noticed something. The former Minister of Finance did not know how to count. Now that he is Prime Minister, he still does not know how to count. The current Minister of Finance does not know how to count either. There was another one, Mr. Manley, who did not know how to count either. The same goes for the parliamentary secretary.

Are we to assume that no one in this government knows how to count? There is a limit. They are supposed to represent the public, but most members of the public know how to count. I cannot believe that this would be any different for the Liberals.

With respect to everything my hon. colleague just listed as responsibilities, such as federal government spending, there is something I think he did not realize and I am going to point it out to him.

On March 31, after it had paid everything, that is all expenditures relating to its responsibilities under the Constitution, to its intrusions in provincial jurisdictions, to its own little business, such as flooding the country with Canadian flags, and after reducing the debt, the federal government ended up with a \$9.1 billion surplus. Is this clear enough? A surplus is what is left after everything has been paid. It is a simple principle. It does not take an accountant to understand that. It is the same thing every year.

Will the government stop harping on about those darn tax points? These points were allocated in 1964, during the Quebec conference, and, to a lesser extent, in 1971. They were essentially created in 1964. Now, the Liberals would have us believe that the 1964 redefinition of tax fields has become an expenditure for the current federal government. That is not true. This is something that was given, something that was allocated.

If a person sells his house and is immediately paid the full amount, it is no longer that person's house. If the house is sold, it belongs to the buyer. In 1964, tax points were allocated; these points no longer belong to the federal government.

If there is something to remember from the 1964 conference, it is that we should hold a similar conference again, because the situation has become plain intolerable.

**An hon. member:** Oh, oh!

**Mr. Yvan Loubier:** I hear the member for Outremont. He too should learn how to count, because I think he has problems in that area. Some might say he has other problems too, and I agree.

We should repeat the 1964 exercise. We have reached that point, because revenues are disproportionate and it is indecent for the federal government to keep telling us, year in and year out, with a

sheepish grin, that it has surpluses, that it was wrong in its estimates, because the economy...

Madam Speaker, do you know what this is? This is a calculator that costs about \$50. With it, we can calculate surpluses within a 3% margin of error.

**An hon. member:** No, it costs \$10.

**Mr. Yvan Loubier:** The calculator costs \$10; this is even worse. If necessary, we will provide each one of them with such a calculator, so they can learn to calculate. With a simple calculator like this one, we can estimate surpluses within a 3% margin of error, one year in advance.

That is why I was saying just now that the government, the Prime Minister, the Minister of Finance, the parliamentary secretary, the member for Outremont are all sullyng the reputation of the Finance economists. They are not comfortable with the totally abnormal forecasts we have been presented with over the past seven years. I am sure of that. I know some of them personally, from university days. They can count as well as I can. Their marks were as good as mine. If I and my little team from the Bloc Québécois can predict a surplus within a 3% margin of error, I cannot believe that they cannot do likewise at Finance. This is an attack on their reputation.

Now, for the debt. The member's question was a pretty longwinded one, and my answer will be as well. Good managers can understand this. If there are two debts, and a single taxpayer, one starts by paying down the debt that is costing the most. But here the opposite is being done.

They are quickly paying down the one that costs the least to carry—the federal government's debt, because it has a more favourable interest rate—while letting the provincial debts, including the debt of Quebec, build up at a less advantageous rate. That debt is being allowed to grow.

Where is the proper management in this? There is still just the one taxpayer, but part of that taxpayer's money is being wasted by paying down less costly debts and letting the more costly ones mount up.

So, to continue with my longwinded answer, the third part is this. The Minister of Finance himself asked the Conference Board to review the surplus for future years. Their very conservative estimate suggests that the total of the federal surpluses for the next 11 years would be \$164 billion. This was not at my request, but the finance minister's.

• (1045)

The member ought perhaps to look into the actions of his Minister of Finance, because he appears not to know what actions were taken that yielded analyses as off as this one is.

**Mr. Pierre Paquette (Joliette, BQ):** Madam Speaker, first, I would like to commend the hon. member for Saint-Hyacinthe—Bagot on his excellent speech. He reminded the House of a number of facts and exposed some of the myths being propagated by the federal Liberals. I would like my hon. colleague to elaborate on a few of these myths.



*Supply*

For instance, the federal Liberals are spreading the rumour that Quebec is the province benefiting the most from equalization. In absolute terms, it is true. However, we are getting \$500 less per capita than the Atlantic provinces.

Most of the provinces receive 25% of their income from federal transfers, compared to 23% for Quebec.

In this debate on fiscal imbalance, we are talking of course about equalization and federal transfers, but should we not also be talking about the federal structural spending, which clearly benefits Ontario, if only in terms of the money spent on public servants? We are very much aware of the deficit in terms of federal public servants from Quebec as compared with those from Ontario. Could the hon. member elaborate on this?

**Mr. Yvan Loubier:** Madam Speaker, if the federal government was giving us our fair share of federal structural spending, research and development, civil servants and procurement, at 24%—since more often than not it is under 24%—, there would be 40,000 new jobs in Quebec. So, between equalization and federal structural spending, we would opt for

However, as my hon. colleague pointed out, Ontario gets 57% of all federal procurement contracts, compared with 18% or 19% for Quebec. By getting its fair share in all those areas, Quebec would get 40,000 new jobs. We would by far prefer that option.

**Hon. Jean Lapierre (Minister of Transport, Lib.):** Madam Speaker, I am very happy to be able to participate in today's opposition day debate. Indeed, that provides us with the opportunity to evaluate the measures taken by this government since its recent election. In the few months since the election, this government has delivered the goods in terms of major commitments.

As we know, the main theme of the election was health care. We know this is the major concern of Canadians. Our Prime Minister, in collaboration with provincial premiers, succeeded in negotiating a historic agreement. It was a historic agreement because of its scope and because of its flexibility. The Prime Minister had promised, during the electoral campaign, to deliver additional amounts in order to reduce waiting lists and to enable provinces to inject more money in health care operating costs.

It's such a pleasure to rise today and to say: mission accomplished! Over the next few years, the provinces will receive an additional \$41.3 billion. That's a lot of money! It has enabled all the provinces to sign the accord. This is an important aspect, because a lot of agreements were concluded in the past, and somebody always hesitated or left early. In this case, all the provinces, including the Quebec, signed an accord and came out of there with an agreement where everybody was a winner.

However, the real winners of this agreement on health care are the weakest members of our society, those affected by disease and who, today, can hope to receive quality health care, and in a timely fashion. Indeed, we know that in the area of health care, it is not only about getting access eventually. Often, it is about receiving care as quickly as possible. Thus, the problem posed by the disease is reduced and, often, prevention is also helpful.

The provinces now have enough money and predictability to be able to set up an effective and well-funded health care system.

**An hon. member:** Say that with a straight face.

**Hon. Jean Lapierre:** I am saying it with a straight face, because the Quebec minister of health, a very respected specialist, was quite happy: he applauded this agreement. Indeed, he applauded this agreement because he will now have leeway to modernize some facilities, to purchase new equipment and to hire the required staff. In this respect, I am surprised not to have heard the Bloc Québécois members congratulate the government, applaud the government for having succeeded in signing this historic agreement. Just consider how sensitive this government is to the needs of the provinces!

A few weeks later, upon request from the provinces, we had a meeting on equalization with a set agreement. When the conference on health took place, the provinces had reached a consensus. They had requested \$10.9 billion in equalization. The Prime Minister, who is mindful of the requests of the provinces, said: "Excellent, the matter has been settled!" The provinces said: "Would it be possible to hold a meeting, since we have to discuss the distribution of this money. So, could we meet a little later?" Once again, the Prime Minister, who is sensitive and mindful, said: "Excellent, we will have a meeting in October."

That meeting happened. The \$10.9 billion were on the table. The Prime Minister had held his promise once again. Of course, the provinces thought that, perhaps, if they had another meeting, they could try to receive a little more. That is human nature. We know that between the health accord and the equalization deal, it was announced that we had a major surplus, but not a surplus to allow us to waste money. No. This is a surplus that we used responsibly to reduce the debt. We did not decide to spend that money thinking that we had a surplus and that the economy was going very well. No, not at all. It is when things go well that we must pay off our debts, not when things go bad.

• (1050)

Because of our economic successes, the Canadian economy finally led to more revenues for the Canadian government, which we couple with good management. Every day, when I hear that we have a surplus, I am very pleased, because I tell myself that this government manages things well and is not a big spender. We know what it means for the taxpayer, on Thursdays, to have money taken from his pay. We tell ourselves that, when the economy is good, for the future of our children and grandchildren, let us try to reduce the debt. Let us give them a decent legacy.

That is exactly what happened. An amount of \$9.1 billion was used to reduce the debt. However, we certainly cannot say mission accomplished. When we are being asked to spend to our heart content, we must keep in mind that we still owe \$500 billion. This is a lot of money. We have no right to leave this as a legacy to our children and grandchildren. At this time, because interest rates are low, we can create an optical illusion, but we do not know what awaits us or what the future has in store for us. We have been responsible. We have used that amount to reduce the debt.

### Supply

There is this equalization agreement. Once again, our colleagues will no doubt say that it is not enough. Still, an additional \$33 billion will go to the provinces over the next ten years. That is not peanuts. When we think about it, and I know that my colleagues from the Bloc Québécois are not crazy about it, Quebec will receive \$477 million more in equalization payments this year. This means that Ottawa must have done its homework in recognizing the financial pressures. And that is to say nothing of the additional \$1.121 billion that will be paid next year. That too helps reduce a province's financial pressures.

The Government of Quebec, beginning with Minister Séguin, asked for a degree of stability, to prevent large fluctuations in equalization. Mission accomplished on that count as well. We have delivered; in the future, we will guarantee a floor level, as well as 3.5% in growth. How can an income be any more stable and secure? The Prime Minister has responded very responsibly to this legitimate demand of the provinces, which were looking for greater predictability. We recognized the flaw, and that is why we renewed the system to make it more reliable and more predictable.

On a percentage basis, Quebec is coming out of this conference with 43% of the budget. That is not a small amount. Naturally, we all hope—at least I do, as a Quebecker—that the day will come when Quebec will no longer need to rely on equalization because its economy will have reached a level that will allow us to do without it. I hope so. That is what we are working on. That is why we are developing an aerospace policy to ensure that a vital sector of our economy does even better.

For the time being, the equalization program is extremely generous. We can never expect the moon, but one thing is sure: the amounts involved are substantial, and that is nothing compared to what is coming.

We have delivered on health, and met our equalization commitments. Now, watch how we do on our agreement with the municipalities and provinces. During the election campaign, the Prime Minister said that we would refund up to 5¢ per litre of gasoline over a five year period.

• (1055)

It will be the greatest infrastructure program Canada has ever had. Year after year, up to \$2 billion will be invested to help the municipalities. Add to that the GST transfer.

Look at the spirit in which our colleagues—among others, my hon. colleague responsible for infrastructure—met with the provincial representatives to ensure the necessary flexibility under the Constitution, acknowledging of course that the municipalities are provincial responsibilities. Once again, we will be able to deliver the goods in harmony and agreement. This promise, made before the Federation of Canadian Municipalities, will be kept.

We are talking about reducing the financial pressure on the Government of Quebec. I know they are waiting impatiently for this agreement to be signed. We hope this will happen in the coming months so we may, once again, deliver substantial funding in the finance minister's next budget.

Mayors and municipal councils across the country can say that the Prime Minister, once again, is going to keep his word. Health,

equalization and cities are the three formal promises and for which it will be “mission accomplished” in a few months.

There is another promise that will further reduce the financial pressure on the Government of Quebec. The Government of Quebec has an exemplary child care program, which is very expensive, much more expensive than the government had anticipated at the time. One thing is certain, this program should serve as a model to benefit children throughout the country.

We made a promise to give up to \$5 billion over five years for this program. The Government of Quebec has already done its homework. This will translate into a financial transfer, which, again, will reduce financial pressure.

Every program, every agreement that is signed, negotiated and delivered is good news for Quebec's finance minister. Every agreement will make finances less tight. We cannot be responsible for Quebec's finances—the minister has his constitutional responsibilities—but we can make an effort. We made a promise and we are going to keep it. However, we also have needs at our level of jurisdiction.

Some think that we can simply spend our time sending money, but there have to be legitimate reasons. For instance, in our areas of jurisdiction, I can tell you that, everyday, I resist pressures in the field of transportation. I have colleagues here who would like me to help small airports. Others call for improvements to the rail transport system. Others have needs in the area of ports. Everyday, we must be strictly disciplined. I have colleagues who would like us to spend for all kinds of studies in the area of transportation. It happens every day. I have to restrain myself, because we are fiscally responsible.

When we look at it, my colleague, the Minister of National Defence, receives requests every day for his area of responsibility. My colleague in Canadian Heritage also receives daily requests, particularly for special events. All big events would like to find financial support. We resist.

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

**An hon. member:** Or we accept.

**An hon. member:** We resist when we can't buy everybody off.

**Hon. Jean Lapierre:** My colleague, the Minister for the Environment, is under huge pressure. All across the country, people would like him to spend more on parks. Once again, he says no, because we have to honour our current priorities, to which we are committed.

• (1100)

We made a commitment to health care. We also made a commitment to day care. We committed to equalization. We committed to municipalities, and we deliver on our promises.

However, it goes without saying that each time we deliver in those areas and commit to substantial amounts, we have less leeway in our own departments. We are so disciplined that we are presently revising our expenditures in view of reducing them by 5% in our own departments to better accommodate the provinces. Just think, everyday, I have to look at my department's expenditures and wonder if I could cut this or that. We really want to help Quebec, Ontario, the Maritime provinces, western Canada. We have to do that everyday. This is what fiscal discipline is all about.

If at the end of the year, after having managed irreproachably, we have surpluses, then our children and grandchildren will be better off! We will make no apologies for having surpluses, on the contrary. We will make no apologies for good management. We will make no apologies for paying off the debt. I will never be ashamed to say to my children and grandchildren that, under this administration, more than \$60 billion has already been applied to the debt. Paying off your debts is not a sin, it is a quality.

When we look at the current state of our relationship with the provinces, if we put the rhetoric aside, when we look at the facts objectively, we must say that, in general, we are doing a darn good job. We must say that no government has ever been as mindful of the needs of the provinces, and as generous. This government is currently creating a trademark for itself. It is an attentive government, but above all a government that fulfils its promises, and that is what is annoying the opposition.

Indeed, we know that people are aware of the tenor of our promises, and of what we will deliver. We are currently delivering. It is true. This being said, I know that the opposition will have little to attack the government on. Indeed, the opposition will look at the electoral platform, the accomplishments, and then Canadians and Quebecers will say: "What a good government in Ottawa!" When they have a chance, in the next few months, in the next few years or perhaps in the next few weeks, people will be able to look at our promises and our accomplishments, and we will have nothing to be ashamed of. We will not be ashamed to go back to the people at any time, because we are building an extraordinary record of accomplishments.

I know that this bothers the opposition. Even as a minority government, in an even more difficult context, we still deliver. When they look at what is happening, when they look at upcoming agreements, not in the distant future but in the coming months, provincial governments will realize that they have an ally here in the person of the Prime Minister. Provincial governments will realize that every commitment made during the election campaign is going to be fulfilled.

Incidentally, I can quote a more neutral and objective source than myself. This morning, André Pratte wrote the following in the daily *La Presse*:

However, the substantial improvements to the amounts and operations relating to federal transfers are making the theory of a tax imbalance much more questionable.

He added, in reference to various agreements signed by our government:

For the Quebec government, this represents an increase of about \$3 billion per year.

### *Supply*

This is from a credible source, namely Mr. Pratte, who took a close look at the whole issue. He is making these comments very objectively. He also added:

More importantly, the federal government has undertaken to correct the most serious flaw in the equalization system, namely the fluctuations in the payments, which was driving provincial finance ministers crazy. From now on, the program will simply be indexed, to the tune of 3.5%.

• (1105)

It is obvious that outside observers are pleased by what they are seeing. The only ones who have not congratulated the Prime Minister on the health accord, the only ones who are not pleased about our agreement with municipalities, the only ones who are not happy to see that we will have a national daycare program with the necessary flexibility, while respecting the Constitution, are opposition members, because they know that the well-being of the public and the success of this government are closely intertwined, and that they will eventually look like real fools.

**Mr. Pierre Paquette (Joliette, BQ):** Madam Speaker, as an introduction to my question, I will quote a statement made by a member in the House and with which I agree entirely:

Make your own country. Concentrate all powers in Ottawa. Form an economic union that will turn your provincial governments into municipal governments. Go ahead, but don't expect us to get involved.

These words were spoken by the member for Outremont on February 6, 1992, and I fully agree with him.

What we witnessed the day before yesterday was an attempt to transform provincial governments into large municipalities. The lack of agreement on the issue of equalization illustrates this point. What the federal government and in particular the current Prime Minister and his Liberal government prefer to do is deliver federal equalization transfers a drop at a time.

I would also remind the member for Outremont, the Minister of Transport, of the statement made by Mr. Séguin—who does not seem to approve of what M. Pratte said in *La Presse*: "The federal government is thirsting after our blood, like Dracula." And he went on to say: "The next time, I will fill up my suitcase with garlic before I come", to avoid seeing his own blood and the blood of Quebecers being sucked up by this government.

I would like to know what the transport minister and member for Outremont thinks about the fact that each Quebecer receives three times less in equalization payments than the people of the Atlantic provinces, less than the people of Manitoba, and less than the people of Saskatchewan. I would like to know what he thinks about the fact that, on average, 25% of the Canadian provinces' revenues come from federal transfers, while only 23% of Quebec's revenues come from federal transfers. I would like to know what he thinks about the fact that there are 12 public servants for 1,000 Ontarians, but only 10 for 1,000 Quebecers, which represents a loss of 70,000 jobs in the federal public service for Quebec. That represents a 93% advantage for Ontario. All these facts amount to a fiscal imbalance in Quebec, an economic imbalance that the federal system is not helping us resolve.

*Supply*

I would like to ask him this. In the amendment to the amendment to the throne speech put forward by the Bloc Québécois, instead of writing that the federal government committed to alleviate “the financial pressures some call the fiscal imbalance”, would it not have been better to write that the federal government should address the fiscal imbalance which the Liberal Party of Canada is the only one to call financial pressures? In the House, the Conservative members, the Bloc Québécois members as well as the New Democrat members all agree on one thing: the existence of a fiscal imbalance, which means that the money is in Ottawa while the needs are in the provinces.

In the Quebec National Assembly, the Liberal Party of Quebec, the Parti Québécois and the Action démocratique all agree on the existence of a fiscal imbalance. Can the member explain why the federal Liberals are the only ones who believe it does not exist?

● (1110)

**Hon. Jean Lapierre:** Madam Speaker, we certainly can agree on one thing. Why is this party talking about financial pressures? Why is this party talking about responsible government? Because we are the only truly national party that really cares about the country as a whole and that intends to still be in power after the next election.

Bloc Québécois members can promise anything they want. They can espouse any cause they want, they will never be in power, and that is why they are totally irresponsible. In his lifetime, the member for Joliette might have a chance to be elected to the National Assembly and govern. Currently, he has nothing to govern. He says yes to any request. He will never have to sign a budget. The only thing he can do is make speeches. He only commits to things he never will have to do. That is why he looks like Santa Claus. People know full well that every time the member for Joliette stands in this place, his speech is not worth the paper it is written on. He will never form the government.

On this side, we act responsibly. We govern responsibly because we have a responsibility to the electorate. Moreover, we are the only true national party. As such we recognize we have a responsibility. We must look out for the country as a whole.

As a result, when we make a statement, we commit ourselves. As for the member for Joliette, his statements are of no consequence whatsoever. This is why, when we look at what we do here, I am convinced...

**An hon. member:** That is not very flattering for people who voted for the Bloc Québécois.

**Hon. Jean Lapierre:** People who voted for the Bloc Québécois knew their members would not control anything here. People who voted for them knew full well they would never be in power. That was very clear.

They can blow all the hot air they want. They can make all the speeches they want, they will never have to follow through on anything. Every time we make a statement here, the very next day we must act on it, and that is what we do. We are responsible. We provide good government to Canadians and we will go before Quebeckers without any shame because we will have delivered the goods.

[English]

**Mrs. Bev Desjarlais (Churchill, NDP):** Madam Speaker, there is no question that the transport minister's responses and comments tend to inflame Quebeckers. They also probably create a bit of antagonism for other national parties here in the House.

His colleague, the member for Scarborough—Guildwood, mentioned in a response to the member from the Bloc that somehow the additional dollars that must be transferred to the unemployed are like extra money that must go into those particular provinces.

Does he think it is acceptable for the government to use, as general revenue, the dollars that workers and employers pay into EI? Does he not think that there should be a more transparent and honest use of the dollars that go into EI to provide benefits to workers and employers?

● (1115)

**Hon. Jean Lapierre:** Madam Speaker, it is at the request of the Auditor General that EI is part of the general revenue. In the past, we had a special fund.

[Translation]

We had a special budget. However, the Auditor General asked that it be included in the general revenues. We adopted the Address in Reply to the Speech from the Throne. There is a parliamentary committee which will look into this. All members will want to see if other formulas can be used in order for our statements to be more transparent and consistent.

In that context, I am looking forward to the results of the parliamentary committee's work about whether there is a way we can have a calculation of revenues and expenditures—an actuarial calculation—while abiding by the parameters of sound management and, above all, by the opinion of the Auditor General. In my view, this is what members will set out to prepare. We can look at whether this is feasible and can be implemented. We will see over the next few months. However, that was part of the amendments which were adopted by this chamber in connection with The Speech from the Throne. Thus, I look forward to the members' work with great interest.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Madam Speaker, I found the comments by the hon. member for Outremont very interesting, especially his claim that there is only one national party in this House.

If we look at the NDP, we can clearly see it is also present across the country. We do not have two faces like the Liberal Party shows in the provinces. All across the country, the NDP has always respected the French fact and the official languages. It was an NDP government in British Columbia that set up the francophone school board to respect the rights of francophones. It was the NDP in Saskatchewan and Manitoba that passed official languages legislation to represent French-speaking minorities better in those two provinces. It was an NDP government in Ontario that augmented rights for francophones in that province.

New Democratic members like Léo Piquette, Alexa McDonough and Elizabeth Weir have worked in the provinces—Nova Scotia, New Brunswick, Alberta, for example—to promote the rights of francophones.

As a national party—a party that exists all across the country—we do not speak with one voice in Ottawa and another in the provinces. We are united, we are consistent and we are upholding our principles of promoting both official languages and the rights of both English- and French-speaking minority groups across the country. We respect the official languages.

It is interesting to be here today to debate the fiscal imbalance. We know very well that it is because, in the current make-up of this House, two thirds of Quebec's representatives are in the Bloc Québécois. We know that the Liberal Party's bad management has led us to the point we are at today, facing the same sort of quarrels and arguments that prevent the real needs of Quebecers and all Canadians from being represented and respected.

We know there is a crisis of homelessness, a crisis in health care, a crisis in post-secondary education, a crisis in the fiscal imbalance. This is my question for the hon. member. Faced with all these facts, how can he claim that the Liberal government has advanced the cause of national unity and made Canada stronger than ever?

We know very well that in communities across this land, Canadians are suffering more than ever, that there are crises in many fields because of a lack of federal funding, and that all provinces have problems with the fiscal imbalance, which means that the immediate and urgent needs of Canadians are not being met.

• (1120)

**Hon. Jean Lapierre:** Madam Speaker, first of all, I would like to congratulate the hon. member on his question and comments.

I have to tell him the NDP contribution on certain issues is quite fine, but its members seldom have the opportunity to put their words into action in this Parliament, since they have never been in office. It is always easier to uphold great principles and be generous when you do not need to put these principles in practice.

I think all Canadians benefit from our government's good management. Our unemployment rate is relatively low, although it is always too high, and our interest rates are extremely low, so that consumers can buy homes, for example. When you look at the level of satisfaction of Canadians with this government, you can tell good management gives good results for the general public, who truly appreciates it.

[English]

**Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC):** Madam Speaker, I will be splitting my time with the member for St. John's East. As the member for Saint-Hyacinthe—Bagot and members of the House know, the Conservative Party believes a fiscal imbalance exists in the country, and we support the motion. We also know the Liberal government caused this fiscal imbalance. The fact that the very existence of the fiscal imbalance is up for debate shows the arrogance of the government.

I will begin my remarks by suggesting that the first thing the government should admit is there is a problem. It should recognize fully that there is a fiscal imbalance and that it should be addressed and fixed.

### Supply

[Translation]

Simply put, the fiscal imbalance results from the fact that the federal government is collecting more taxes than it needs to fulfill its obligations. This results in recurrent budgetary surpluses at the federal level and deficits at the provincial level.

While the federal government is raking in surpluses that are always larger than anticipated, the provinces have a hard time providing essential health and social services.

This widening gap between the federal and provincial budgets prevents the provinces from making long term planning and forces them to always depend on federal transfers for their programs.

This is too little, too late. And this assistance is often tied to conditions such as the achievement of federal objectives. If the provinces do not achieve these objectives, or if they wish to pursue other important goals, they do not get the funds that they were promised.

Thus, the provinces find themselves in a situation where they cannot refuse to contribute financially to new federal initiatives. They are then forced to implement programs that do not meet their local priorities.

While it is enjoying huge surpluses, the federal government's only solution is an increase in provincial taxes to pay for social programs. However, collecting new taxes and accumulating deficits are not the solution.

It is clear that the current tax structure no longer meets the needs of the provinces and territories.

[English]

The motion itself raises the arrogance of the Prime Minister at the equalization meeting on Tuesday and I would like to address this for a minute.

The meeting on October 26 was supposed to come to a new arrangement on equalization. At the first ministers meeting on health in September, the provinces asked that a separate meeting be held to address the issue of fiscal imbalance as well as equalization. The Prime Minister told the Premier of Quebec and the other provinces that such a meeting would take place before the next budget and would address the fiscal imbalance.

The Prime Minister did not keep his word. He continued to deny the existence of the fiscal imbalance and refused to have a specific discussion about the fiscal imbalance at the October 26 meeting.

At the meeting, it became apparent that there would be no give and take between the provinces and the federal government. The meeting was a take it or leave it offer and there was no discussion about solving the equalization concerns of the provinces today. There was also no addressing of the fiscal imbalance. There was also no greater conversation of the larger fiscal climate in which federal-provincial-territorial fiscal arrangements are operating. There was no flexibility from the Prime Minister. In fact he was so inflexible that he reneged on a deal he made with Premier Danny Williams to give the government and the people of Newfoundland and Labrador 100% of their resource revenues with no equalization clawback.

### *Supply*

Those are nice words to say and promises to make during an election, but they are a little harder to follow up, especially when one has built one's career as a finance minister by saying no to the aspirations of Newfoundland and Labrador and other Canadian provinces.

As the Leader of the Opposition asked on Tuesday, what is the rationale for not allowing the provinces to have full access to their resource revenues and why is the Prime Minister holding back Newfoundland and Labrador?

There are other problems because the government knows that a deal with Newfoundland and Labrador would only be the beginning. If it exempted natural resource revenues from Newfoundland and Labrador, it would have to do the same for Nova Scotia and Saskatchewan which have the same concerns. At that point, northern territories would ask for the same, as would resource economies in every other province. Instead of using an equalization program as a means of taking back resource revenues out of the provinces, the federal government would have to let them prosper.

Then I ask, what would the government do if it stopped interfering in provincial jurisdictions? Would Canadians maybe turn their attention to things that are truly a federal jurisdiction? Would the lack of respect the government has shown to our military become a bigger story? Would our abysmal trade record and the growth-stifling policies of the Liberal government become perhaps a more pressing concern?

The government is holding provinces back in two ways. The most obvious this week is the way it claws back resource revenues from provinces. The second is in its persistent denial of the fiscal imbalance. The fundamental problem with the Liberal government is that it does not respect provincial jurisdiction with equalization, resource revenues and the fiscal imbalance.

The government will suggest that it has corrected the fiscal imbalance by providing equalization top ups and by seeking to bring more stability to the equalization program. It will also suggest that equalization and transfer payments are what corrects this fiscal imbalance.

Equalization and transfers do not correct the fiscal imbalance. These transfers are part of federal revenues that are used really to coerce provinces and force federal priorities on to provincial areas of jurisdiction.

This is the key issue. Instead of allowing provinces to meet local priorities, we have situations where the federal government alters the priorities of provinces by dangling more money in front of them. Of course, as the provinces have been starved by the federal government for cash, they cannot help but say yes to these federal conditions. Again, I stress that these conditions rarely meet local priorities.

As well, the federal government is hooked on the fiscal imbalance because it is addicted to its large surpluses. The government does not want to give up the surplus because it needs it to pad its own books. The government again and again uses the surplus as a carrot to dangle in front of the provinces for health care, equalization and now for cities and child care.

The fiscal imbalance goes deeper than a simple distortion in financial accounting. It provides the basis for the government's entire way of operating. The government knows that the more it holds provinces down economically, the more it can push them around and worm its way into their budgets and distort their priorities.

It is pretty clear why the federal government will not allow Newfoundland and Labrador the freedom to prosper from its offshore oil revenues. It is exceptionally clear why the Prime Minister will not hold meetings on the fiscal imbalance and why he will not finally correct the fiscal imbalance. If the Prime Minister were actually to give provinces the promises he made while he was struggling in the polls, he would be unable to hold the provinces hostage at health care meetings or equalization meetings.

When I first addressed the House early this month, I mentioned that addressing and correcting the fiscal imbalance would be something very difficult for the government to do. It has no faith in other governments or in individual Canadians. This lack of faith is even more apparent after yesterday and after the dyslexic surplus of a few weeks ago. The government has no faith in provincial governments and services and Canadians are suffering. The government has no faith in individual Canadians and it feels the need to control every aspect of their lives, even in those areas that are not in its constitutional jurisdiction.

• (1125)

Canadians deserve better and they deserve two orders of government working together, each competent and successful in their own jurisdictions. They do not need the federal government duplicating the work of provinces and they do not need the federal government to keep playing the role of big brother.

It is time to correct the fiscal imbalance.

**Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.):** Madam Speaker, I listened to the hon. member's speech. There never has been nor can there ever be a fiscal imbalance. It is an intellectual conceit which has been perpetrated particularly by the Bloc Québécois in order to destabilize the fiscal discipline of the government.

The hon. member talks about provincial governments and the fiscal pressures that they are under. In British Columbia the NDP government ran up quite a debt. The voters decided that that was enough and replaced them with a Liberal government to deal with the debt. In Ontario the provincial Conservatives ran up quite a debt, all the time pretending to be fiscally responsible. The voters decided to replace them with a Liberal government. In Quebec the PQ ran up a huge debt and the voters decided to replace it with a Liberal government. It seems to me that on some level or another the voters have spoken.

Fiscal discipline, which this government has taken upon itself since 1993, is a good thing. Possibly fiscal discipline should apply to some of the other provinces. For instance, members will be interested to know that provinces have access to personal income taxes just like the federal government does. It is the same thing with corporate income taxes. They have access to that kind of a tax just as the federal government does. It is the same thing with sales taxes and payroll taxes. Uniquely, provinces have access to resource revenues, to gaming and liquor profits and to property taxes, none of which are available to the federal government.

At one point the federal government generated about 16% of revenues vis-à-vis GDP. That was back in 1993. At that point it was about 19% for the provincial governments. At this point it is now 17%, so the provinces have access to 17% of the nation's GDP, going from 19% to 17%. Roughly, one point is \$12 billion, so in some manner or another the provinces have walked away from about \$24 billion worth of revenues. Then they have the unmitigated gall to come to the federal government and say that they have not been fiscally disciplined and because the federal government has been, they want to take its money. I do not know, but it seems to me that that underlies the premise of the hon. member's speech.

I put it to her that in there is no fiscal imbalance. It is an intellectual conceit. If the provinces were more fiscally disciplined, we would not be having this debate.

• (1130)

**Ms. Rona Ambrose:** Madam Speaker, I have a hard time understanding how the member can claim the fiscal imbalance does not exist when we have a \$9.1 billion surplus and we are living in a country made up of mostly have not provinces right now.

My problem with the way the federal government deals with this issue is that it has its own agenda and its own policy objectives when it deals with the provinces and, as I said earlier, it is very rare that those policy objectives actually coincide with the objectives of the provinces and the municipalities to that extent.

When the federal government brings its priorities to provincial matters it ends up setting priorities on behalf of the provinces. This shifts provincial authorities away from the local needs of the provinces, the municipalities and the citizens toward the political programs and policy objectives of the federal government. It is clearly not in its own jurisdiction.

All provinces have different needs. Provincial governments are the ones that are closest to their citizens. It is their jurisdiction. They deserve the respect of the federal government. It is their constitutional obligation to deliver services to their own citizens and set their own policy objectives and priorities.

I would also like to point out to the hon. member that in the Speech from the Throne amendment the government went at least half way to agreeing that some people say that a fiscal imbalance exists. I look forward to the day when the government actually admits that the fiscal imbalance does exist.

**Mr. Norman Doyle (St. John's East, CPC):** Madam Speaker, I too want to say a few words on the Bloc motion on Canada's fiscal imbalance, a motion which I do support. It has also been said that

### *Supply*

Newfoundland and Labrador has been the victim of too much money; too much money in Ottawa and not enough back home.

I think we all realize that over the last couple of days this whole business of the fiscal imbalance, as it applies to Newfoundland and Labrador, has been driven home quite well. Over the last few days we heard the Prime Minister of the country say to Newfoundland and Labrador "here is the deal, take it or leave it", an offer that does not see the province get 100% of its resources. It is an offer that breaks, in a very significant way, the Prime Minister's promise to the people of Newfoundland and Labrador during the election campaign.

The people of Newfoundland and Labrador were offered, as all hon. members are aware, a \$1.4 billion deal over an eight year period. If we failed to take that kind of a deal we were to have 100%, up to a \$234 million cap, neither of which, incidentally, is 100%.

Given the current price of oil, which is more than \$50 a barrel, the province's minister of finance has said to the people of Newfoundland and Labrador that if we were to sign that kind of a deal we would be leaving on the table billions and billions of dollars each year. I am given to understand that the people of Nova Scotia have rejected this offer as well, saying that it falls far short of what the federal government promised to the people of Atlantic Canada.

I want to give the House some idea of how far the deal falls short of what the Prime Minister actually promised to the people of Newfoundland and Labrador. For instance, in a year when the province takes in say \$500 million in oil revenues, it would get to keep \$234 million. That is less than 50%, which is a far cry from the 100% that we were promised.

Right now, after pumping oil for 10 years in Newfoundland and Labrador, the province only receives 14% of the revenues from its offshore oil while the Government of Canada and the oil companies get a whopping 84%.

Yes, what has been offered is an improvement in the current situation because wherein the lion's share of the offshore revenue is clawed back by Ottawa through reductions in equalization payments, but it is not 100%. Let us make no mistake about it, 100% of the offshore oil revenues is what the Prime Minister promised during the election campaign.

What happened between the Prime Minister's election promise and his very different written offer of October 14? Rising oil prices is what happened; rising oil prices and the unwillingness of the federal government to let any cash windfall accumulate in the economy of Newfoundland and Labrador.

The federal government is somehow of the opinion that if Atlantic Canada is kept dependent upon the federal government then come election time it will have a lever to use against the people in these areas. Somehow it is a positive and the government will be the recipient of the seats in Atlantic Canada by keeping Atlantic Canadians dependent on the federal government.

In his public statements during the election campaign, the Prime Minister talked only of Newfoundland and Labrador receiving 100% of its offshore oil revenues. However, with oil at more than \$50 U.S. a barrel right now, the Prime Minister saw fit to introduce a few constraints on his election promise.

*Supply*

• (1135)

We are talking about a very complex issue here. I am convinced that the minister who represents Newfoundland and Labrador does not really understand the offer that has been made by the federal government. If the minister understood what the federal government was trying to do to Newfoundland and Labrador he would not be considered today, back in his home province, as the Benedict Arnold of Newfoundland and Labrador politics.

If the minister is listening, let me explain to him in 60 seconds what the federal deal is all about. The Prime Minister said that we can get 100% only until our province's fiscal capacity equals that of Ontario, but Ontario's fiscal capacity is based entirely on the performance of its economy. If the fiscal capacity of Newfoundland and Labrador were based only on the performance of our economy, we would be getting 100% of our offshore oil revenues forever and a day. It would never kick in.

However, what the Prime Minister has done in his offer, is he has artificially jacked up Newfoundland's fiscal capacity by adding in our current equalization payments and the modest offshore revenues that we get right now. He has added all that to our fiscal capacity to try to bring our fiscal capacity up closer to Ontario's. It artificially puts us closer to Ontario's fiscal capacity. It takes only a modest gain in offshore oil revenues to bring us up to Ontario's fiscal capacity, at which point the clawback provisions of the equalization act would kick in again and all our revenues would be flowing right back to the federal government.

Ontario's fiscal capacity is based on its actual revenues. However when the Prime Minister artificially jacks up our fiscal capacity by adding in our equalization payments and adding in the modest revenues that we receive in offshore oil revenues now, then our fiscal capacity comes very close to what Ontario has right now.

The Prime Minister made his offshore revenue promise at a time in the election campaign when things looked pretty bleak for the Liberals, when even our seven seats in Newfoundland and Labrador meant a whole lot to the Prime Minister of Canada.

Today I am calling upon our five Liberal MPs from Newfoundland and Labrador to take their lead from the provincial Liberal Party of Newfoundland and Labrador and the NDP of Newfoundland and Labrador which have both come out behind the Premier of Newfoundland and Labrador in his quest to get a fair deal for our province.

I give full marks to the Liberal Party provincially but I give zero marks to Newfoundland's federal MPs who do not have the courage of their convictions, do not have the courage to stand up for the Province of Newfoundland and Labrador.

We were never in a better position. We now have a minority government in the country. Before this time our seven seats meant nothing to the federal government because it always had 170 to 180 seats. Today, however, our five seats from Newfoundland and Labrador mean an awful lot to the federal government. The five Liberal MPs representing Newfoundland and Labrador can make or break the government if they want to use their clout effectively.

I am calling upon those five Liberal MPs to do what is right for the people of Newfoundland and Labrador. We have been the victim of the government for far too long. It has ruined our fishery and it has broken its promise on custodial management. Ten per cent of the people in Newfoundland and Labrador have moved out in the last six year period.

• (1140)

This is our only chance to get a fair deal in Confederation. How dare the Prime Minister of this country tell the people of Newfoundland and Labrador that they can get 100% of their offshore revenues, and then turn around and do something different. This is not fair to the people of Newfoundland and Labrador. The five members will pay if something is not done to make this deal a fair one.

• (1145)

[*Translation*]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Madam Speaker, I thank my colleague from the Conservative Party of Canada for his excellent speech. I, like him, share the outrage of the people of Newfoundland at their cavalier treatment in connection with the election promises made by the Prime Minister. I do not know what is going on with this government, but in recent days it has shown considerable insensitivity to the regions of Canada. We share our colleague's frustrations.

I have heard what the parliamentary secretary has had to say, listing every defect in the world that the Bloc Québécois and Parti Québécois could possibly have, and coming out with a pack of falsehoods. I do not know if that is the standard approach of that party, to try to convince the public through falsehoods, but I think this time they have gone a bit too far.

According to him, the Liberal Party in Quebec took over the finances of Quebec when they were in a lamentable deficit state. When the Quebec Liberal Party, Mr. Charest's party, came to Quebec City, the Parti Québécois had already set Quebec's finances straight, and there was a balanced budget. When the Parti Québécois came to power in 1994, after the Liberals had been in government for two mandates, the deficit was \$5 billion, so that deficit was in fact a legacy of the Quebec Liberal Party.

So the situation is the exact opposite of what he says. It would be a good idea to get the facts straight before coming out with just anything, or with out and out lies.

Speaking of good management, I would like to ask a question of my Conservative colleague. The Liberal Party boasts of its good management of public funds. If we look at the figures for the last five years, there has been a 39% increase in operating expenses, the whole sponsorship business and other things. Does he share the opinion of the secretary of state and the member for Outremont? The latter has just spoken about good management, but his approach was a bit rusty. He has been out of politics a bit too long. He also took a wrong approach altogether, and that too is the standard Liberal approach.

I would like to hear what my honourable colleague has to say about this.



[English]

**Mr. Norman Doyle:** Madam Speaker, I must confess that I am not fully versed on what was said before I came to the House today, but I can easily understand where the Bloc is coming from on this particular issue.

Quebec is a lot like Newfoundland and Labrador in that regard. It has been the victim of the fiscal capacity for quite some time and it, like us, has been the victim of threats from the federal government. When we speak of threats, I am appalled at what I am reading here today and what was passed to me a few minutes ago.

I am totally appalled that the Prime Minister's Office would stoop to the level that it is stooping with regard to this offer that is on the table for Newfoundland and Labrador.

The Prime Minister's Office is warning that Newfoundlanders will be the real casualties in the anti-Ottawa crusade that Premier Danny Williams launched this week when he walked away from the first ministers' meeting and accused the Prime Minister of lying.

He is making a mistake of historic proportions and he is doing it on the backs of Newfoundlanders and Labradorians, the Prime Minister's spokesman Scott Reid said yesterday. He may get some short term gains, but he will pay for this, he said, in the long run. At stake, said the Prime Minister's Office, is the billion dollar plus deal that languishes on the negotiating table, and the problem that the premier will have eventually is that the truth will get out and he is going to pay for what he has done to the Prime Minister.

Can you imagine, Madam Speaker, in this day and age, is that not a sad commentary on federal-provincial relations? We have the premier of a province working hard, passionately for the people of Newfoundland and Labrador, to get the people to the point where at least they are staying home and that the province is not losing its population in such a very real and serious way.

Can you imagine, Madam Speaker, the Prime Minister's Office today issuing that kind of a release, warning the people of Newfoundland and Labrador that if they do not kowtow to what is being promised, they will pay for it in the long run? Is that the state of federal-provincial relations to which we have come to in the country, where the Premier of Newfoundland and Labrador is not free to hold the federal government to the promises it made to the people in the election campaign without being the victims of a threat from the Prime Minister's Office?

How dare the Prime Minister of this country and his office use the office of Prime Minister in that way, to threaten Newfoundland and Labrador. This is a sad day for the people of Newfoundland and Labrador and instead of the people of Newfoundland and Labrador paying, let me assure the Prime Minister that he will pay in the long run.

• (1150)

[Translation]

**Mr. Jack Layton (Toronto—Danforth, NDP):** Madam Speaker, the New Democratic Party will be supporting the Bloc Québécois motion. It is an excellent initiative, and we congratulate the Bloc on the introduction of this motion.

### Supply

Liberals keep denying any fiscal imbalance, but the average citizen knows it exists, because he can see it in everyday life. It is obvious to the homeless on the street, and it was even more obvious when homeless people died in our communities because the federal government stopped building public housing. Waiting lists in hospitals are another sign. Citizens are affected in their daily life by the fiscal imbalance. This is not a discussion for professionals only; it concerns the average citizen.

Setting up a special committee to look into this matter is a good idea. We will want to contribute and help find the truth and suggest the viable and specific remedies we need now.

[English]

It is not the first time that such a committee has been established. I have with me the committee report on federal-provincial fiscal arrangements which was established in the early 1980s and reported out in 1983. All of the documentation is here. My colleague from Elmwood—Transcona represented our party on that committee at the time. That investigation came to some very important conclusions, the first of which was that the fiscal arrangements between the federal and provincial governments at the time needed some fine tuning but were working reasonably well. The committee concluded that the task force did not interpret current challenges to the system as calling for fundamental change in existing arrangements nor did it consider dramatic innovations necessary or appropriate at present.

About 10 years later the Liberals came to power and ignored the study's recommendations. Through the 1990s they engineered the most fundamental transformation of the financing of services to Canadians that has happened in several decades. The Liberals exercised what I would call cruel brilliance.

Under the guise of defeating a growing deficit and attacking the debt, the federal government passed responsibilities to the provinces and the municipalities at a rate that had never before been seen in this Confederation. In fact, the consequences are still being felt in our communities today, and that is the very reason why we are having this debate and why we are facing a critical situation.

The Liberals managed, through unilaterally transforming the entire structure of federal-provincial financing relationships without consultation, to leave provinces with, on the one hand, more responsibilities, and on the other hand, fewer resources available to attend to those vital responsibilities.

Some provinces, intent on implementing exactly the same ideological position that the federal government and the finance minister of the day in particular was pursuing, simply passed on exactly the same kind of fiscal transformation to the municipalities.

As a result, over the last decade we have seen a growth in indebtedness at the municipal level across the country. We have seen the provinces struggle to manage the responsibilities that have been left to them by the federal government with inadequate support. Mostly though, Canadians have experienced in their daily lives a deteriorating quality of life because of those very decisions. We must take a look at some of the examples and I will get to those in a moment.

### Supply

The Liberals in power took the whole concept of the trickle down philosophy of economics and transformed it into force it down their throat economics. The provinces in this federation and the municipalities in our country had never asked to be charged with the responsibilities left to them by the federal government. That is why we have a growing crisis at the municipal and provincial level.

I salute Quebeckers for having brought this issue forward in such a forthright way. I salute the people of Newfoundland and Labrador who are now standing firm for their rights, calling for the crisis that they are facing with the federal government to be attended to.

Before I go further into the issue of the fiscal imbalance and the impact it is having on people's daily lives, I want to draw to the attention of the House remarks concerning the crisis in Newfoundland and Labrador. I was shocked to read the following statement about the Premier of Newfoundland and Labrador in today's newspapers:

He may get some short-term gains but he'll pay for it in the long run.

It went on to say:

The problem that the premier will have eventually is that the truth will get out. And \$1.4-billion or twice that perhaps will not end up in the pockets of Newfoundlanders for the sake of his ego and his political ploy.

• (1155)

What an outrageous statement for a spokesperson from the Prime Minister's Office to make about a premier of the country. This is bully politics. This is arrogance at the highest level. This is a slap in the face to a whole community which is trying to come to grips with the fact that there are resources offshore that could help take the communities of Newfoundland and Labrador out of the terrible situation in which they have found themselves for so many years. They are suffering under an economic maldistribution that leaves their citizens in a troubled situation.

Much of this applies to other provinces in Atlantic Canada. Right now we are singling out the situation in Newfoundland and Labrador. We have seen similar consequences in provinces such as Nova Scotia or New Brunswick, where fully one-fifth of the population now lives below the poverty line. Why? As the member for Acadie—Bathurst has mentioned to me, because the federal support and transfers for the social programs, the social infrastructure that gave us a high quality of life relative to other countries, has been decimated.

Let us come back to the consequences of these cuts. First, let us talk about education and finance.

The federal government unilaterally, without any agreement from the provinces, has withdrawn funding from post-secondary education financing at a horrifying rate. Approximately \$7 billion has been removed. The results end up on the shoulders of our students, our youngest and our brightest. They are the people who we are trying to send forward into our economy, our communities and our society with some sense of optimism and hope and with the capacity to use the education they have just received. Instead, because of the federal government's unilateral actions, students are arriving in the workforce with a debt on their shoulders which is absolutely crushing.

The Prime Minister and his team may be proud of the fact that they have transferred debt from the nation as a whole, which resides

on the shoulders of each and every Canadian and our great assets, to the backs and shoulders of the youngest and the brightest students. This is placing a millstone around their neck as they move from their educational career and training into trying to become contributors in our society.

The federal government may be proud of that. It may want to trumpet on a day in and day out basis, especially tiresomely during election campaigns, that it has wrestled the deficit to the ground. However, the cost of that effort was transferred to the shoulders of young people. It is now transforming our society into one where we have to seek out trained and skilled labour because our young people are increasingly becoming incapable of responding to the needs of the modern economy. This is short-sightedness at its worst.

When we turn to the issue of education, we see that the consequences of the fiscal imbalance has ended up affecting our youngest, our brightest, those to whom we should be giving as much hope, enthusiasm and support as possible. Instead, as a result of this situation, we are doing the opposite.

Second, let us turn to child care. Great hope was put in the minds of Canadians from coast to coast to coast in the election campaign of 1993, when after years of New Democrats being the only ones to really talk about child care on a pan-Canadian basis, we finally had the Liberal Party promising Canadians that it would initiate a program. In fact the candidate for prime minister at the time put considerable emphasis on this campaign promise. Little did Canadians know that he would turn right around and ignore that promise for 11 years and leave them in the lurch.

As I have mentioned before in other commentaries, I spoke to a young man who answered the phone when I called for a cab. He described the situation where he and his wife were very excited about the promise of a national child care program in 1993. She decided to study early childhood education. They had decided to have a family because they thought they would have access to child care.

• (1200)

Eleven years later he said that I should do whatever I could do to hold the Liberals to their promises because they had let his family down. His wife was unable to work as an early childhood educator, as she was trained to do, and ended up having to stay at home to look after their kids. They could not afford child care.

This is the kind of impact the failed promises, the broken promises and the transfer of responsibilities or leaving the responsibilities to the provinces and the municipalities, without the additional financial wherewithal that is required, has had on thousands of lives. It is not an academic exercise. This is not something for debate only between economists as though it is too esoteric for the average person to understand. The average person understands this very directly.

Let me turn to another example, the investment in communities and their infrastructure, such as public transit.

*Supply*

In the 1993 red book there was fanfare about the investment programs and infrastructure that would follow. Indeed, there were a number of programs. They would be announced in one election and would be delivered just before the next election so there could be some ribbon cuttings for the various members who wanted to take credit.

What we saw at the municipal level over the years was a steady decline in the size of those infrastructure programs. Meanwhile, there were rapidly increasing requirements for infrastructure across the country as our cities grew. The consequence of this was that people's property taxes had to go up. The federal government might have been claiming credit for wrestling a deficit to the ground and it might have been very happy announcing the largest tax cuts to the affluent and the large corporations in the history of the country. However, on the backs of ordinary Canadians, it was building up a property tax burden that it could not sustain.

In addition to that, what communities began to face was a deteriorating infrastructure, sewers, potable water, public transit systems and roads, housing and other forms of infrastructure, so much so that our cities began to be removed from the lists of the prime places to invest, the prime places to have conferences internationally and the best cities in the world. We began to fall off of those lists.

Did the federal government pay any attention? Did it reverse the trend? Absolutely not. What we saw once again was a fanfare, an election promise, 5¢ per litre of the gas tax. I know quite a bit about this 5¢ per litre. I was the president of the Federation of Canadian Municipalities at the time the promise first began to be made. We demanded it. What we have seen is a steady erosion ever since election day on the 5¢ per litre of the gas tax. We are now down to some small portion of the gas tax that may flow at some point in the future once agreements and talks are finished.

For heaven's sake, that sounds a lot different than what we heard from the Prime Minister during the election campaign. He gave Canadians his absolute word that they would receive 5¢ per litre of the gas tax. That is only half of the excise tax. Let us remember there is a GST on top of that which the federal government is pocketing and using for its tax cuts for its friends or misspending, as we have seen in so many ways this government do. No wonder Canadians are coming to grips with this and saying, "Something has to change".

The investment in the cities has to be transformed and that can be done in collaboration with provinces. It should address issues like housing, water, other forms of pollution to cut back on smog, transit systems, et cetera.

In the investigation that this committee conducts, we will be ensuring that the voices of communities will be heard, as well as the voices of provinces. That is absolutely vital. It can be done in the context of the responsibilities of our provinces without difficulty. We saw that happening, precisely, around the issue of housing when finally we were able to extract a few pennies from the federal government after a long effort at the municipal level and provincially. We were able to come to a workable relationship, including a very creative approach that was adopted in Quebec, which then became the leader on the production of social housing using the federal moneys.

●(1205)

Anyone who says that federalism stands as an obstacle to the achievement of these kinds of goals involving asymmetry to recognize and salute the achievements and possibilities in Quebec and anyone who says that we cannot accomplish such things is not looking at our best examples of achievement.

I hope that in addition there will be some attention paid to the way in which the federal government has stolen the employment insurance surplus year after year, billions of dollars of money that were there to protect workers when they fell on hard times and lost their jobs. If we look at the fiscal imbalance, a big part of it is represented by the way in which those funds, instead of being made available to workers and their families when they needed them, were stolen by the Prime Minister. They were stolen in a metaphorical sense by the government, placed against the deficit and the consequence of this was very severe.

First, people fell into poverty much more rapidly. They were unable to feed their kids. Second, provinces had to come back in with welfare and social assistance programs to backfill the funds that were not available because employment insurance payments were not available. That drove up the costs facing the provinces.

I remember this well because I served on the council of Metropolitan Toronto at the time. It was responsible for making out these payments. The consequence of the unilateral action of the federal government on employment insurance, by cutting off the benefits to which workers were entitled therefore generating a surplus that it could lift and put against the tax cuts for their affluent friends, was that welfare bills rose dramatically and people suffered. We had to raid the account that we had put aside to get new landfill and new waste management facilities to pay welfare. This is the kind of consequence that the downloading, the ramming down the throat approach to fiscal management the government, has produced.

I could mention a number of other areas. Certainly, we could focus on the issue of health. The government adopted a particularly cynical approach. Cut back the funding of health so dramatically that people will begin to notice the consequences in their daily lives and wait until the hue and cry has risen to a point where people demand that it be fixed and then come in and offer some cash to attempt to fix it. This is the most cynical manipulation of public opinion in Canadian history. Cutting the funding of these essential services, creating the waiting lists, creating the pressures and problems, only to come back and offer a solution later. Create the crisis, offer to solve it. This is not the way to go.

The New Democratic Party of Canada will be there, active on the committee. I hope the House will decide to adopt the recommendation of the Bloc Québécois. We certainly intend to do our share to raise these issues and others and generate the reforms that are required.

*Supply*

• (1210)

**Hon. Shawn Murphy (Parliamentary Secretary to the Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, I listened to the remarks of the hon. member for Toronto—Danforth who indicated, first, that the NDP would support the motion. I listened to his rationale and I did not get anything in it that gave any reasons why the motion would be supported. It is my understanding that the motion calls for a transfer of moneys from the federal government to the provincial government. Each level of government would have its own responsibilities and would have the capacity to tax basically on the same levels.

To give an example, the federal government over the last five years reduced taxes by approximately \$100 billion. Every provincial government could have filled the vacuum if they had wanted to so. In the province that my learned friend comes from, Ontario, what did it do? It lowered taxes. How would the pass of this motion five years ago have any effect? My learned friend does raise a very good point. There is a fiscal imbalance in Canada between the provincial and the federal governments on the one hand and the municipalities on the other. That goes back to our history. Municipalities do not have the taxing power to fulfill the needs that they are required to do.

If we pass the motion, if money were given to the provinces, how would it help homelessness, or students, or the environment or child care? I listened, but I do not understand the rationale behind the member's argument.

**Mr. Jack Layton:** Mr. Speaker, one thing that is for sure is that leaving things as they are is not going to solve the problem.

The House of Commons must take control of this issue, conduct a systematic and thorough investigation about what has happened and propose some solutions. We are certainly not getting solutions from the government. Promises, yes, I will grant that; we have had a list of promises as long as my arm from the government, only then to see those promises broken time after time. Sometimes it was over a period of years, even decades, as in the case of child care.

Our approach on this committee will be to get to the bottom of the fiscal imbalance that exists, which has been created as a result of the policies of the government. We will dig down and find out exactly what is required at the provincial and municipal levels. Then we will construct recommendations about how the House of Commons and ultimately the Government of Canada can take the sort of initiatives that will solve the problem.

We do not share the view that there should simply be a transfer of absolutely massive amounts of sums from the federal government without any requirements whatsoever so we are left with virtually nothing to do at the level of a nation such as we have here in Canada.

We believe it is important to have some objectives for our country. These would be objectives like being the leader of the pack when it comes to the environment and pollution control. These would be objectives like having a larger percentage of our citizens adequately and properly housed than is found in other countries. There should be an objective to get us in the front of the pack when it comes to early childhood development. The OECD has told us that we are way at the back of the pack. There should be an objective for us to be at the forefront on issues like Kyoto, instead of at the back of the pack, again as identified in the OECD report.

We want a status where we have the best quality of life as the Prime Minister once upon a time used to crow about. We have lost that under the custodianship of this particular administration and its predecessors.

We want to get to the bottom of how we can get back into the game and make Canada work again. That is the objective of the efforts of this committee. It will involve taking a look not only at what the provinces are facing and what they require but also those of the municipalities.

I hope the member will now understand that doing nothing would not be a solution.

• (1215)

[*Translation*]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, I thank the leader of the NDP for supporting the motion of the Bloc Québécois concerning the subcommittee on fiscal imbalance. We appreciate his support and are prepared to work seriously with the member representing the NDP on the Standing Committee on Finance.

I am less thrilled by the reaction of my Liberal colleague to the remarks of the leader of the NDP. As we have said repeatedly to the Minister of Finance, the Prime Minister and all Liberal members, it is totally irresponsible to suggest that the provinces should raise their taxes to deal with the fiscal imbalance. It is irresponsible, and it is collective blindness on the part of the Liberals. We are among the most highly taxed in the world. If \$9 billion was accumulated in surplus during the previous fiscal year and another \$11 billion or \$12 billion will be during the current fiscal year ending on March 31, 2005, it is because there is only one taxpayer being overtaxed.

To suggest, like the Liberals, that provincial taxes be raised in Quebec and in the rest of Canada is irresponsible and incompetent. What we need to do is to restore balance. At present, the tax base is predetermined. Balance needs to be restored in favour of the provinces, which are ultimately responsible for delivering the services.

There are not that many ways to go about it. Cash transfers will not do; that time is past. Tax fields need to be transferred and provincial autonomy has to be ensured, so that the provinces can exercise their constitutional jurisdiction in health, education and income support, among others; they have to be autonomous. Predictability is also essential. We can do without having to deal every year with an uncompromising Prime Minister who laughs at people's expense, as he did with the people Newfoundland, has no respect for taxpayers and tells them any odd thing about the annual surplus. We have to move away from that and ensure that revenues are sufficient, predictable and stable. This will spare us two or three first ministers conferences a year ending in failure, like the latest one, two days ago.

**Mr. Jack Layton:** Mr. Speaker, I thank the member for his question and comment. There will be not only good debates in this committee, as the Bloc motion proposes, but also important debates to find the solutions that we need now.

*Supply**[English]*

I particularly want to indicate that we will be very active on this committee when it is set up, and I hope it will be as a result of this motion. There will be some disagreements, no question about it.

For example, it is unlikely that we would support massive reallocations of tax points from one level to another. We believe that as a country we need to have some broad objectives that we pursue together.

In fact that philosophy of flexibility in our federalism, the use of the financial capacities of the federal government merged with the provincial competencies for delivery, and even the local and municipal abilities to deliver solutions in so many areas, is the place where we find the best solutions to the problems facing Canadians. One could mention the medicare system. One could certainly mention affordable housing and many other examples.

We look forward to those discussions. We think that they could help to renew our federation in a way that needs to take place. We will be very active in that process.

• (1220)

*[Translation]*

**Mr. Yvon Godin (Acadie—Bathurst, NDP):** Mr. Speaker, I am pleased to ask a question of the NDP leader. Our colleague from Prince Edward Island told us that federal transfers to the provinces are not solely the federal government's responsibility. However, what is the federal government's responsibility? What responsibility does it have?

I give you an example. Currently, New Brunswick holds a record in the sense that 111,000 people out of a total population of 720,000 live below the poverty line. In the meantime, the federal government has surpluses totalling \$9 billion and, every year, steals \$270 million from New Brunswick as well as Prince Edward Island in employment insurance. The provinces are tired of this. This is what is happening now. The provinces are tired of the stealing that occurs at different levels, and people are paying the price.

I would like to get comments on this, because it does not happen only in Ontario, Quebec or Alberta. There are other provinces in the country, and people feel that they are being abused by the federal government.

**Mr. Jack Layton:** Mr. Speaker, I want to thank the member for Acadie—Bathurst for his comments.

*[English]*

It is true that the consequences of the decisions of the last decade have ended up on the backs of ordinary Canadians. The hon. member described the impact on the constituents of New Brunswick, and the fact that such a high proportion of them are now having to live in poverty. This is a direct result from the decisions that were made that created the fiscal imbalance, the decisions to shift the resources that belong to Canadians to those who already have, the people at the top, to take it from employment insurance, out of programs that Canadians relied on, out of support that should have been there, and put it on the backs of—

**The Deputy Speaker:** The hon. member for Portneuf—Jacques-Cartier on debate.

*[Translation]*

**Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ):** Mr. Speaker, this morning, in the Standing Committee on Finance, we hosted the Finance Minister. I heard our Liberal friends rejoicing, naturally, over budgetary surpluses. They were rejoicing particularly over the unexpected surpluses.

It is my intention, soon, to pay a brief visit to Laval University to meet with some of my former professors. Indeed, I feel that I could ask for a revision of some of my marks, because some of my mistakes were on the positive side, not on the negative side. I don't know, though, whether that will be allowed.

Fiscal imbalance has very significant consequences, on both democracy and accountability. What are the effects of fiscal imbalance? One of them, among others, is to put us in a situation where the federal government no longer knows what to do with its money. We are looking at more than \$60 billion since 1997-1998. These are numbers often repeated in this House, but I think it is important to repeat them. I hope that one day, our colleagues in government will finally understand them.

The Conference Board talks about \$166 billion over the next 10 years. If they were to be revised today, these numbers would continue to increase in light of the unexpected surpluses, which we had in the last budget year.

I spoke about democracy and accountability. The federal government has so much money that it does not know what to do with it. Instead of fully assuming its responsibilities in its own jurisdictions, the federal government invests in jurisdictions that come under Quebec and the provinces.

What is the result of this? During the years 1995-96, the federal government was making cuts everywhere in joint programs, with the result that all the provincial governments, and particularly the Quebec government, were blamed by their population, because they lacked money for health, municipalities and infrastructures.

To a large extent, the problems were not caused by how the Quebec and provincial governments were managing things; they were caused by the drastic cuts made by the federal government. This is really a lack of democracy. It was mentioned earlier that the taxpayer is the same one at every level. Our fellow citizens should know who deserves to be praised and who should be blamed. This is important.

The fiscal imbalance has a significant impact on the provinces' shortfall, particularly Quebec's. The most recent evaluation of the shortfall caused by the fiscal imbalance, and Quebec's most recent demands are presented, along with the dollar figures, in a document entitled "Correcting Fiscal Imbalance". That document was released when Quebec's most recent budget was presented, in March 2004.

### Supply

The demands relating to equalization or social transfers are quite similar to those of the Séguin commission. However, while advocating the transfer of tax fields as a basic solution to the fiscal imbalance, the Quebec finance department proposed, as an interim measure, to significantly increase transfer payments for health and education, and equalization payments. In total, the Quebec finance department proposed a \$7.2 billion increase in federal transfers across Canada.

As regards equalization alone, the federal government should invest over \$5 billion. This is taking into consideration the restoring of the 10 province rule, and a number of other amendments to the formula, to restore some tax fairness between Quebec and the provinces.

For Quebec, these proposals would amount to an additional \$3.3 billion for 2004-05 alone. This is, in essence, the shortfall caused by the fiscal imbalance in Quebec, as calculated by its government.

What we are proposing is relatively simple. We did not reinvent the wheel. First, as the Quebec government is requesting, there has to be a significant increase in funding, in the CHST, for example. It is indeed an option, but it is a short term one and it is far from perfect.

The best solution would be to stop the transfer of tax points to the Quebec government. This would give us a much better choice. Such a solution would enable the Quebec government to better predict its budget planning, because it would have its own revenues. This formula would help to balance the ability to generate revenues for the two levels of government.

• (1225)

These propositions would result in a global return of 26.7 tax points on the personal income tax. Quebec would then have an effective hold on the personal income tax field. The Quebec government would control 57.5% of personal income tax rather than the 42% it is controlling now. It is a very nice solution, but additional measures complement that.

We continue to say that it would be important to adjust the equalization payments calculations. Transfer of tax points alone would not do any good for some provinces, particularly for the Atlantic provinces. This is why we suggest that the increase in the ability to generate revenues created by a transfer of tax points not penalize the provinces by reducing the equalization payments. Those provinces have to have access to additional revenues to be in a better position to meet the challenge of growth and increase in the public expenses.

Myths about equalization abound. Unfortunately, it is often said that Quebec is the one benefiting the most from this program. True enough, Quebec gets 31.5% of federal transfers to the provinces, 43.7% of equalization payments and 24% of transfers for health, higher education and welfare, but when you figure out the per capita payment, it is about \$500, which is, as mentioned this morning by Michel Vastel, much less than what the Atlantic provinces, Manitoba and Saskatchewan are getting.

Although 24% of total federal spending is in Quebec, which reflects Quebec's demographic weight in Canada, we are not as elated when we look at the nature of this spending. Quebec does not

get its share of job and wealth creating spending. For example, it does not get its share of grants to businesses. It is far from getting its share of federal spending on goods and services. Research and development spending generates jobs and knowledge and brings quality jobs and wealth to the communities. I will not even mention federal jobs, which are concentrated in the Ottawa and Ontario area.

Those policies have made Quebec poorer, and we are now receiving more equalization. If the federal government had implemented other policies, Quebec would not be getting as much equalization and I, for one, would be very pleased.

For instance, if the number of federal public servants in Quebec were in accordance with its demographic weight, \$812 million more in salary would be paid to about 15,500 civil servants in Quebec. Those are good jobs. I would not call equalization what is grudgingly granted to us at a conference where such figures are used despite important consensus in Quebec on this issue.

In research and development, the federal government has set up 57.7% of its research centres in Ontario, compared with a mere 19.6% for Quebec. The difference is \$800 million. Ottawa needs to change those policies if it truly wants to be fair to Quebec and the provinces.

Quebec companies are receiving 18.5% of federal assistance to businesses, that is \$3 billion less than what is granted to Ontario companies. We are not talking about peanuts here—and I am sorry if that expression is unparliamentary—but about \$3 billion. So, it comes down to a \$200 million shortfall for Quebec also.

These policies have to change. Quebec must gain control over all its economic and fiscal policies and its programs to help businesses and constituents alike.

Tax point transfers were mentioned earlier, and I said that we had not reinvented the wheel. Canada faced a similar situation at the end of the second world war. At the time, the fiscal imbalance issue on which Ottawa and the provinces disagreed led to the 1956 report of the Tremblay commission. It is nothing new.

• (1230)

That commission proposed to the federal and provincial authorities that it agree to a new division of tax fields better suited to the present needs of the public and the public administration, and more respectful of the spirit of federalism and the Constitution. That was 48 years ago.

Unfortunately, even then the government did not always heed commission recommendations. For a number of years, rather than follow that direction, the government began to set up a number of cost-shared programs. It did not take long to realize that the solution did not lie in injecting funding on a cost-shared basis.

*Supply*

This led to the 1964 federal-provincial conference, where at the insistence of Quebec, which once again—with the credit going to Jean Lesage—demanded more access to income tax, tax points were indeed transferred. This solved the problem for thirty years or so. Now for the situation we find ourselves in today.

I believe that one of the major causes of fiscal imbalance is the federal spending power. The government has used that power for several decades to interfere in jurisdictions belonging to Quebec and the provinces. For evidence of this, one need look no further than the Speech from the Throne.

Where do the priorities of the representatives of this government lie? They tell us often enough, and delight in doing so. I do not delight in hearing them; they are a disappointment to me, but not to them. These are all areas over which Quebec has jurisdiction: municipalities, early childhood services, health, education. Even without our signature on the Constitution it seems to me that, if there is one area of jurisdiction that clearly belongs to Quebec and the provinces, it is education.

This federal government absolutely must take action on the fiscal imbalance, must start transferring tax points so that Quebec and the provinces are able to properly administer the services for which they are responsible and properly serve their citizens, within a system that is both more transparent and more democratic, one where people can see whom to praise and whom to blame. Unfortunately, that is not the case at present.

I am not at all used to giving 20 minute speeches in the House, so I must admit that I have rather lost track of time. I have no idea how much time I have left. I believe I may have quite a lot.

**An hon. member:** Quality is what counts.

**Mr. Guy Côté:** Quality indeed, thank you for that.

The thrust of my speech is that we need a system that is more transparent and more democratic. It was incredible to hear the Minister of Finance, this morning, tell us, “Yes, indeed, estimates are not an exact science and there may be errors. A small error of 2% may have an impact of \$300 million”.

Since I see that I have six minutes left, I think that I will start to speak much more slowly. It has often been said that experience is the sum of our errors. I will tell you that I am getting a lot of experience at this time.

Indeed, if estimates are not an exact science, we are still seeing a systematic underestimation of revenues by the government. If, during the 1970s and 1980s, we saw most optimistic forecasts that brought repeated deficits, year after year, this government has taken exactly the opposite direction by both constantly underestimating its revenues and overestimating its spending.

There is only one taxpayer. This taxpayer must know what will be his contribution to the various services that the state will provide him. For example, we talked about employment insurance. This is incredible. Employment insurance has become a hidden tax, an employment tax.

● (1235)

The employment insurance fund has huge surpluses year after year, while these surpluses should go to workers, to people who contribute to this fund and who need it when they go through much more difficult times.

Through accounting gymnastics, the Liberal government manages to get these surpluses and to use them, among other things, to reduce the debt. This is outrageous. It is attacking people who are at a disadvantage and in a crisis situation, who have families and children, who have mortgages, and it tells them, “You have not asked for employment insurance for a number of years, because things were going rather well. You had a job, you do not meet the requirement of 910 hours and, thus, you will not get an income”. The government has huge surpluses. It does not know what to do with them anymore.

The federal government must take care of its own jurisdictions, and not intrude in Quebec and provincial jurisdictions. We see this again here in this House. In the last couple of days, we have heard a lot about the Canadian armed forces, and many parliamentarians have talked about the shortfalls in their financing. I am telling you that if the government was taking care of its own jurisdiction without intruding in the jurisdictions of Quebec and the provinces, the armed forces would probably be much better equipped and the Liberal government would focus on solving the problems that are truly Canadian instead of intruding in Quebec and provincial jurisdictions.

We attended a federal provincial conference on equalization yesterday, and I must say that we were quite disappointed with the Prime Minister's attitude. Under the guise of openness and cooperation, the Prime Minister made a speech in which he is not giving one more cent to equalization compared with the figures given at the last conference on health held in September. There is no change in the calculation formula, which penalizes Quebec and prevents it from making consistent forecasts and knowing exactly what its budget will be in one, two or three years. This forces the Quebec government to beg the federal government for money, and this is not healthy.

Quebec, like the other provinces, must be able to manage the areas under its jurisdiction and tell its fellow citizens “this is what we have to offer in the areas of health, education, social assistance and early childhood services.”

We are talking about a national child care program. For seven years, two of them as chairman, I sat on the board of a day care in Quebec. It was a fantastic experience. It is a fantastic model. I will never stress enough how afraid I am that the Liberal government across the way might barge in with a one size fits all program that will undo all the progress we have made in Quebec since 1995, if my memory serves me right.

*Supply*

Not only it is planning a one size fits all daycare program, but if we go back a few years, when the \$5 dollar a day daycare program was introduced in Quebec, Quebec families lost their federal tax deduction. Since 1995, around one billion dollars has been taken out of Quebec tax payers' pockets. The Liberal government is aware of the fact. Nevertheless it has done nothing to address the problem. It would not take much though. If the government really cared and wanted to cooperate and help, it would help those people get back the money owed to them.

I understand I have about one minute left. Let me conclude by reminding the House that the fiscal imbalance is not only about money, it is also about democracy and accountability. People must know how their tax dollars are spent.

• (1240)

[English]

**Hon. Shawn Murphy (Parliamentary Secretary to the Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, although I do not agree with everything the member said, I certainly was impressed with the way he presented his argument.

I listened intently to the argument and it seems to me that the member is still confusing fiscal imbalance with government policy. He made the statement that the federal government, whether it was good luck, good management or inaccurate forecasting, had a \$9 billion surplus and it did not know what to do with it. The government, of course, paid down the debt, which I certainly support.

I want to point out to the hon. member, as he pointed out to the House, that the government has paid down approximately \$60 million in debt over the last seven years. As anyone who has been here for a few years knows, when the previous government was in power at the end of 1993, debt was accumulating at the rate of \$3.5 billion a month. We have seen what can happen when a government loses the fiscal and monetary policies at its disposal.

I want to point out to the hon. member that at present, and this is a fiscal imbalance, the accumulated debt of the federal government is \$501 billion and the accumulated debt of all 10 provinces is \$281 billion. That is a very serious imbalance, although I do not refer to it as a fiscal imbalance.

When the member talks about our policy, he makes the arguments, and they are good arguments, although I do not support them, that federal taxes are too high and that the government should not be as involved in some of the horizontal issues, such as health care, child care and infrastructure, as it is. However that does not support the proposition that the federal government should transfer large sums of money to the provinces.

Over the past five years we have had a situation in this country where the federal government has lowered taxes considerably for every person in Canada, including the people who reside in the province of Quebec. If the province of Quebec needed more money, as in any other Canadian province, why did it not just fill the vacuum by raising taxes so it could provide the services for the people who live in Quebec?

• (1245)

[Translation]

**Mr. Guy Côté:** Mr. Speaker, I thank the member for his excellent questions. Let me point out that we are not talking about a mistake in one year. I can understand that budgetary forecasting is not an exact science and that, in a given year, there be a discrepancy of so much. That is perfectly understandable and, unfortunately, it is almost a given.

In this case, however, we are talking of systematic errors, year after year. Indeed, for seven years in a row, there have been unexpected surpluses much higher than the budgetary forecasts made by various finance ministers.

**An hon. member:** Including the Prime Minister.

**Mr. Guy Côté:** That is correct, the Prime Minister was finance minister at that time.

Our Liberal colleagues opposite boast about their sound fiscal management and about extricating Canada from a very difficult budgetary situation. Our Liberal colleagues did not do this on their own. They did it by having the unemployed pay the deficit, by cutting benefits. They had sick people pay the deficit, by cutting health transfers. They had the provinces pay, by cutting equalization payments. They reduced it at the expense of the poorest, by cutting social transfers.

In the meantime, this government, which boasts about its sound management increases its operating expenses by 38%. All that we ask the federal government to do is manage the federal government and let the provinces manage their areas of jurisdiction. Let it mind its own business. That's not complicated.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Mr. Speaker, I would like to congratulate the hon. member for Portneuf—Jacques-Cartier on his presentation, which I found very interesting.

I agree with his comments about the Liberal government's bad management. We know full well that at the beginning of the year billions of tax dollars were cut from major profitable companies in Canada. Meanwhile, we know full well that in our communities across Canada people are suffering a great deal.

In my riding of Burnaby—New Westminster, St. Mary's hospital, a major hospital, closed its doors. We lost this hospital because of federal cuts and bad decisions by the provincial government. When I talk to people in my riding, I see to what extent young people feel abandoned by this government. The leader of the New Democratic Party talked about this earlier. The burden is on young people and students who now have to face debt in the tens of thousands of dollars. In my region of greater Vancouver, the number of homeless people has tripled in three years because of cuts at the federal and provincial levels and the existence of this fiscal imbalance.



There are so many crises—in the environment and employment insurance. Maybe it was not such a bad idea to change the name from unemployment insurance to employment insurance, because employment insurance only insures those who have a job. If people lose their job, they are no longer insured and they no longer have access to the money that is supposed to help them support their family.

Look at the situation with the Minister of Citizenship and Immigration. The waiting lists are getting longer.

My riding has felt the impact of all of this. I would like the hon. member for Portneuf—Jacques-Cartier to tell us what impact this has had on his riding and to describe what people are going through because of the fiscal imbalance and the fact that the Liberals are keeping the money for big companies, but also for themselves.

• (1250)

**Mr. Guy Côté:** Mr. Speaker, as you can easily imagine, the impacts are many and varied. I think in particular of two categories of citizens in my riding, namely youth and farm producers. I think of them for various reasons.

The cutbacks in transfers for education, health and social services have resulted in fewer services for the young people in my riding. My riding being primarily a rural riding with very few large commercial plants, a number of them sometimes have difficulty finding a job that is both rewarding and a quality job. Thankfully, many are successful.

As a result of the cutbacks, the Government of Quebec, like others, made cuts in health, as we know. This means that cuts were made in areas like drug and sexually transmitted disease prevention. It is much more difficult for the Government of Quebec to carry out its mandate because the federal government has made cuts.

Once again, the government is boasting about its good management. I would remind them that, while surplus forecast may not be an exact science, there are still ways to come up with figures that resemble reality. I will not go back too far, and I take this opportunity to commend the excellent work of my colleague from Saint-Hyacinthe—Bagot.

In 1999-2000, when the Liberal government predicted a surplus of approximately \$3 billion, we figured it would be closer to \$11.5 billion. What was it in fact? It was \$12.7 billion. The following year, in 2000-01, the Liberal government predicted a surplus of \$4 billion, while the Bloc Québécois estimated it at \$18.2 billion. The real number was \$18.1 billion. I could go on like this all the way to the current year, but I will stop here. This is no accident, but it keeps happening year after year. That is a shame.

If I were to go back to my economics teachers today and ask them to give me a better grade because my answer was off by only \$7 billion, but at least I was in the black, I am not sure they would agree.

[*English*]

**Hon. Shawn Murphy (Parliamentary Secretary to the Minister of Fisheries and Oceans, Lib.):** Mr. Speaker, a lot of discussion is taking place in the House and in the media right now regarding the fiscal pressures of the provinces and federal transfers.

### *Supply*

There is no question that these issues are very important to the governments of each of our 10 Canadian provinces and to all Canadians right across the country.

It is for that reason that we must be very clear when we use the term fiscal imbalance. I believe it is being confused with the whole term of horizontal fiscal imbalance, which does exist between the provinces. The government has been dealing with that issue very aggressively by ensuring all Canadians have access to equitable essential services. To do that the federal government contributes significant amounts to the provinces, including the province of Quebec, allowing them to better fund their provincial responsibilities.

However there is a significant difference from what is being proposed in the motion. What the motion suggests is that there is a vertical imbalance between the federal government and the provincial government. Simply put, this is not the case and cannot be the case under our present Constitution.

When the country was formed in 1867, certain powers were devolved to the federal government, such as defence, fisheries and oceans, and certain powers and responsibilities were devolved to the provinces, such as health and education. I will admit that in recent years a lot of the areas of the fastest growing responsibility are those areas under provincial responsibility.

However the important point that is being lost in this whole discussion is that under our Constitution the provinces and the dominion basically have the same taxing powers. If the provinces want to tax corporate income they can do so. It is the same for the federal government. Both levels of government can tax personal income, impose capital tax and impose taxes on consumption. In fact when we look at it, the taxing powers of the provinces are greater. They have lottery revenue and property taxes, but again, that is not a significant item for this debate.

In Canada, both the federal and provincial governments have access to all major sources of revenue. If the federal government and the provincial government can access the same tax bases, it is impossible to see how a vertical fiscal imbalance can exist.

The example I gave in a question to the previous speaker was that the federal government, whether it was right or wrong, decreased corporate and personal taxes over the past five years. If any of the 10 provinces wish, in their wisdom, to raise taxes they can do so. One can make the argument that taxes are too high, that federal taxes are too high or that provincial taxes are too high, but that is a policy issue. It has nothing to do with the whole concept of fiscal imbalance. There is no limit to the taxing power of any province.

Still, from province to province there are significant differences as to how much revenue they can potentially generate. That is where the imbalance exists, but that is a horizontal imbalance, which I suggest is being addressed very adequately by evolving federal programs. One clear example of this is the new health care deal which will see billions of federal dollars going to the provinces for improving health care across the country. As well, the government recently announced a new framework that will increase the support provided to provinces through equalization programs by \$33 billion over the next 10 years.

### Supply

The new equalization framework will provide predictability, stability and increased funding, all aimed at decreasing the horizontal fiscal imbalance that exists between provinces.

•(1255)

There are further programs that target areas of inequity such as child care, early childhood education, money for post-secondary education, cities and infrastructure. These plans have been developed in the framework of fiscal responsibility—

**Mr. Greg Thompson:** Mr. Speaker, I rise on a point of order. I have been listening to my hon. colleague with great interest, but I think the folks back home and some members in the House are somewhat confused by his definition of horizontal and vertical tax structures. Would the member explain that a little more carefully because I want to respond to that in questions and comments?

**The Deputy Speaker:** I am sure the hon. member will explain that perfectly as he continues. That is not a point of order, so we will hear again from the member for Charlottetown.

**Hon. Shawn Murphy:** Mr. Speaker, I am sure that if the hon. member has a question he will address it to me after.

In supporting the provinces the government transfers federal funds directly to Canadians. This is done through old age security, the child tax benefit and the Canada pension plan. These federal programs further improve the standard of living for Canadians living from coast to coast to coast.

A lot of the arguments that have been made here today have been policy arguments. They have been arguments about federal programs. In a lot of cases, they have been arguments about the lack of federal funding. Members do not want a decrease in the amount of federal funds going into certain programs but rather an increase in the amount of those funds. Housing was talked about as was poverty and child care.

Members have been arguing about waste and allocations vis-à-vis each separate province. The previous member spoke about the amount of research moneys going to Quebec. That is not a vertical fiscal imbalance. That is a horizontal issue between what a province is getting, for what purposes, and when. Those are policy issues that have nothing to do with the motion before the House.

If I read today's motion correctly it basically states that the federal government should transfer, with no strings attached, moneys to the provinces with no horizontal issues at all. I fail to see how anyone from Atlantic Canada could support this type of motion which would take away all the federal government levers to impose some of the horizontal issues that we are trying to impose right now.

I want to repeat something I alluded to earlier. Provinces have the very same taxing powers as the federal government to tax resources, consumption, corporate wealth, corporate income, personal income, property taxes and payroll taxes if they need those funds to provide services to their citizens.

There is a fiscal imbalance and that probably goes back to when our country was formed in 1867. This level of government did not exist in the same state as it exists right now with our cities and municipalities. That fiscal imbalance has evolved over the years. It is

my belief that right now our cities in Canada do not have the fiscal capacity to provide the services that their residents need.

I am not going to suggest here for a minute that the federal government is going to solve that issue. The program that was laid out in the Speech from the Throne will go a short way toward helping to resolve the issue of fiscal imbalance, but that will require further dialogue between the federal government, the provincial governments and the cities.

As I said before, I am splitting my time with the member for Mississauga—Streetsville. I would ask everyone in the House to think about the motion, think about its repercussions for our federation, think about its repercussions for the people living in the regions, and vote against the motion.

•(1300)

**Mr. Greg Thompson (New Brunswick Southwest, CPC):** Mr. Speaker, I listened very closely to the member and he said that there is no limit to the taxing powers of any province. Who but a Liberal could say that? Think about it. There is no limit.

He is here trying to confuse the public, and I might say members of Parliament, on this nonsense of vertical and horizontal fiscal imbalance. Try to figure that one out. There is no logic to that argument at all. This is typical Liberal double-talk.

Double-talk coming from that side of the House is not an unparliamentary expression. It is a word that is acceptable in this place, simply because there is so much of it going on over there. We have become used to that kind of double-talk. That is exactly what this whole issue is about.

The Prime Minister, in the middle of an election, where the bottom had fallen out of his campaign, simply trotted across the country from one end to the other making any promise he had to. What was the reason? It was to stay in power and to win more seats, to sit at 24 Sussex Drive at the expense of anyone else, including the Canadian public.

This is the kind of nonsense that we get from a member of Parliament, who obviously as an individual is a very bright guy. However, imagine a man with that intelligence coming to this place singing from the Prime Minister's songbook. It is just unbelievable. He might as well go home and start knocking on doors.

•(1305)

**Hon. Shawn Murphy:** Mr. Speaker, I thank the member for those comments, but I will give him some things to think about.

We as a country kicked out the Conservative government in 1993. What was the debt then? It was \$43 billion. There is another thing to think about. What was the unemployment rate then? It was 12%. What were the interest rates then? They were 11%. What was the debt to GDP ratio? It was 71%. I have this almost down to the minute. If that government were to have stayed in power for another 30 minutes, we would have been bankrupt.

I am surprised that a member from Atlantic Canada would talk like that because if the motion were ever allowed to pass, and I assume the member will not vote for it, it would strip the federal government of all power it had to deal with issues like health care and equalization. Every province would be on its own. We would lose the strong federal central government and Atlantic Canada would be out to sea.

[*Translation*]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, I believe I have finally understood what our Liberal colleague has been talking about. When he speaks of the horizontal imbalance, he is talking about the federal government lying down on its surpluses. I think that is it. The government is lying down, horizontally, so he talks about a horizontal imbalance.

When he talks about a vertical imbalance, that is when the provinces topple over from the weight of their responsibilities and their lack of money to take care of them. I think that is what he meant.

I have a small piece of advice for him. Instead of talking so as to confuse people with terms such as horizontal imbalance and vertical imbalance, perhaps he should stop speed-reading diagonally when he receives documentation. I think he would serve the people better.

[*English*]

**Hon. Shawn Murphy:** Mr. Speaker, obviously my learned friend has missed the point of my argument. There are certain imbalances in the country and they are, by and large, horizontal imbalances. Canada, as everyone is aware, is a very large country and we have different provinces. Things change over time. We have seen this with Alberta.

However, the job, duty and the role of the federal government is to provide a system where every Canadian is basically, and there will always be some inequities, given the opportunity to have essential services and reasonably comparable levels of taxation. That is what the federal government has tried to do.

Persons living in Newfoundland and Labrador or in B.C. are entitled to the old age security. Everything is the same. The equalization program tries to, on a horizontal basis, level out some of these imbalances that do exist. The motion basically says that we should transfer a lot of money from the federal government to the provincial governments so that the provincial governments can do with the money as they see fit.

**Mr. Wajid Khan (Mississauga—Streetsville, Lib.):** Mr. Speaker, I welcome the opportunity to contribute to today's debate. In considering the question of a supposed fiscal imbalance, let me begin by suggesting that we should all take a break from rhetoric and reflect on economic reality and national responsibility.

As was highlighted in the recent Speech from the Throne and the Prime Minister's reply, Canada has acquired an outstanding record of economic achievement. In fact, our federation and its federal government are doing many things right.

Over the past 10 years we generated over three million new jobs. Since 1997 we have led all G-7 countries in the growth of living standards. Low interest rates have made home ownership easier than it has been in decades.

### *Supply*

This has not happened by accident. It reflects the virtuous circle we have worked hard to achieve, where fiscal discipline and balanced budgets have led to increased confidence, lower interest rates and falling debt. Our better financial results have permitted the government to reduce and improve the fairness of taxes, and make new social and economic investments.

That is the central point we must recognize in today's debate. Our government has indeed made vital tax cuts, and social and economic investments. This spending underscores the obligations and opportunities that the House and Canada's federal government must continue to embrace for the continuing benefit and future prosperity of all Canadians.

It is simply not true, as the advocates of imbalance try to argue, that the needs are with the provinces and the resources with Ottawa. The clearest thing is that we face national needs. Canadians want a federal government that plays an active, accountable role in addressing those needs.

Let me remind my hon. friends of the action agenda and spending pressures that must be considered in any analysis of available federal revenues and the balance between federal and provincial resources.

To start, we must not take for granted our current economic success. In the face of advancing technology and accelerating global competition, Canada must now invest in elevating our performance to the next level.

That is why the throne speech highlighted a five point strategy to build an even more competitive, sustainable and prosperous economy.

First, we must invest in people, our greatest source of creativity and economic strength. This means investing in workers, helping them continuously enhance their skills to keep pace with constantly evolving workplace requirements.

Second, we must strengthen Canada's ability to generate and apply new ideas. We must continue our support for academic and industrial research and scholarships. We must never forget that education and R and D are just starting points for economic success.

The equal challenge is to turn more Canadian bright ideas into dynamic businesses, great jobs and growing export earnings. That is why our government wants to ensure a supply of venture capital particularly for early stage businesses in key enabling technologies such as biotechnology, information and communications, and advanced materials which will be drivers of innovation and productivity in the 21st century economy.

• (1310)

Third, we must invest in providing smart government to make it easier for businesses to do business in Canada. This includes a transparent and predictable regulatory system that accomplishes public policy objectives efficiently while eliminating unintended impacts.

### Supply

Fourth, the government's overall economic strategy maintains a commitment to regional and sectoral development. The simple fact is, Canada's regional economies are a vital source of economic strength and stability. Support for regional and rural economic development will target the fundamentals, such as skills upgrading, support for research and development, community development and modern infrastructure such as broadband communications, by employing regional agencies and tools, such as the Atlantic innovation fund.

The government's regional objectives are being complemented right now by the most fundamental reform of the equalization program in its 47 year history. This new framework will see provincial and territorial transfers increased by some \$33 billion over 10 years and provide them with the greater stability and predictability in payments they have sought so they can better plan and manage their own budgets.

Fifth and finally, our economic strategy must include the promotion of trade and investment. Canada has always been a trading nation, but never more so than today. It is therefore vital that we secure and enhance our access to markets both in North America and around the world.

To this end, the government will build on the successful smart borders initiative and also on measures designed to develop a more sophisticated and informed relationship involving business and government officials in the United States.

This is an active agenda and it is an essential one that must be backed by the funds needed, because only a growing economy can deliver the government revenues needed to meet the significant social challenges we face today and in the years ahead without forcing us back into destructive deficit spending.

This requires that all parties recognize that each level of government has fiscal pressures to deal with. Only by acknowledging this and working together constructively will all levels of government be able to best serve Canadians.

●(1315)

**Mr. David Christopherson (Hamilton Centre, NDP):** Mr. Speaker, I listened carefully to the remarks by the member for Thornhill. One of his last comments was that the government faces significant social challenges.

I want to say that those social challenges in large part were created by the member's government. We are talking about a fiscal imbalance because the pressures that exist at the provincial level and at the municipal level in large part were generated at the federal level.

I have served in the Ontario legislature and on Hamilton's city council, so I understand how these things work. When you cut \$25 billion from health care, through you, Mr. Speaker, as your government did—

**The Deputy Speaker:** If I could just encourage the member that it is not my government. We have to use either the riding name or the third person so that we know what we are talking about here.

**Mr. David Christopherson:** I am sorry, Mr. Speaker. Then it would be the Liberal government, and I will leave it at that. I will try not to confuse things, especially myself.

I was saying that when you cut \$25 billion from health care—

**The Deputy Speaker:** Just a reminder to address all the comments through the Chair and that is the way we will proceed.

**Mr. David Christopherson:** When the member's government cuts \$25 billion from health care and cuts the last affordable housing program that we had in the country, that affects provinces because they have to make up for that or their citizens go without housing and without health care. That goes down through to the municipal governments.

As well, the member talked about smart government. I would like to know what is so smart about cutting health care, cutting affordable housing programs and still deciding tax cuts are a bigger priority than health care and housing. How does that create smart government?

**Mr. Wajid Khan:** Mr. Speaker, I am delighted that the hon. member has enlightened me that he was in the provincial legislature. This is a classic management of Ontario mismanagement of the economy. He should not be that proud of that.

Everyone knows what shape the economy of the country was in in 1993. As my hon. friend said, another 30 minutes and we would have been in worse shape.

Since then we have paid down billions in debt, which is \$3.5 billion a year in savings that are being invested in the very social programs that the member spoke about. We on this side of the House take the three million new jobs very seriously. We have set aside \$41.3 billion for health care, \$33 billion toward investments in seniors and children, and all kinds of infrastructure.

That is what we should be proud of and that the member should appreciate.

●(1320)

**Mr. Deepak Obhrai (Calgary East, CPC):** Mr. Speaker, this is a great opportunity to congratulate the member on his first speech in the House, but that is as far as I will go.

Let us talk about what he just said. He talked about his government's propaganda record since 1993. Every time government members stand up, all they talk about are surpluses.

Where the hell do you think these surpluses came from?

**The Deputy Speaker:** I would just remind the member to address his comments through the Chair. I am having some trouble with that today.

**Mr. Deepak Obhrai:** Mr. Speaker, where does the member think the surpluses came from? The surpluses came from the backs of Canadians. He is a businessman. He knows taxes are high. The government has been robbing Canadians since 1993. It was only when Canadians started making noise that the government started talking about health care and about giving more to the provinces. However this situation was created by his government in 1993 and he should not be proud of that record.

**Mr. Wajid Khan:** Mr. Speaker, I want to remind the member that the largest tax cut given to Canadians at all levels was given by this very government.

The hon. member forgets the economic progress that has happened and the necessary changes that were required to bring the fiscal house of this country in order. That is why we are in this wonderful state today of being able to invest in programs.

[*Translation*]

**Mr. Maka Kotto (Saint-Lambert, BQ):** Mr. Speaker, as I begin, please note that I will be splitting my time with the hon. member for Trois-Rivières.

Since this is the first opportunity when I will have a longer time to speak here, I would also like to thank my constituents in Saint-Lambert, who have elected me to defend Quebec's interests on their behalf on Parliament Hill.

The fiscal imbalance, the financial pressures, the systematic retention of money by the federal Liberals for more than a decade—this has been told and retold and will be repeated and repeated over again because it is a big story—have a great impact. The human costs and harm done by the fiscal imbalance and the way it has shredded the entire social fabric of Quebec and the provinces are known to all.

Nevertheless, the federal Liberals, in their nihilistic approach and their stubborn denial that the fiscal imbalance exists, have inspired many of us to diagnose this as a behavioural problem rather like political autism. Everyone here, all the political parties represented here, recognizes the existence of the fiscal imbalance—except them. Everyone in Quebec, all political parties in the Quebec National Assembly, recognize the existence of the fiscal imbalance—except them. If that is not political autism, what is it?

As is the case in many areas hurt by the fiscal imbalance in Quebec and other provinces, the situation in the cultural area is critical. It is an emergency, because the fiscal imbalance creates a lot of precariousness and disarray in this field.

This fiscal retention deprives Quebec and other provincial governments of their ability to implement their choices, their specific short, medium and long term visions and their policies with peace of mind and a concern for fairness.

The federal government uses fiscal retention to increase its intrusions in areas that are not under its jurisdiction and that beyond its capability, thus weakening the Quebec nation and imposing on Quebec disembodied choices made in Ottawa. There can be no democracy under these conditions. Some will probably question the relevance of culture in the fiscal imbalance debate, along with other recurrent issues, like health, education, social housing and so on, which of great public concern.

I would say it is very relevant. Indeed, culture, far from diverting our attention from other files, can help us deal with them to their full extent and with every resource of our soul and mind. Quality of life necessarily includes culture, which is the dignity of life. When the financial means are lacking, culture is absent from the lives of our fellow citizens when it should rightly be part of it.

### *Supply*

I remind this assembly that it would be absurd to envision culture without arts and letters, theatre, music, dance, literature, art crafts, and visual and media arts. Culture, arts and letters are the soul, the psyche of nations, the heart of every people.

● (1325)

For your information, in Quebec, the Mouvement pour les arts et les lettres, the MLA, which represents 15,000 professional artists, has been campaigning since the very beginning in favour of increased support for artists. It has been waiting for a long time. It too is very hopeful that the Liberal government will act with wisdom and foresight and will not be so tightfisted. Right now, the majority of those 15,000 professional artists are living below the poverty line. The money is here, the needs are there.

It might be that for the Liberal government culture is only a tool, an instrument of propaganda. Only the least enlightened dictatorships we know see it as such. This is not Quebec's view of culture. Life teaches us that to cultivate is to be born, work the land in the hope of reaping a harvest, it is to endure by conveying, it is to protect in order to receive.

Societies find their place in history and in the hearts of the people only through culture. However, in Quebec and the other provinces culture is jeopardized by fiscal imbalance.

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, the quality of debate since this morning, not only by a number of my colleagues, but also by colleagues in other parties, is nothing short of amazing.

First, I would like to congratulate my assistant finance critic, the hon. member for Portneuf, and also the hon. member for Saint-Lambert on an excellent contribution. She takes us off the beaten path in discussions on financial and economic issues. The hon. member took us beyond the usual rhetoric.

In the House, we do not talk enough about culture and the fate of craftspersons and artists.

I would like to ask my colleague how the failure of the federal government to understand fiscal imbalance affects artists and craftspersons in the Quebec culture and the Canadian culture.

● (1330)

**Mr. Maka Kotto:** Mr. Speaker, I thank my hon. colleague for his question.

Of course, given that money is held back, here in Ottawa, the Quebec government makes choices, and pushes ahead with a certain number of priorities. Generally, as he has noted himself, culture always seems to end up like the spare tire in the car. This is where cuts are the most frequent and the first to be made, on the spur of the moment.

This shows, and on this I shall not dwell much further, that once there is a shortfall of funding, culture is last in line in the Quebec government's priorities. As I said earlier, culture is a vector through which the psychological character of peoples and nations is built. We must convince ourselves that culture is at least as important as education, if not more so, given that it is more democratic.

### *Supply*

If we do not properly care for culture, we run the risk, especially for our youth, of a copycat effect or mimetic response which can easily take on a life of its own, the tendency being in our case to copy the United States, overwhelmed as we are by television, radio and movies from that country. When models our young people can identify with and refer to are lacking because Quebecers and Canadians generally are not providing them, they shift to those other models.

This is an important aspect to consider since we will soon be looking at the Convention on Cultural Diversity, which is now the subject of debate at UNESCO, in Paris. This convention will have a defining impact on culture in every country of the world. Given how little importance we accord to culture however, are we ready to confront the U.S. and Europe in this area?

Ready we shall be when there is funding for these artisans, these artists who create the memory and the markers through which national identities come alive.

**Ms. Paule Brunelle (Trois-Rivières, BQ):** Mr. Speaker, since the beginning of today's debate, we have come to realize that the fiscal imbalance is recognized by the whole society. We think of the current minister of finance, Mr. Yves Séguin, who in 2002 chaired the fiscal imbalance commission in Quebec—the report was made public on March 7, 2002—all political parties in Quebec and all Canadian provinces. The imbalance is thus recognized by all opposition parties in the House of Commons.

These last few years, the fiscal imbalance has been of such a magnitude that it is literally choking Quebec and the provinces. However, the federal government continues to deny that there is a problem. The Bloc Québécois must then continue to demand that the federal government recognizes this imbalance, but mostly that it solves it. The federal government collects revenues that widely exceed its responsibilities with regard to programs. It accumulates significant surpluses despite the reduction of the debt burden as a percentage of the domestic gross product. The provinces administer health programs and other social programs whose costs are very much on the rise and they have to deal with an increasing demand for services. In other words, as the member for Saint-Lambert and many others have said, it is Ottawa that has the money and the provinces that have the needs, and the gap between the two is widening.

The consequences are significant. This imbalance jeopardizes health and education systems. Service delivery is not as effective as it should be, due to a lack of funds. The decision-making and budgetary autonomy of Quebec and the provinces is compromised.

Every year, Quebecers send tens of billions of dollars in taxes to Ottawa. They are entitled to demand that this money be managed properly. But, as was clearly demonstrated by the first part of the Léonard committee's report, this has not been the case over the last five years. This is the symptom of a much deeper ill. The federal government, we repeat, has too much money for its responsibilities.

In this whole issue of fiscal imbalance, I would like us to talk a lot about children, the impact on children, parents and seniors.

We know that social development requires, among other things, a stable financial situation and recurrent budgetary envelopes, so that

all social stakeholders can work in a calm atmosphere and efforts can be targeted to the real needs of young families, of vulnerable people and of seniors. In a situation of budgetary instability, concerns may very well prevail over primary objectives.

I will mention three social measures that are either very popular or very much in demand in Quebec, because they are fulfilling an obvious wish of a good part of the population.

The Quebec affordable day care network, recently recognized in an OECD report, represents about 40% of the regulated child care spaces. Its experience will be very useful when Canada sets up a public and universal early childhood system.

To be able to continue its good work, the Quebec government must have the necessary resources. The federal government must grant Quebec an unconditional right to opt out with full financial compensation. Such compensation would certainly be appreciated particularly since the government has saved close to a billion dollars in tax credits not given to families benefiting from the Quebec program.

We have to understand that beyond the figures, a day care program can also have a tremendous impact on the quality of our children's development. In the medium and the long term, we will avoid very high social costs. Just think of the learning and delinquency problems that these children might avoid through quality attention in day care centres. This affordable day care network should thus be considered as a solution to many of our young families' social problems.

Let us now turn to home care for seniors. This is recognized as an effective measure because it reduces hospital costs and is more beneficial to many people who prefer to recover at home after an illness.

● (1335)

Here again, a more equitable distribution between the federal government and the provinces could help ensure that long-awaited progress is made. Home care is best, for the seniors as well as for the support workers, who are often overworked, and for the caregivers, who need respite. Whatever the case may be, it is well known that home care for seniors is much less expensive than hospital care.

In education, there are growing needs. They can no longer come after health needs. We must keep improving health services, but it is essential to help young people receive the best possible education so that they are able to meet the challenges of our time. The future of our society is at stake.

There is a crying need for special education teachers, books and computer equipment. It is indecent to be accumulating extravagant surpluses in Ottawa when school boards are struggling to trim already very lean budgets. It is unacceptable for there to be surpluses here in Ottawa when there is a shortage of books in our schools. The needs in the areas of health, education and community organizations are in the provinces. It is there that decision-makers who are closest to the needs of the people must be found.

We must have budgets that permit the priorities set to be carried out. There is currently an imbalance between Quebec's capacity and its legitimate aspirations. This has to stop.

• (1340)

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, I thank you for giving me the floor again. You are extremely generous today.

I am surprised, once again, by the quality of the speakers from my party. There are other ones in the other parties as well. These people are newcomers and most of them are making a great contribution to today's debate, with good arguments and with all the seriousness that an issue as important as the fiscal imbalance requires.

First, I want to congratulate the hon. member for Trois-Rivières and also ask her a question. She takes a keen interest in education and in the whole issue of daycare. I wonder if she could illustrate how the fiscal imbalance impacts on daycare programs or on education, and also on community groups? Perhaps she could give us examples of situations that she surely has encountered in her riding. I feel that, generally speaking, community groups are also adversely affected by the fiscal imbalance. So, I wonder if the hon. member could provide examples.

**Ms. Paule Brunelle:** Mr. Speaker, we could definitely say that when the \$5 a day—now the \$7 a day—day care program was implemented in Quebec, it became a solution for all families. Indeed, over 60% of women are now part of the labour force. So, this program is a useful solution in that regard.

We can see that, and this is particularly true for poor families, having access to daycare services allows people to go back to work, including welfare recipients, who can get adequate funds for that purpose. However, because the program is so popular, there is a shortage of funds.

It is very important to be able to create thousands of new child care spaces to meet the needs of families. Over the next few years, we should be in a position to speed up the creation of new child care spaces. Unfortunately, there is a shortage of funds in Quebec, because of the fiscal imbalance. This means that additional funds will be needed to solve this issue.

**Ms. Nicole Demers (Laval, BQ):** Mr. Speaker, I listened carefully to the speech of my colleague and the one made by the hon. member for Saint-Lambert. I was not here earlier, I was at the Standing Committee on Health, but I took the time to listen to their speeches when I returned.

I too was impressed by the quality of the debates and the comments that were made. I know that my colleague talked about the elderly and people who are at risk. This matter is also a major concern of mine.

I know that, in Quebec, we have social economy programs to help the elderly. I know that these programs are in trouble because of cuts that were made in social and health services.

Could my colleague tell us how this has impacted these programs and if solving the fiscal imbalance could solve this problem?

• (1345)

**Ms. Paule Brunelle:** Mr. Speaker, social economy programs have certainly helped to set up organizations that will work differently. In this regard, we have seen organizations whose objective is not profits, but collective responsibility. As needs are expressed in

### *Supply*

communities, whether by the elderly, youth or families, social economy is an important system.

We know that the federal government has disengaged itself from social economy programs since 1994. It is getting involved again, but a little timidly. There would certainly be a need for more funds. Once again, these programs and these groups that want to create service organizations through social economy are waiting.

Home care for the elderly is another element of social economy. When our elderly can have access, through a social economy organization, to tailored home care, housekeeping services, food services and all that, they can then stay at home and incur less costs to society.

Consequently, it is important to continue to invest in this and to maintain social economy elements.

[*English*]

**Mr. Greg Thompson (New Brunswick Southwest, CPC):** Mr. Speaker, I thank the Bloc for bringing the motion to the floor of the House of Commons. It is very timely because the area of equalization is a hot topic in the country, particularly in Atlantic Canada.

So people in the listening audience can get their heads around the issue of equalization, it is a program that we developed in the country many years ago. It states that the wealth of the country should be shared by all provinces, rich and poor alike. It levels the playing field in terms of fairness and delivery of government programs and quality of life. That is the short explanation.

We depend on the generosity of those provinces that are doing better, and we congratulate them. There is a level of generosity in our country. That is what differentiates us from the United States of America. For example, if one is living in Mississippi, a poor state, one will always be poor. There is not the same level of generosity within that country as we have in Canada.

We recognize the importance of the equalization program. We want to see it continued, and our leader has stated that. During the last election is where the Prime Minister got himself in trouble. We are saying that revenues generated from the offshore oil and gas resources should be allowed to stay in Newfoundland and Labrador and Nova Scotia. It should not be clawed back by the Government of Canada in the equalization formula. In other words, we do not want to keep those poorer provinces in poverty in perpetuity.

I will quote from a document my leader put out. It said, "One of the conditions the Prime Minister wants is that Newfoundland and Labrador would have to commit to a cap". In other words, it only can have the money if it promises to remain a have not province. He asked what I think is a legitimate question, which really goes to the heart of the debate. He asked, "Why does this government want the Atlantic provinces to share in the poverty and never in the prosperity?"

This debate is all about that. The Liberals are in an absolute state of denial. We know they are in trouble politically because they have said so themselves.

### Supply

I want to go through some of what the members from Newfoundland have said and what some of the editorials have said. These editorials are coming out of Atlantic Canada. I will quote from an article in yesterday's *Western Star*, of Corner Brook, Newfoundland. The first paragraph starts off by saying:

There has been some speculation that Liberal MPs can kiss their seats goodbye in the next election if the Atlantic accord renegotiation falls through.

It has fallen through. The Prime Minister in the last election knew full well that the bottom had fallen out of his campaign and that the Liberals were in big trouble politically. In the dying days of his campaign the Prime Minister of Canada went to Newfoundland and Labrador and promised it 100% of all the revenue from its offshore resources.

Now that the election is over, the Prime Minister made another Liberal empty promise, which he is used to doing. His objective was achieved. He is still the Prime Minister of Canada and still residing at 24 Sussex Drive. He got exactly what he wanted. He did that knowing full well that he would come back to the House and go back to the premiers and renege on that promise. This issue is all about that.

• (1350)

Yesterday in the House we heard the member for St. John's East refer to his colleague from Newfoundland, who happens to be the Minister of National Revenue, as the Benedict Arnold of Newfoundland.

**Hon. Wayne Easter:** Mr. Speaker, I rise on a point of order. Is Benedict Arnold appropriate language in the House? The rhetoric coming from that side is one thing, but that is not proper parliamentary language. This man worked hard for Newfoundland.

**The Deputy Speaker:** For the most part it is a point of debate. I would encourage all members to be judicious with their use of examples.

**Mr. Greg Thompson:** Mr. Speaker, I could call him a typical Liberal two-faced politician because that is exactly what he is. He is just like the member for Kings—Hants who used to stand over here, point his finger at the Prime Minister and sum up what he was doing in “sponsorgate”. It appears that they bought him off. That is the last party that we have to take lessons from in terms of ethics and ethical behaviour.

I want to go through some of the things that those people ranted against in the past, but simply accepted when they came into office.

Remember the famous promise to eliminate the GST? Well, there are some big Liberal heavyweights in the front benches and backbenches who are here simply because they went door to door in 1993 on that promise to get rid of the hated GST, but they did not do that. Why? Because they love that cash cow that was created.

The revenues that they brag about in the House were brought about by the very policies they ran squarely against in every single election, including the free trade agreement. Remember that the leader at the time was going to tear that up.

The level of prosperity is a result of the initiatives taken by Conservative governments in the country and which the Conservatives spoke honestly about during elections for the benefit of all

Canadians. When the Liberals talk about huge revenues and surpluses, they can thank the people on this side of the House who had the courage to do the right thing.

I am asking those people over there to do the right thing and give Atlantic Canada its fair share of wealth. Do not take it back to Ottawa, do not claw it back. They are famous for doing that.

Basically it boils down to typical Liberal behaviour. The Liberals say one thing during an election and forget about the promises and commitments that they made once they are back in power. Power is everything to the Liberals. Honouring one's word means absolutely nothing. There is example after example in the House where they have done that.

Talk about negative advertising in the United States, the Prime Minister did not have to take lessons from anyone. That was the most negative advertising campaign in the history of Canada. The Prime Minister of Canada carried out a negative campaign to get into office and then reneged on the very promises that Canadians thought he would keep. That would be the minimum.

I see that Benedict Arnold has arrived back in the chamber. He may want to have a word or two on this.

• (1355)

**Hon. R. John Efford:** Mr. Speaker, I rise on a point of order.

No member can refer to any member in the House by the name of Benedict Arnold or any other such name.

**The Deputy Speaker:** I do not think that the name of Benedict Arnold is prohibited in debate. It is all a matter of context. I do remind the member from New Brunswick not to draw attention to the presence or non-presence of anyone in the House.

**Mr. Greg Thompson:** Mr. Speaker, I was speaking of Benedict Arnold and I guess if the shoe fits, he had better wear it. I think he is wearing that title very nicely. However, I was not referring to a particular member. I was using literary licence to reinforce the point the member for St. John's East made yesterday that Liberal Newfoundlanders sold out their own premier and their own province at the expense of the very people they represent in the House. That is why we refer to Benedict Arnold.

I think that is a sensitive issue with that particular member because he is practising exactly the history of that particular gentleman. Benedict Arnold was a traitor. The member is a traitor in terms of how he is treating his constituents.

**The Deputy Speaker:** Order. I would ask the hon. member for New Brunswick Southwest to withdraw that comment, please.

**Mr. Greg Thompson:** Mr. Speaker, when I use the word “traitor” I have to be careful. I do agree with you, that is out of order. I do apologize, but the Benedict Arnold reference still remains.

**The Deputy Speaker:** After question period there will be time for questions and comments of the member.



S. O. 31

## STATEMENTS BY MEMBERS

[English]

## EQUALIZATION PAYMENTS

**Hon. Shawn Murphy (Charlottetown, Lib.):** Mr. Speaker, we achieved a major victory in equalization this week.

The Prime Minister met with provincial premiers and after that meeting he announced that the federal government would move ahead with a new framework for the equalization program that will see payments to provinces rise by \$28 billion over the next 10 years. Over the first five years of this new deal alone, equalization payments to support Canada's eight equalization receiving provinces will grow by 42%.

By providing predictability, stability and increased funding, the new framework will play an essential role in ensuring that all Canadians, no matter where they live, have access to comparable public services.

This increased funding will assist Canada's less prosperous provinces in meeting their commitments over the 10 year plan to strengthen health care, another landmark deal with the provinces reached by this Liberal government, as well as funding other important social and economic developments.

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## JUSTICE

**Mr. Jay Hill (Prince George—Peace River, CPC):** Mr. Speaker, due to our lax laws, break and enter appears to have become a booming profitable and legitimate profession in Canada. In my riding so far this year, the city of Dawson Creek alone has recorded 241 break and enters compared to 167 at this time last year.

Many residents attribute this dramatic increase to the lack of consequences for those convicted. Homeowners and businesses in Prince George—Peace River are increasingly frustrated that these thieves repeatedly ply their trade because they receive little more than a slap on the wrist when they are caught.

The Youth Criminal Justice Act, our weak and abused parole system, and conditional sentencing provisions actually ensure that these criminals have no respect for our laws, authority or other citizens' safety and property.

My colleague in the B.C. legislature, Blair Lekstrom, the MLA for Peace River South, and I are calling on both levels of government to strengthen legislation and enforcement to send a message to criminals that they will be held accountable for their crimes.

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●(1400)

## JAZZERCISE DANCE OF HOPE

**Mrs. Susan Kadis (Thornhill, Lib.):** Mr. Speaker, it brings me great pleasure to rise in the House today to bring news of a wonderful event which I attended this past weekend.

In my riding on Sunday more than 200 people participated in a jazzercise benefit class to raise funds for the Canadian Breast Cancer

Foundation. Over the last decade, Jazzercise Dance of Hope has donated over \$350,000 to the Canadian Breast Cancer Foundation.

The event was organized and led by Marlene Gardiner, a true warrior in the fight against cancer. She has been unwavering in her efforts over the last 10 years. The importance of these efforts cannot be overstated to breast cancer survivors such as myself and our families. They provide us with what is most important, hope.

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[Translation]

## MIRABEL AIRPORT

**Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ):** Mr. Speaker, on October 31, most people will be celebrating Halloween, but the people of Argenteuil—Papineau—Mirabel will not be in a festive mood. This date will truly be nightmarish because it will mark the demise of Mirabel airport.

On October 31, 2004, the last passenger flight will take off and no more will land, dealing the final blow to our moribund airport and ensuring success for the federal government's plan to close, once and for all, the only airport that could have been any real competition to Pearson airport in Toronto, been a point of entry to eastern North America, and guaranteed Quebec a solid position internationally.

Halloween will never be the same for the people of Argenteuil—Papineau—Mirabel and the Lower Laurentians, since this date will mark the beginning of the end of almost 35 years of partisan manipulation, wasted money and decisions made without any thought for the public. The saga of the Mirabel airport is a true scandal and there is no one to blame but the Liberal government.

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[English]

## CONFLICT DIAMONDS

**Ms. Nancy Karetak-Lindell (Nunavut, Lib.):** Mr. Speaker, conflict diamonds financed a number of conflicts in Africa in the past, including Sierra Leone, with a devastating impact on the security of innocent civilians. The Kimberley Process certification scheme aims to combat the trade in conflict diamonds.

Canada, now the world's third largest diamond producer by value with annual exports of \$1.7 billion Canadian, has been a leader in the fight against conflict diamonds.

As current chair of the Kimberley Process, Canada is hosting a plenary meeting in Gatineau, October 27 to 29. This meeting brings together more than 42 governments implementing the certification scheme as well as representatives from the diamond industry and civil society.

The plenary will review progress made toward implementation since the launch of this scheme on January 1, 2003.

*S. O. 31*

#### RIDING OF SOURIS—MOOSE MOUNTAIN

**Mr. Ed Komarnicki (Souris—Moose Mountain, CPC):** Mr. Speaker, I would like to highlight two cities within my constituency of Souris—Moose Mountain, Estevan and Weyburn.

Estevan has a diverse economy including coal, oil, gas, a service industry, manufacturing, farming and ranching. Estevan has the distinction of being the sunshine capital of Canada. It is the hot spot many times. It also boasts being the first in Canada to meet and exceed its United Way fundraising goal for 24 of 25 years. Last weekend it beat the goal again by raising \$213,000.

The other city is Weyburn, the opportunity city. It too was host to a successful United Way and the 2004 Summer Games. Weyburn is in the heartland of prairie agriculture and is Canada's largest inland grain assembly point. It boasts of the Weyburn Inland Terminal, Canada's largest and highest volume, farmer owned grain handling facility. It is the first of its kind, where farmers identified a need and proceeded to meet that need by constructing their own condominium and grain handling facility.

These communities are enterprising, energetic and innovative. I expect them to rise up to the current—

**The Speaker:** The hon. member for St. Catharines.

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#### LAURIER LIBERAL LADIES CLUB

**Hon. Walt Lastewka (St. Catharines, Lib.):** Mr. Speaker, I would like to take this opportunity to thank the voters of St. Catharines for returning me to my fourth term as their member of Parliament. This is due in no small part to the Laurier Liberal Ladies Club that is celebrating its 25th anniversary.

This club was founded to provide a forum to promote liberalism, self-improvement and the political education of women, particularly in the Niagara region. The Laurier Liberal Ladies Club has held monthly luncheon meetings with guest speakers who have spoken on local, provincial and federal issues and concerns.

During elections the members have supported the provincial and federal candidates in many ways. I have personally benefited from the tremendous contribution the Laurier Ladies have made to my campaigns.

I wish to thank all the members of the Laurier Liberal Ladies Club for their dedication to the betterment of Canada. I wish them all the best on their 25th anniversary and many years of continued success.

\* \* \*

● (1405)

[*Translation*]

#### DISARMAMENT WEEK

**Mr. Claude Bachand (Saint-Jean, BQ):** Mr. Speaker, the U.S. missile defence shield is a controversial issue not only in Quebec and Canada, but throughout the world.

Not only have tests for this costly project been inconclusive, but the scientific community has major doubts and suspicions about it as well. This type of project could seriously destabilize the international balance and reignite the arms race.

The Bloc Québécois is against such a project that would lead to the weaponization of space and the implementation of an armament system that would encourage global arms proliferation.

During disarmament and international security week, I hope Canada will drop any plans to take part in this U.S. project and focus instead on what the international community expects of it: the promotion of an international treaty on the non-weaponization of space and the strengthening of treaties and conventions on disarmament and nuclear non-proliferation.

\* \* \*

[*English*]

#### ETOBICOKE SPORTS HALL OF FAME

**Hon. Jean Augustine (Etobicoke—Lakeshore, Lib.):** Mr. Speaker, residents of Etobicoke—Lakeshore would like to congratulate seven of my constituents who will be honoured this evening at the 11th annual induction dinner for the Etobicoke Sports Hall of Fame. I wish to recognize the outstanding achievements of Red Kelly, Dennis Maruk, Dave Reid, Lynne and Jack Dominico, Frank Selke Jr. and Frank Orr.

Their induction into the Etobicoke Sports Hall of Fame recognizes their exemplary accomplishments in their respective categories. Not only have they committed to achieving excellence, but their love for sports has set a remarkable example to inspire the attainment of excellence among all citizens.

I wish to congratulate all of this year's inductees and may they all take great pride in their accomplishments.

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#### NATURAL RESOURCES

**Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC):** Mr. Speaker, the Prime Minister has said that he is willing to give the people of Newfoundland and Labrador the deal which Premier Williams requested.

Premier Williams has now made public his written presentation to the Prime Minister. It states that the province is requesting, as promised by the Prime Minister:

100 per cent of direct provincial revenues generated by the petroleum areas in Newfoundland and Labrador offshore area, to accrue to the government of Newfoundland and Labrador and be sheltered from the clawback provisions of the equalization formula (currently at 70 per cent). Those revenues...were "over the life of the offshore petroleum production".

If this is the deal that the Prime Minister accepted, I volunteer to make the phone call, right here, right now.

[Translation]

### EQUALIZATION PAYMENTS

**Hon. Dominic LeBlanc (Beauséjour, Lib.):** Mr. Speaker, we are proud of the most remarkable improvements ever seen in the equalization and territorial formula financing programs.

The Prime Minister and his provincial and territorial counterparts have agreed on a new framework that will increase the budget for assistance to the provinces and territories by \$33 billion over 10 years.

This increased funding will help the less prosperous provinces and the three territories to honour the commitments made in the ten-year plan to strengthen health care and to satisfy their other priorities.

For Quebec, it will represent about \$477 million more in fiscal year 2004-05. This framework is essential because it will ensure that all Canadians, wherever they live, have access to comparable public services.

\* \* \*

### HEALTH

**Mr. Yvon Godin (Acadie—Bathurst, NDP):** Mr. Speaker, the people of Caraquet, Dalhousie, Saint-Quentin and Miramichi are worried and frustrated.

This spring, the Government of New Brunswick announced that it intended to close hospitals and the obstetrics unit in Caraquet serving the Acadian Peninsula. In addition, it plans to reduce the number of beds in certain hospitals.

The federal government can strut around boasting about the health care agreement, but people in the region are still suffering the consequences of the 1994 cuts to health care.

Sick people must travel longer distances to get to an emergency service. Live with your suffering, says the government, because we do not see any problems between birth and death. The only important thing is the cuts. Pregnant women must live with anxiety and pain, since they also must travel farther. Babies may be born in cars. No problem, says the government, the cuts are what counts.

The federal government must ensure that the money it has recently committed via the health care agreement is going to prevent hospitals from closing.

\* \* \*

• (1410)

[English]

### ECONOMIC DEVELOPMENT

**Mr. Daryl Kramp (Prince Edward—Hastings, CPC):** Mr. Speaker, one day prior to the writ \$10 million was announced for community futures development corporations in eastern Ontario. After the election, nothing happened until my party made inquiries into the funding.

Yet on Monday, within hours of our queries, the government finally came through with the money. It appears it is up to the opposition to remind government of its funding for local projects.

*S. O. 31*

Prior to the election the former member in my riding of Prince Edward—Hastings also announced up to \$10 million, this time in environmental funding for the cleanup of the waterfront in the city of Belleville. Much like the EODF project, information has been scarce, but I look forward to holding the government accountable to its promises.

I would like assurances from the government that those much needed economic programs are distributed fairly and in good faith so that all of eastern Ontario can benefit from these investments. Projects like these benefit entire communities and, therefore, I hope that partisan influence does not play a role.

\* \* \*

[Translation]

### EQUALIZATION PAYMENTS

**Ms. Monique Guay (Rivière-du-Nord, BQ):** Mr. Speaker, Quebec came back from the first ministers' meeting on equalization payments unsatisfied.

For the umpteenth time, Ottawa said no to Quebec. Although Quebec is considered one of the have not provinces, it does not lack resources, ideas or bold projects, but is constantly up against a federal system bent on diminishing it.

Quebec's additional needs for equalization payments are the direct consequence of the negative impact of certain federal decisions.

For instance, closing Mirabel airport in favour of Toronto Pearson, or the double standard of supporting the Ontario automotive industry while refusing to do anything for Quebec's aerospace industry. Or the Borden line, which favours petrochemical industries in southern Ontario over the ones in eastern Montreal.

The Liberal MPs and ministers in this House who come from Quebec are keeping mum, faithful servants of the federal regime that they are. It is a sad spectacle.

\* \* \*

[English]

### BATTLE OF ORTONA

**Mr. Peter Goldring (Edmonton East, CPC):** Mr. Speaker, 60 years ago Canada's 1st Division soldiers advanced on Ortona, a city held on Hitler's orders of "no retreat" by a determined enemy army.

Facing hails of machine gun and mortar fire on fiercely defended streets, they invented the technique of "mouse holing". Blasting holes through building walls to attack, they forced the enemy out of Ortona.

Soldiers such as Mel McPhee of the Loyal Edmonton Regiment, Smokey Smith of the Seaforth Highlanders, Gwylm Jones of the Three Rivers Tank Regiment and Fernand Trépanier of the Royal 22nd Regiment, Vandoos, all prevailed in bloody, hand to hand, street by street fighting to win what became known as Italy's "Battle of Stalingrad".

*Oral Questions*

The cost, the price of peace, was high. Some 1,700 died and rest forever in Ortona's Morrow River Cemetery. To those who fought, to those who died, we best never forget.

\* \* \*

[Translation]

**CITY OF LAVAL**

**Ms. Raymonde Folco (Laval—Les Îles, Lib.):** Mr. Speaker, after 20 years, a new version of the *Bibliographie de l'île Jésus* is now available to the people of Laval.

This bibliography is an update on everything that has been written on Laval, on its sports, ecology, urban planning, agriculture, health, social affairs, and many other areas. It was prepared by André Dionne, a documentation technician and member of the Île Jésus history and genealogy society. Soon the 2,422 or so entries will be available for consultation through the society and in the municipal libraries.

This new version of the *Bibliographie de l'île Jésus* is phase one of an official history of Laval which is due out in 2009.

I congratulate and encourage all those involved in this project.

\* \* \*

• (1415)

**MARIELLE CHEVRIER**

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Mr. Speaker, we were saddened to learn of the recent death of Marielle Chevrier, a resident of Sainte-Hélène-de-Chester in my riding of Richmond—Arthabaska.

Marielle Chevrier was a well known artist. A pioneer of Quebec television, she played an important role in my childhood and possibly that of many hon. members. She dressed many of the characters in children's programming, including Pépinot, Bobinette and Paillasson.

Working in wardrobe at Radio-Canada in 1953, and later with Radio-Québec, she created the first costumes for La Souris verte, Gobelet and Mandibule, among others. What a lot of memories.

She was also active in theatre.

When she retired, she moved to the Bois-Francs region, where she lived until her death. She got involved in the community, for example, by designing Grand-Maman Fami, the mascot for the Fête familiale de Victoriaville.

To her children, Daniel and Yan Constantineau, and to her brothers and sisters, I offer my most sincere condolences.

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**ORAL QUESTION PERIOD**

[English]

**NATURAL RESOURCES**

**Hon. Stephen Harper (Leader of the Opposition, CPC):** Mr. Speaker, the Prime Minister, through his official spokesman, has accused the Premier of Newfoundland and Labrador of lying. He

said the following, "The problem that the premier will have eventually is that the truth will get out".

Will the Prime Minister unequivocally retract these statements and confirm for the House that the Premier of Newfoundland and Labrador is telling the truth?

**Right Hon. Paul Martin (Prime Minister, Lib.):** Mr. Speaker, my director of communications has apologized for those statements. What he has said is that the rhetoric on both sides has simply become too high. He apologized unequivocally.

I have spoken to the Premier of Newfoundland about that. Given the fact the premier and I are talking and we want to get down to work, I would suggest that the Leader of the Opposition allow that to happen.

**Hon. Stephen Harper (Leader of the Opposition, CPC):** Mr. Speaker, I am going to make sure it happens.

On June 5 the Prime Minister said publicly that he had committed to a deal with Newfoundland and Labrador. He said the following, "I have made it very clear that the proposal that he has put forth is a proposal that we accept". The premier said that the deal that he put forward did not include a cap on revenues.

Will the Prime Minister confirm, on the capping issue, that the Premier of Newfoundland and Labrador is telling the truth?

**Right Hon. Paul Martin (Prime Minister, Lib.):** Mr. Speaker, the Leader of the Opposition is the very same person who has consistently accused Atlantic Canadians of a culture of defeatism. He is the very same person who basically has said that Atlantic Canadians are not prepared to work to get the type of prosperity they need. The Leader of the Opposition will not make anything happen.

**Hon. Stephen Harper (Leader of the Opposition, CPC):** Mr. Speaker, what becomes more and more evident is that that party distorts my words because it will not keep its own words.

The Prime Minister promised the same deal on offshore royalties to Nova Scotia during the election. He said, "If we do a deal with Newfoundland and Labrador, that same proposal ought to be made to Nova Scotia". When the Prime Minister made that commitment, there was no mention of a time limit and the Premiers of Nova Scotia and Newfoundland and Labrador say no such agreement was made.

Will the Prime Minister confirm that on the time limit issue, Premier Hamm and Premier Williams are telling the truth?

**Right Hon. Paul Martin (Prime Minister, Lib.):** Mr. Speaker, the Leader of the Opposition's words have not been distorted. The problem with the Leader of the Opposition is that he cannot stand it when his own words are quoted to him exactly. I would simply ask him if he would ask his seatmate from Nova Scotia as to what he said about the Leader of the Opposition. Cultural defeatism is exactly what he said about Atlantic Canadians. He was wrong then and he is wrong now.

\* \* \*

**SPONSORSHIP PROGRAM**

**Hon. Stephen Harper (Leader of the Opposition, CPC):** Mr. Speaker, the House will note the Prime Minister had a chance to correct the record, say the premiers were telling the truth, and he refused to do so.

*Oral Questions*

The Prime Minister also continues to stonewall on the sponsorship scandal in the House, except that outside he is prepared to give answers that do not turn out to be true. Last week he admitted that his office helped in getting hundreds of thousands in sponsorship money for his Liberal fundraiser Serge Savard because he said that he was a constituent. We know that Savard was not a constituent. His company was not located in the Prime Minister's riding.

Why did the Prime Minister say Serge Savard was a constituent when he was not?

• (1420)

**Right Hon. Paul Martin (Prime Minister, Lib.):** Mr. Speaker, what the Leader of the Opposition is stating was said is simply not the case. This demonstrates once again the folly of commenting on day to day testimony or things that occur in the Gomery commission. He stood up yesterday and said that there had been interference in the allocation of a contract. Testimony this morning proved that there was no such interference. What that demonstrates is that the Gomery commission should be allowed to do its work and the Leader of the Opposition should not attempt to subvert it.

**Hon. Stephen Harper (Leader of the Opposition, CPC):** Mr. Speaker, last week we all heard the Prime Minister say that the reason he wrote a letter, which he wrote on behalf of Serge Savard, and the reason he was in touch on the sponsorship program was that he did this for constituents.

If he is not a constituent, he should answer this. Why was the Prime Minister trying to get a favourable quarter million dollar sponsorship decision for his friend, Serge Savard?

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, again the Alliance Conservatives continue to make mistakes when they comment on day to day testimony. In fact they have made four mistakes that we are aware of so far by commenting on day to day testimony. We have seen that today's testimony can be contradicted by another day's testimony. In fact that has been the case.

I would like to suggest that independent judicial inquiries should come with warning labels. This would be a good suggestion for the Leader of the Opposition. Those warning labels would say "Selective use of testimony can be damaging to one's credibility".

[*Translation*]

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, regarding the sponsorship scandal, the Prime Minister said, on February 10, "I had no idea what was going on here". Yet, after being referred by the Prime Minister, Claude Boulay, a close ally during the 1990 leadership campaign, was awarded a \$65,000 contract, with the money coming from the national unity fund, for a campaign to promote Canada's visibility in Quebec, during the referendum campaign.

In light of such a blatant case of patronage, can the Prime Minister rise in this House and repeat that he did not know anything?

**Right Hon. Paul Martin (Prime Minister, Lib.):** Mr. Speaker, once again, this shows that we should not comment here, in the House, on day to day testimony before the Gomery commission.

Today, Mrs. Larose's testimony clearly indicated that there was no interference or intervention on the part of a minister in this issue.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, the public has the right to know, but the Prime Minister, who claimed to want to get to the bottom of this issue, is now refusing to account for his actions in the House, even though nothing prevents him from doing so. I am simply asking him to answer the same questions that we put to him before the election.

With his attitude, is the Prime Minister not confirming that his behaviour is more a matter for the judiciary than for the parliamentary?

[*English*]

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, once again the Prime Minister and the government have nothing to hide. The Prime Minister had the courage to set up the Gomery commission, to give it the resources it required to do its job and to provide to Justice Gomery all the information required, which was over 10 million pages of documents, including cabinet documents.

The Prime Minister has said consistently that he has no difficulty in appearing before Justice Gomery. I would urge patience and a bit of wisdom on the opposition benches on this issue so we can actually get to the truth on this, and allow Justice Gomery to do his work.

[*Translation*]

**Mr. Michel Guimond (Montmorency—Charlevoix—Haute-Côte-Nord, BQ):** Mr. Speaker, for someone who knew nothing of the sponsorship program, the Prime Minister was pretty efficient and active, following up on a letter from his good friend Claude Boulay, who was offering the services of his advertising firm.

How can the Prime Minister claim not to know anything when his letter to his "Dear Claude" resulted directly in a \$65,000 contract for Groupe Everest?

• (1425)

[*English*]

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, again I will not comment on day to day testimony, but I will comment when the opposition allegations are clearly false. The contract in question was selected through a tendering process in which the Prime Minister did not intervene.

[*Translation*]

**Mr. Michel Guimond (Montmorency—Charlevoix—Haute-Côte-Nord, BQ):** Mr. Speaker, the amount of the contract Claude Boulay secured through the Prime Minister was increased from \$50,000 to \$65,000. Normally, this amount should have been paid by Public Works, on behalf of the Federal Office of Regional Development for Quebec; instead, it was paid out of the national unity fund.

How could the Prime Minister say that Jean Chrétien was keeping him away from his national unity strategy, when he freely used the fund for his own department, since he was the minister responsible for the Federal Office of Regional Development? He did not agree with the fund, but he dipped into it.

*Oral Questions*

[English]

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, I repeat once again that this was a tendering process that was fair and it was a tendering process in which the Prime Minister did not intervene. It is curious. The hon. member opposite speaks about the sponsorship program as if only Liberals were aware of it. In fact I have a letter here from April 24, 2001, from the hon. member to the then minister of public works seeking specific funding from the sponsorship program. It was a government program. Members of Parliament from all parties were aware of the sponsorship program.

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**NATURAL RESOURCES**

**Mr. Jack Layton (Toronto—Danforth, NDP):** Mr. Speaker, Canadians get angry when the Prime Minister gives them promises and then he breaks them. Liberals get angry. Premiers get angry, like Danny Williams whom I spoke to today. The Prime Minister does not seem to realize that he is the problem, not the others.

He promised 100%. He did not deliver. Could he explain to Canadians how it is that when he promises 100% and does not deliver, he is not breaking his promise?

**Right Hon. Paul Martin (Prime Minister, Lib.):** Mr. Speaker, I can assure the hon. member that what I said to the Premier of Newfoundland and Labrador is exactly the commitment that I am prepared to carry through with and have set out.

**Mr. Jack Layton (Toronto—Danforth, NDP):** Mr. Speaker, I can see why the Prime Minister and George Bush get along. Neither of them is ever wrong.

I want to ask a question about the staff. We have staff in the Prime Minister's office who insult premiers. They lose premiers' messages on important issues. They cancel VIA Rail funding. What is going on is really quite astounding.

Today in the papers we read that the staff in the Prime Minister's office said that the premier would pay for just simply demanding what the Prime Minister promised. Why are these people still employed?

**Right Hon. Paul Martin (Prime Minister, Lib.):** Mr. Speaker, as I have already stated in this House, those remarks were unfortunate. The director of communications has apologized for them, and I have discussed it with the Premier of Newfoundland and Labrador.

\* \* \*

**SPONSORSHIP PROGRAM**

**Mrs. Diane Ablonczy (Calgary—Nose Hill, CPC):** Mr. Speaker, when the sponsorship scandal broke, the Prime Minister claimed innocence. He told Canadians, "I did not know anything about it", that he had been kept out of the loop. About the national unity fund, he said, "I have not used it".

Now, of course, we know that he got thousands of sponsorship dollars for his personal bagman. He got a fat contract from the unity fund for a leadership supporter.

He was in the loop, lobbying for a piece of the action. Why does the Prime Minister not answer these discrepancies, openly here in Parliament, as a leader should?

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, once again the hon. member, as a lawyer, ought to recognize the importance of the independence of a judicial inquiry. We have seen daily testimony contradicted by other days' testimony in front of Justice Gomery. Justice Gomery is not prematurely jumping to conclusions. He has the wisdom, as a noted legalist, to wait until all the testimony is in to make a sound decision and write a good report from which all Canadians will benefit. I wish the hon. member and her colleagues would have a little of that wisdom and respect the independence of Justice Gomery's work.

• (1430)

**Mrs. Diane Ablonczy (Calgary—Nose Hill, CPC):** Mr. Speaker, I wish the Liberals would show a little respect for Canadians and for their own Parliament. The Prime Minister continues to stonewall in the face of growing revelations showing his involvement. He was the one who demanded that anyone who knew anything about the program must step forward immediately. However, now he says it is good enough to testify later. Except that has not stopped him from talking to the media to try to whitewash the damaging new facts.

Why is the Prime Minister so afraid to stand up in Parliament and give Canadians the truth?

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, once again it is quite obvious that the Prime Minister is cooperating fully by setting up the Justice Gomery inquiry and by providing over 10 million pages of documents to Justice Gomery, including cabinet documents. I would urge the hon. member to listen to the editorial board of the *Chronicle-Herald* which said:

It's only natural for [the Conservative Leader] to make political hay out of the scandal...[the Conservative Leader] should show patience in letting the inquiry do its probe. After all, the commission is paying the Conservatives and Bloc Quebecois a combined \$775,000 for them to fulfil their observer status—

**The Speaker:** The hon. member for Provencher.

**Mr. Vic Toews (Provencher, CPC):** Mr. Speaker, it is unfortunate that Canadians are being stonewalled by the minister.

The Prime Minister claims that he had no involvement in the sponsorship fiasco, yet a growing mound of evidence points in an opposite direction. This failure to immediately disclose the extent of his involvement casts a dark shadow on his ability to lead the Government of Canada.

If he has nothing to hide, he should stand in the House and explain to Canadians his direct communication with the ad agency Groupe Everest.

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, I guess I should not be surprised that the hon. member is opposed to the independence of our judiciary because in 2003 he said that there was a lot of distrust in general toward the judiciary and that it was leading a lot of people to be very fearful of giving powers to the judiciary.

We in this party are proud of our independent judiciary and proud of our Charter of Rights and Freedoms. We defend them. We are not equivocal or contemptuous of them.

*Oral Questions*

**Mr. Vic Toews (Provencher, CPC):** Mr. Speaker, that is a minister who every day shows contempt for this House and, more important, contempt for the people of Canada.

The Prime Minister knows that the independent Gomery inquiry in no way impedes his ability or his obligation to disclose the truth to Canadians here, today, in Parliament.

Rather than relying on a non-existent principle, why will the Prime Minister not simply stand up and tell the truth?

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, the fact is that the Prime Minister has demonstrated complete openness, transparency and cooperation in working with Justice Gomery because he is not afraid of the truth. In fact, the Prime Minister provided those documents to which the hon. member referred.

I believe the question from the hon. member, who is a lawyer and a former attorney general, is based on his contempt for the independence of our judiciary.

He said again in 2003 that the use of the charter of rights was undermining democracy in Canada. That is what he said.

[Translation]

**Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Mr. Speaker, since the Gomery commission started its proceedings, the Prime Minister, who systematically refuses to answer our questions, has been hiding behind the Minister of Public Works and Government Services.

I have a question for the minister pertaining directly to his department. Several firms were contracted to design a logo for the Canada Information Office, at a cost of \$620,000, but no one can find it.

Finding the logo, that is his responsibility. Where is this \$620,000 logo?

[English]

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, I welcome the hon. member who is my critic within the Bloc Québécois. I believe that was her first question in the House of Commons.

I have to somewhat reject the premise of her question because it is based on daily testimony before Gomery. I would urge her to once again demonstrate patience and respect for the independent judicial work of Justice Gomery.

We look forward to receiving that report. I am sure she will find it as instructive as we will.

• (1435)

[Translation]

**Ms. Louise Thibault (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Mr. Speaker, the Minister of Public Works and Government Services has known for a week that \$620,000 was spent on a logo.

Could the minister tell whether or not he has looked for, seen or located the logo? That is his responsibility.

[English]

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, the agency to which the hon. member referred no longer exists. We have moved beyond to the point where we have overhauled our advertising approaches. We have an open, fair and transparent advertising process that will ensure that Canadian taxpayers get the best value. At the same time, government departments and agencies will get the high quality advertising and information they need.

[Translation]

**Mr. Michel Gauthier (Roberval—Lac-Saint-Jean, BQ):** Mr. Speaker, the Prime Minister has said on many occasions, and particularly just before the election campaign, that he knew nothing about the sponsorship scandal. We beg to differ. It is his word against ours. Since we have learned that his office intervened, his department intervened and he, himself, intervened to obtain contracts for his friends, the Prime Minister must admit that there is quite a bit of evidence tipping the balance against him.

My question is for the Prime Minister. Does he still maintain that neither he nor anyone from his office knew anything about the sponsorship scandal?

[English]

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, the Prime Minister has been completely clear from the beginning that he, like all members of Parliament in this House, was aware of the sponsorship program. It was a national program after all. He was not aware of any alleged malfeasance. When he became aware of alleged malfeasance as a result of the Auditor General's report, he acted swiftly to end the sponsorship program, to establish Justice Gomery's inquiry and, furthermore, to work closely with and cooperate with Justice Gomery. We have provided over 10 million pages of documents, including cabinet documents. We are not afraid of the truth.

[Translation]

**Mr. Michel Gauthier (Roberval—Lac-Saint-Jean, BQ):** Mr. Speaker, what we find disappointing about these responses is that the new Minister of Public Works, who used to be on this side of the House, has learned a lot from Alfonso Gagliano, because that is exactly how he used to answer us until the Auditor General's report was tabled.

When the Prime Minister formed his cabinet he said that no one in it knew about the sponsorship scandal or had anything to do with it.

Today, I am asking him to rise from his seat and make that exact same statement, if he can.

[English]

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, the Prime Minister is quite capable of speaking of his knowledge. In fact, that is why he has volunteered from the very beginning to appear before Justice Gomery. He has no difficulty doing that.

The opposition ought to accept yes as an answer and look forward to the very diligent and important work that Justice Gomery is completing on behalf of the people of Canada, and not, instead, prejudice and interfere with that important work.

*Oral Questions*

**Mr. Peter Van Loan (York—Simcoe, CPC):** Mr. Speaker, when the Prime Minister started out as finance minister, Transparency International, which ranked countries according to corruption, ranked Canada as the fifth cleanest. By the time he was finished as finance minister, Canada had slid to 11th place. Since he became Prime Minister, the slide has continued and Canada is down to number 12.

The Prime Minister said that he wanted to get to the bottom of the sponsorship scandal, but he is acting more like he wants to get to the bottom of the clean government index.

Will the Prime Minister help Canada and come clean by telling us when he first knew his office made calls seeking sponsorship funds for his Liberal fundraising friends?

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, if the member wants to talk about the degree to which the Prime Minister is being recognized for his openness and transparency, the information commissioner, in his recent report to Parliament, lauded the Prime Minister for early moves to boost transparency. He said that the Prime Minister was confronting head on the attitude of secrecy in the corridors of power in Ottawa.

Furthermore, he said that there were early and positive signs that the government would be sufficiently self-confident, courageous and honest enough to beat the secrecy addiction to which most governments fall victim.

That is what the information commissioner said about the Prime Minister and the government.

• (1440)

**Mr. Peter Van Loan (York—Simcoe, CPC):** Mr. Speaker, Canadians and people who do business in Canada think a little differently.

Transparency International surveys those trying to do business on whether they think one must exercise undue influence to get things done because a government is corrupt.

Canada is losing out on real decisions on investing, creating jobs, getting economic growth and prosperity all because of this.

The refusal of the Prime Minister to be transparent and answer simple questions on his involvement in the sponsorship affair is fuelling the slide in Canada's standing.

Why will the Prime Minister not just tell the House what he knew and when he knew it?

**Hon. Ralph Goodale (Minister of Finance, Lib.):** Mr. Speaker, to hear the ludicrous suggestion that Canada is somehow slipping behind in terms of economic performance is absolute rubbish. We moved from the bottom of the G-8 countries, in the first part of the 1990s, to the top of the G-8 countries. We have the best record for fiscal responsibility, the best record for job creation and the best record for economic wealth.

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**NATURAL RESOURCES**

**Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC):** Mr. Speaker, the Prime Minister, who said in 1991 that we were a culture

of dependency, promised to give Newfoundland and Labrador 100% of its offshore petroleum production revenues.

He has gone back on his promise. Now his lackey, Scott Reid, says that Premier Williams may get some short term gain but that he will pay for it in the long run.

I ask the Prime Minister, who tried to bribe us in the past, is he now trying to blackmail us for the future?

**Hon. Ralph Goodale (Minister of Finance, Lib.):** Mr. Speaker, the Prime Minister has already noted that the comments referred to by the hon. gentleman are unfortunate and have been apologized for, as is the appropriate thing to do.

With respect to the ongoing work on the offshore issue, I want to assure the hon. gentleman that the Government of Canada takes that issue extremely seriously and, just like Premier Williams, we want to find a solution that works well for Newfoundland.

**Mr. Norman Doyle (St. John's East, CPC):** Mr. Speaker, the Prime Minister's aide has stepped over the line this time in threatening Newfoundland and Labrador.

How dare he say that Premier Williams has made a mistake of historic proportions and that he is doing it on the backs of the people in Newfoundland and Labrador, that he may get some short term gain but that he will pay for it in the long run.

Is that how the Prime Minister operates? How can the Prime Minister threaten the people of Newfoundland and Labrador just because they want fairness?

**Hon. Ralph Goodale (Minister of Finance, Lib.):** Mr. Speaker, let us be very clear. No one has extended an insult to the people of Newfoundland and Labrador. Unfortunate remarks were made and those remarks have been apologized for.

On the substance of the issue, like the hon. gentleman and members on this side who represent constituencies in Newfoundland and Labrador, we all want a solution. We want to get one honourably and fairly and one that works well for Newfoundland. We will continue to work constructively in that direction.

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**EQUALIZATION PAYMENTS**

**Hon. Don Boudria (Glengarry—Prescott—Russell, Lib.):** Mr. Speaker, I hate to interrupt the line of questioning with a real question but I have a question for the Minister of Finance.

During the first ministers meeting on equalization, first ministers agreed to introduce a new element in equalization calculations. Could the Minister of Finance explain how the concept of an escalator clause is consistent with the principles of equalization and how it will affect equalization in the future?



*Oral Questions*

● (1445)

**Hon. Ralph Goodale (Minister of Finance, Lib.):** Mr. Speaker, the hon. gentleman is right. This is a major innovation in equalization. It will, at the request of the premiers, bring greater clarity, certainty and predictability into the calculation of equalization amounts from year to year. It will contribute to significant growth in the value of equalization. Indeed, between now and five years from now, it will grow by a full 42% over that period of time, and there will be a substantial transfer of provincial risk to the Government of Canada to assist the provinces.

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**ABORIGINAL AFFAIRS**

**Mr. Pat Martin (Winnipeg Centre, NDP):** Mr. Speaker, in stark contrast to his rhetoric about social justice, the Minister of Indian Affairs and Northern Development is cutting his budget for the next fiscal year by \$322 million, or 6%, while leaving intact his department's spending on administration and management.

Any cut to social programs is outrageous when his government is in fact faced with a surplus of \$9 billion and the needs are so urgent.

Will the minister agree today to reverse these unfair cuts and to go back to his cabinet demanding an increase in spending that reflects the desperate need that exists among aboriginal communities today?

**Hon. Andy Scott (Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians, Lib.):** Mr. Speaker, as I told the hon. member this morning, the Department of Indian Affairs and Northern Development increased its budget by 9%, some \$450 million.

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**PRIVACY**

**Mr. Brian Masse (Windsor West, NDP):** Mr. Speaker, the Liberal government has ignored the consequences of George Bush's patriot act allowing the FBI and CIA to spy on Canadians. We already know that this security breach has cost the Canadian taxpayers \$5 million to correct the situation. What we do not know is why the government is silent and complicit in this behaviour.

My question is for the Prime Minister. Does he know how many Canadians are being affected? Has he raised this issue with Tom Ridge and other U.S. counterparts and would he care to inform the House what other nations could have access to Canadians' private information?

**Hon. Reg Alcock (President of the Treasury Board and Minister responsible for the Canadian Wheat Board, Lib.):** Mr. Speaker, the member has raised a very important question.

I met recently with the privacy commissioner, Ms. Jennifer Stoddart, to discuss this. She assured me that under the PIPEDA legislation we have all the authority we need to ensure that these incursions do not take place. We are reviewing some of our contracting reviews in the public sector to see if we can strengthen them. I am confident that we have the tools to protect Canadians.

**EQUALIZATION PAYMENTS**

**Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC):** Mr. Speaker, at the Standing Committee on Finance this morning, the finance minister admitted that the current equalization deal that is on the table for Newfoundland and Labrador has a cap on revenues. This statement directly contradicts the Prime Minister and the Minister of Natural Resources who have both stated repeatedly that there is no cap for Newfoundland.

On such an important issue, who is calling the shots? Does the finance minister's proposal take precedence over the Prime Minister's election promise to the people of Newfoundland?

**Hon. Ralph Goodale (Minister of Finance, Lib.):** Mr. Speaker, what the hon. member is quoting is her own selective interpretation. What I said is that what will flow to Newfoundland in stream number one is 100% of its own source revenues; on top of that, equalization; on top of that, the 30% matching funds under the accord; on top of that, the additional offer that the Government of Canada has made to match the fiscal capacity of Ontario.

[Translation]

**Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC):** Mr. Speaker, amendments had to be made to the Speech from the Throne in order to force the Prime Minister to recognize the reality of the fiscal imbalance. Once again, instead of straight talking he is hiding behind the formula.

Will the Prime Minister be more straightforward, drop the trickery, come to the table and truly give the provinces their due?

[English]

**Hon. Ralph Goodale (Minister of Finance, Lib.):** Mr. Speaker, the amendment to the Speech from the Throne referred to what some called a fiscal imbalance. I would point out that there are important fiscal pressures that we are occupied with on this side of the House, fiscal pressures that affect us, fiscal pressures that affect the provinces.

We are acting on all of those fronts, including in the last five weeks a commitment by the Government of Canada to \$74 billion in new funding for the provinces for health and equalization to help them meet their responsibilities.

\* \* \*

● (1450)

**AGRICULTURE**

**Mrs. Diane Finley (Haldimand—Norfolk, CPC):** Mr. Speaker, the U.S. border has been closed to Canadian livestock for 526 days. Producers now more than ever need immediate disaster relief. Currently the Canadian agricultural income stabilization program requires producers to pay in large deposits just to trigger payouts. This is at a time when producers can least afford it.

When will the minister commit to getting rid of the onerous cash deposit requirement?

*Oral Questions*

**Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.):** Mr. Speaker, as the hon. member knows, what we have indicated is a willingness to sit down with the industry and have a discussion about exactly how CAIS should be restructured, if it should be.

I should make the point that the Canadian Federation of Agriculture has made it clear that we should engage in this annual review. That process is being put in place. I made the commitment to them that as we review this, if there are alternative and better ways to make that particular program work, I am quite willing to listen to them and work at putting them in place.

**Mrs. Diane Finley (Haldimand—Norfolk, CPC):** Mr. Speaker, when? Producers who have applied for the CAIS program are asking the Liberal government to show them the money. Many are still waiting for their cash advances for 2003.

I ask the agriculture minister, why is he failing farmers by not ensuring that desperate producers who have applied already for the CAIS program receive the cash they need right away?

**Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.):** Mr. Speaker, not only is money flowing to producers under the CAIS program, but on September 10 we instituted a special CAIS program advance for the beef producers. I am pleased to report that to date, 4,500 of those producers have taken up the offer. We are in the process of ensuring that they have the cash and the necessary liquidity in addition to the restructuring measures that we took on September 10 that will allow our industry to be profitable with or without a border opening.

\* \* \*

[Translation]

**TAXATION**

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, Quebec finance minister Yves Séguin has criticized the behaviour of the Prime Minister at the last federal-provincial conference, labelling it as Quebec bashing.

How does the Prime Minister explain this angry response from Mr. Séguin, a federalist and a Liberal, when he is boasting of his desire to enter a new era of federal-provincial cooperation?

[English]

**Hon. Ralph Goodale (Minister of Finance, Lib.):** Mr. Speaker, I can assure the finance minister in Quebec that both the Prime Minister and I, and I think every other premier around that table, spoke very constructively about the important role played by Quebec and are very supportive of the objectives that Quebec has been pursuing under the distinguished leadership of Premier Charest.

[Translation]

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, from those words from the mouth of the Finance Minister, we can see how familiar he is with Quebec, how he has his finger on the pulse there. We have evidence of his great knowledge in the way he handled the Desjardins case.

Will the Prime Minister admit that what makes his attitude so terrible is that he could have afforded to make a better offer to the

provinces, but instead bowed to caucus pressures and sided with Ontario and against Quebec?

A fine example of openness and cooperation, that is.

[English]

**Hon. Ralph Goodale (Minister of Finance, Lib.):** Mr. Speaker, we have indeed sweetened the offer to all of the provinces across the country.

We are taking equalization from \$8.9 billion this year to \$12.5 billion in five years. That is a 42% increase. When we combine the effects of the health deal and the equalization deal for Quebec this year, that is \$979 million more, and next year, \$1.8 billion more.

Quebec and all provinces are being treated very fairly under this new arrangement.

\* \* \*

**NATIONAL DEFENCE**

**Mr. Dave MacKenzie (Oxford, CPC):** Mr. Speaker, I would like to bring to the attention of the House another Liberal first. The United States has now been forced to partner with Sweden in a submarine training program.

The United States has lost faith in our country's ability to provide a reliable submarine program. Will the Minister of National Defence explain to the House why we have been left behind in submarine warfare capabilities in the Atlantic, Pacific and Arctic waters?

● (1455)

**Hon. Bill Graham (Minister of National Defence, Lib.):** Mr. Speaker, the premise of that question is absolute nonsense. The United States navy partners with lots of other countries. It not only deals with Sweden, it deals with many of our NATO allies.

Fortunately I can say that the Canadian navy has one of the best records of working with the United States navy. In fact, it has commanded U.S. navy ships in the Persian Gulf.

We have an unparalleled record of working with the American navy and we will continue to do so. We welcome other countries to work with us both together.

**Mr. Dave MacKenzie (Oxford, CPC):** Mr. Speaker, the submarine program is vital to the defence of Canadian sovereignty, but we do not have the submarine capability to fully patrol the Atlantic, Pacific and Arctic coasts.

The *Washington Times* is reporting that China is now further expanding its submarine force with new non-nuclear submarines to counter western naval prominence in the Pacific Ocean.

Will the Minister of National Defence explain why Canada should have its coastal waters and North American naval interests defended by Sweden?

*Oral Questions*

**Hon. Bill Graham (Minister of National Defence, Lib.):** Mr. Speaker, there is a Swedish submarine that happens to be in San Diego doing training exercises with our American friends. It is not there to defend Canada. I do not believe it is there to defend the United States. I believe it is there to work with us all in trying to make ourselves secure. We welcome this enterprise. We welcome all who want to work with us.

We are not like the opposition who think that we can pull a shell around ourselves and say that we do not want anyone else in our waters. We like our allies and we will work with all of them.

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**PUBLIC WORKS AND GOVERNMENT SERVICES**

**Mr. Michael Savage (Dartmouth—Cole Harbour, Lib.):** Mr. Speaker, my question is for the Minister of Public Works and Government Services.

Last month the minister announced a new strategy for his department, a strategy that will see more efficient services in areas such as procurement and property management.

I and many of my constituents support that initiative, but we are concerned that this could lead to a centralization of services in Ottawa. It is my hope that this new strategy takes the needs of small communities and business in Atlantic Canada into account.

What assurances can the minister provide that this initiative will not result in a reduced federal presence in Atlantic Canada?

**Hon. Scott Brison (Minister of Public Works and Government Services, Lib.):** Mr. Speaker, I thank the hon. member for this very important question. I can assure him that in no way, shape or form will this initiative reduce the visibility of the Government of Canada in the regions of our country. We have new approaches to real estate in my department that I believe have the capacity to increase our presence in the communities and regions across Canada.

As for procurement, we will consider regional standing offers and other methodologies of approaches for procurement to ensure that small and medium enterprises across Canada throughout our regions have an opportunity to provide goods and services to the Government of Canada.

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**CHINA**

**Mr. Ted Menzies (MacLeod, CPC):** Mr. Speaker, China has an active commitment to foreign aid and even has 125 peacekeepers in Haiti, where Canada has none. In 2003 China spent \$2.4 billion U.S. on aid to North Korea.

Why are Canadian taxpayers still giving \$54 million a year in foreign aid to China?

**Hon. Aileen Carroll (Minister of International Cooperation, Lib.):** Mr. Speaker, China is changing very quickly. It has the world's largest population and has very uneven social, economic and political development. Having the Chinese build a more democratic and prosperous country is good not only for China, but for the world. That is why we send experts to China to help at the Supreme Court level and with the legislators.

The opposition may wish us to ignore China. We think it is very important to engage China.

**Mr. Ted Menzies (MacLeod, CPC):** The minister is ignoring reality, Mr. Speaker. China has a booming economy which is now the number one recipient of private foreign investment in the world, receiving \$53 billion U.S. in new money. Canadian companies are ranked among the top 10 investors. It is time for China's government to take responsibility for helping its own poor people.

How can the Minister of International Cooperation justify giving aid to China?

**Hon. Aileen Carroll (Minister of International Cooperation, Lib.):** Mr. Speaker, we do not ignore the facts of China. It is important that the opposition understand that 20% of the world's poor live in China.

What is very important is that through our development relationship we are able to engage China on many different fronts. It is our opportunity to impact China's reform and to be there to assist the Chinese with that. I might add that China frequently looks to Canada in that regard in a manner in which it does not look to other countries.

\* \* \*

● (1500)

[Translation]

**AGRICULTURE**

**Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ):** Mr. Speaker, there is a crisis in agriculture, especially among the farmers who are victims of the mad cow crisis. They are exasperated by the government's inability to defend their interests. Quebec's producers have been hit twice: they are the victims of one diseased cow found in Alberta and they are receiving ridiculous prices and subsidies for their cull.

Since we know that one farmer received as little as 7¢ for an animal, what is the Minister of Agriculture and Agri-Food waiting for before he reveals a sensible plan to come to the aid not only of beef cattle producers but to farmers who produce cull cattle in Quebec?

[English]

**Hon. Andy Mitchell (Minister of Agriculture and Agri-Food, Lib.):** Mr. Speaker, there are two significant things that need to be done to address that particular problem.

First is the need to build more capacity. In our announcement of September 10 we are providing initiatives by the federal government to increase that capacity.

In addition, the hon. member and I have had a chance to talk about this. We are in discussions with a number of organizations, including the province of Quebec—and this would also apply to other dairy areas—on exactly how to deal with the cull cow issue in the short term. We will deal with increased capacity in the long term, but we are also having discussions about what to do in the short term.

*Supply***FOREIGN AID**

**Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.):** Mr. Speaker, we all know Canada is a leader in helping the developing nations of the world, especially those in greatest need. Can the Minister of International Cooperation tell us how much of the government's expenditures on foreign aid are for administration and specifically, what percentage of the total money spent on aid does running the department cost?

**Hon. Aileen Carroll (Minister of International Cooperation, Lib.):** Mr. Speaker, I thank the hon. member for his question. As the House knows, we are committed to delivering our aid programs in the most effective and cost efficient manner.

I would like to explain to the House that over the last two years CIDA's operating expenses have reduced from 10.1% to 8.3%. In fact, its operating budget has declined in absolute terms despite a significant increase in its budget.

Let me remind the House that the government has increased our budget by 8% and has committed to doubling it by 2010. Therefore, our budget is rising and our costs are going down. It is a success story.

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*[Translation]***PRESENCE IN GALLERY**

**The Speaker:** Order, please. I wish to draw the attention of members to the presence in the gallery of Mr. Eric Woerth, Minister of State for Administrative Reform of the Republic of France.

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

*[English]*

**The Speaker:** It being Thursday, we will now have a question from the hon. opposition House leader.

\* \* \*

**BUSINESS OF THE HOUSE**

**Mr. John Reynolds (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC):** Mr. Speaker, the Prime Minister made a promise to tell us when we would have a bill on MPs' salaries. We still have not heard when that bill will be before the House. My party and I would like to know, and I am sure every MP would like to know when we are going to see that bill. We would also like to know what the business is for the rest of this week and next week before we take the break and go home for Remembrance Day.

**Hon. Tony Valeri (Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, this afternoon we will continue with the allotted day.

Tomorrow and the first part of next week, the order of legislation will be second reading of Bill C-14, the Tlicho governance agreement, and reference before second reading of Bill C-13, the DNA data bank bill.

We will then proceed to the reference before second reading of Bill C-15, respecting the convention on migratory birds and second reading of Bill C-9, respecting a regional development agency in Quebec.

We would then turn to the reference before second reading of bills to be introduced early next week dealing with the Competition Act, first nations fiscal institutions, Telefilm, certain controlled substances, and an amendment to the Criminal Code with respect to impaired driving.

I will be discussing with the other parties the exact order of these bills. We would hope, by the end of the week, that we would be in a position to deal with report stage and third reading of Bill C-4, respecting aircraft equipment.

Next Thursday will be an allotted day.

On Tuesday evening there will be a take note debate on the compensation for victims of hepatitis C.

With respect to the specific question asked by the hon. member across the way, certainly it will be very forthcoming in the near future and I am sure we will also have a discussion among House leaders.

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**GOVERNMENT ORDERS**

● (1505)

*[English]***SUPPLY**

## OPPOSITION MOTION—FISCAL IMBALANCE

The House resumed consideration of the motion.

**The Speaker:** When the debate was interrupted for question period, the hon. member for New Brunswick Southwest had the floor on questions and comments. Therefore, I call on the House for any questions or comments.

**Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC):** Mr. Speaker, I was listening to my colleague just before question period and I was extremely impressed with his knowledge of what is happening in relation to negotiations between the federal government and the province of Newfoundland and Labrador. I just wish sometimes we could take some of the understanding, some of the concern, and perhaps even some of the intelligence exemplified by members over here and transfer it across the floor to some of those members.

The hon. member is from New Brunswick. Many of the people who are listening and watching us today may not realize that because we hear people say it is great for Newfoundland to be looking for its own share of the benefits, it is all we are asking for, by the way, our share of our resources, but the other provinces do not care.

I hope we will hear more from other members as they speak on this debate today. Other provinces do care. New Brunswick is one of the provinces not really affected by the offshore developments but could easily be affected. Heaven knows when there will be a major discovery off the coast of New Brunswick. Its day will come as ours did.

I ask the member, from his own perspective, is it not about time that we as Canadians stood by each other? When one has the opportunity to move ahead, is it not better for us all if we work together on this because what helps one in this great Confederation, surely God, helps all of us?

**Mr. Greg Thompson (New Brunswick Southwest, CPC):** Mr. Speaker, that is one of the points that I tried to make. This whole equalization formula was based on fairness and generosity. That is the type of generosity that we would expect from the Government of Canada. However, the government's approach is to divide and conquer, not quite understanding the generosity of this country where every premier and every province will come to the defence of the other province.

In this particular case we are talking about offshore resources in Newfoundland and Nova Scotia specifically. Again, that may apply to New Brunswick in the future and possibly Prince Edward Island.

The fact of the matter is that the Prime Minister made a commitment. That is what we do not want to lose in this debate. He made a commitment during the heat of an election campaign. It was a promise that would allow those provinces to keep those resource revenues. Now he has reneged on that promise, as he has done on a number of promises.

When I sat down in my place prior to question period, that was the point we were on, the litany of broken promises by the Prime Minister.

The generosity that the member for St. John's South—Mount Pearl is referring to is exactly the point of this whole debate. That is what we are talking about, sharing the wealth in this country, rich provinces and poor provinces working together.

It is nice to see the premiers of Canada agreeing on that. The people who are reneging on that promise to share that wealth are the Prime Minister of Canada and his Liberal government. Those Liberal backbenchers, every single one of them, whether from Atlantic Canada or someplace else, should be simply ashamed of themselves.

We support fairness in this system of equalization. We are expecting the Government of Canada to share in the wealth of this country and honour its promises.

• (1510)

**Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, I want to pick up on the comments made by the hon. member about fairness and generosity. I remind him that the transfers this year alone were \$53.9 billion including tax transfers in the form of equalization and in the form of CHST.

Currently CHST, which is to become CHT and CST, is divided on a per capita basis. On equalization, however, there is an argument as to whether it should be divided on a per capita basis or a per share basis. I would be interested in the hon. member's views.

Quebec wishes it to be divided on a per capita basis and the other provinces wish it to be divided on a per share basis. Which formula would he be in favour, for sharing and generosity?

**Mr. Greg Thompson:** Mr. Speaker, a per capita basis may create a level of difficulty in the smaller provinces. In other words, the more people, the more revenues that would flow to those provinces.

### *Supply*

There is a problem that has to be sorted out. Premier Binns has expressed that, as has Premier Lord of New Brunswick.

I do not want the member to get this debate off track. This is about the Prime Minister of Canada not honouring a promise that he made in the election to allow Newfoundland and Nova Scotia to keep 100% of all the revenues generated by the offshore.

That is the issue. I do not want them to dodge that bullet. I am sure my colleague who will be on his feet following my remarks will want to expand upon that theme.

**Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC):** Mr. Speaker, it is a pleasure to speak to the issue that has been brought before the House at a very appropriate time. I thank my colleagues from the Bloc for bringing this motion to the floor for two reasons. First, it gives us a chance to talk about an issue that is currently the centre of attention in Atlantic Canada and perhaps Canada in general, and second, it gives us an opportunity to talk about equalization itself.

I just heard the Parliamentary Secretary to the Minister of Finance talk about all the money the government was giving to the provinces. It is amazing to hear government members say that they have increased the amount, that they are giving the provinces a share and that they have given the provinces above and beyond. I did not say this government because all governments have a tendency to do the same thing.

What government is really doing is giving back to people what they gave in the beginning. Governments use it for their base of operations, to keep them going and to help their friends in some instances. We see examples of that every day here. However, we then decide to give back to the people some of their own hard earned tax money. The thing is, one small clique in Ottawa decides who gets what.

The premiers were brought together last week and within a day they agreed, question mark, question mark, on an equalization formula. However, after reading the press, one discovers that just about every premier expressed displeasure with one part or another of the equalization agreement. One premier thinks the wrong formula is being used, another thinks certain elements should have been included, while others think certain elements should not have been included. It goes on and on. Suffice it to say that even though the premiers have made the best of a bad situation, nobody is really happy with what is happening.

The hon. parliamentary secretary raised two issues: CHST and equalization. He talked about CHST as being distributed on a per capita basis. The unfortunate thing about the Canada health and social transfer payments is that they have been cut so much over the last few years that provinces cannot pay their bills any more when it comes to health care but in particular, education, which has been left out of the loop entirely.

However, because of the total public outcry on health care, a conference was held a while ago which led the government to again committing to the provinces to give them back some of the money that it cut over the last 10 years that it has been in power to try to offset some of their health care debts.

### *Supply*

However, as more emphasis is being placed on health care, less emphasis is being placed on education. Are we not smart enough to see that if we do not educate our young people they will be taking out of society for the rest of their lives? They will be taking money from the unemployment fund, the welfare fund and the housing fund. There will be penal costs. Our young people will incur drug costs and health care costs because when people have no money they do not look after themselves physically or mentally. It goes on and on. An educated populace is working, is active, and is contributing. It is a no no-brainer. We are sliding away from that to the point where many of our young people cannot afford to be educated and we will pay the price.

From this quick fix government, we are getting reactions to protests and reactions to pressure. We are getting a quick fix without any vision whatsoever.

With regard to the equalization process, the word itself should answer the parliamentary secretary's question. He asked my colleague which method should be used to distribute equalization payments: the formula presently used depending on need, or on a per capita basis. The parliamentary secretary asked the question so I will answer it from my perspective and the people from Quebec can listen. I know we will not agree on this part.

● (1515)

It would be to the benefit of Quebec, because of its population, to receive the payments on a per capita basis, but it would be to the detriment of most of the other provinces, and certainly to my own province of Newfoundland and Labrador. The reason we are putting so much pressure on the government to get our share of our revenues is to bring up our economy so we will no longer be a have not province.

The population of Newfoundland and Labrador has declined over the last 10 years by over 10%. Almost 50,000 people, most of them young people, have left the province. What does that do? Being the only province in the country with a rapidly declining population, if we are going to distribute equalization funds, which are supposed to equalize us in the light of fiscal capabilities, then we will be the ones getting the shaft. Not only that, with our young people leaving, the population left behind is older and therefore the needs become greater in terms of assistance and health care costs.

If we look at the geography of our province, which I have said over and over again, it is a geography spread over a big island and a large chunk of the mainland, Labrador, and we must try to deliver the same services as people would expect in the middle of Toronto. Some people think we should only get the same amount of money to do so, which is why the word equalization is as it is. It is supposed to equalize things but, as we all know, it has never done that and it is certainly will not do it under any formula the government has.

However, if need and geography were considered, then we would be treated somewhat more fairly than if it were based solely on a per capita basis. Certainly in that regard I have no problem supporting the need to address fiscal imbalance or talking about the need to look at the overall delivery of federal money to provincial coffers. What I do have a problem with is the mechanism of delivery.

In the time I have left I want to concentrate on our concern about the lack of funding coming to our province and how we hope to deal with it.

We have tremendous resources in our province. A number of years ago we developed the Upper Churchill, a power generating facility on the Churchill River that produced a tremendous amount of hydro power. We could not sell the power into the United States where the heavy demand was, or to Ontario, because between us and the market there was a province called Quebec. Unlike some other provinces, it did not feel it could give us free passage or wielding rights through the province.

The government did nothing about it. We were sold out by our own government more so than anybody else. We decided to sell Quebec the power at the then going price. We received about \$10 million and Quebec received about the same thing. Somebody on our side forgot to put in an escalation clause. Quebec receives about a \$1 billion today and we still receive \$10 million. People will now understand why we are saying that we want our share of our offshore resources. We will not settle for anything less than fairness. We have gone through it once and we will not go through it again.

● (1520)

**Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, I think, in some measure, the hon. member's speech is probably one of the more thoughtful speeches I have heard here today. Newfoundland does have a problem. I do not think there is much disagreement with that on this side.

Newfoundland's population has declined by 10% over the last number of years. We agree with that. That is factually and statistically correct. I come from Scarborough and Scarborough has 550,000 people, so it is basically less than the size of Scarborough. The average age in Newfoundland is, I think, three to four years older than the average age of a person in the rest of Canada. That is not a very happy statistic because essentially what it reflects is that young people are being drained out of the province.

We are not arguing about whether there is a problem or even a problem that does not need special address in the circumstance. We have addressed the issue through the Canada health transfer, through the Canada social transfer, through the equalization payments and now we are trying to negotiate and enhance the Atlantic accord.

I do not disagree on his point about the hydro. In fact, Newfoundland and Labrador did get hosed. It is rather incredible and quite regrettable that the province of Quebec will not open it up again but I do not know if this is the area in which it needs to be done.

I cannot fathom why my constituents in Scarborough should be paying their taxes, being generous and open in sending money to all of the have not provinces, and then find themselves in a situation where their fiscal capacity is effectively less than someone in Newfoundland and Labrador. Therefore, if we can arrive at some formula that brings it to the Ontario average, I think that would be reasonable and fair. I do not think it is reasonable or fair to go beyond the average fiscal capacity of a province, such as Ontario, which is basically the standard for the country.

• (1525)

**Mr. Loyola Hearn:** Mr. Speaker, I understand where the member is coming from, but it was the way he presented it that people will misinterpret the fact that he is basically saying that Newfoundlanders, or anybody else, should not have more money, regardless of the resources, than Ontario has. I am sure he did not mean that.

With all due respect to yourself, Mr. Speaker, the member and other members from Ontario, the reason Ontario is in that position is that it is the centre of Canada. The federal government is in Ontario and therefore there are spinoffs. I wonder how well Ontario would be doing if we were to move this building and all the associated work that goes into running the Government of Canada to Newfoundland and Labrador or to British Columbia.

I will use Alberta as an example. Back in the 1930s when things were rough in Alberta, before the oil days, Albertans were going through a very rough time. Atlantic Canada at one time, as history dictates, would send fish to Alberta to help the people because they were going through such a rough period. They discovered oil and things turned around. Alberta is now helping us.

Ontario is somewhere near the top of the heap. However if other provinces were to develop their resources they could surpass Ontario. They could be paying equalization payments to Ontario down the road. That is what Confederation is all about. I make no apologies.

What I am saying is that a province should be the prime beneficiary of its resources. Nobody denies that, but what the government is saying is that the provinces should be as long as it does not make them better than somebody else. That is not the way it is supposed to be and that certainly is not the way it will all turn out in the end.

[*Translation*]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Mr. Speaker, it is an honour for me to split my time with my hon. colleague from Rivière-du-Nord.

For the benefit of our audience, I would like to repeat today's opposition motion presented by the Bloc Québécois. I think it is important that people know why we are debating this subject and what prompted the Bloc Québécois to present this motion. The motion reads:

That this House regrets the attitude of the Prime Minister of Canada at the First Ministers' Conference on October 26, 2004, and that it call on the federal government to recognize the existence of a fiscal imbalance in Canada and that, to this end, the House ask the Standing Committee on Finance to strike a special subcommittee to propose tangible solutions for addressing the fiscal imbalance, and that its report be tabled no later than June 2, 2005.

In my view, it is important that we talk about each part of this motion and that we explain why we presented it today.

We will recall that the original Speech from the Throne presented by the Liberal government was a speech made by a centralizing majority government wanting to crush the opposition like a bulldozer. However, it hit the wall. The Bloc Québécois and its 54 members made it quite clear that it would not accept a throne speech that challenged Quebec's jurisdiction and lacked a commitment to equality in our society. With the amendment proposed by the

### *Supply*

Conservative Party and the final amendment that we made, we managed to correct the Speech from the Throne.

At a certain point in the study of the Speech from the Throne, the Prime Minister said that he was willing to consider what some have called the fiscal imbalance. They are the Quebec premier, the leader of the opposition in Quebec, the leader of the ADQ, all of the provinces and all of the opposition parties. Pretty well only the Liberal Party does not recognize the fiscal imbalance problem. However, it still agreed to amend the Speech from the Throne by adding these terms.

We needed a clear indication that the Prime Minister had changed his way of looking at things and would be adopting a different attitude, but no. We had evidence of that at the first ministers' conference on October 26, that is quite recently. The Prime Minister's government has kept the same attitude as the previous one had. So Jean Chrétien and the present Prime Minister are just Tweedle Dum and Tweedle Dee. Same centralizing attitude, same approach that penalizes Quebec.

The best demonstration of this was provided by the present premier of Quebec and known federalist, Jean Charest. He came out of the meeting expressing great disappointment. Even Quebec's Minister of Finance Séguin, also a member of the federalist Liberal government of Quebec, has referred to the federal government's wish to bleed Quebec dry.

Obviously, the Bloc Québécois, with the power it wields in this House, particularly the power to set the agenda on an opposition day such as today, wants to bring the Prime Minister back in line and tell him that when his party agreed to amend the throne speech, more than empty words were required. He needed to adopt a behaviour to reflect them, and in the end we need to see some approaches adopted that we will find satisfactory.

This is, moreover, one of the advantages of minority government. On election night, people were wondering whether having 54 Bloc members elected was going to give us the power to change things. It does not give us the power to make Quebec a sovereign country, and it does not settle that issue once and for all, but it certainly does make it possible for the interests of Quebec to be better defended. The motion today is a very concrete example of what we can do.

The government is so afraid of facing up to its responsibilities that it did not feel necessary for this motion to lay the government open to question. But that is what the vote in the House of Commons will be about. The majority in this House will be calling upon the federal government to recognize the existence of a fiscal imbalance in Canada. When that motion is passed, it will not be using the terminology from the throne speech, "financial pressures some call the fiscal imbalance", but rather the term "fiscal imbalance" itself. The division on this motion will provide a very clear indication to the government that the House of Commons disavows its present behaviour, hence the importance of making sure as many members as possible support the Bloc motion. This will provide a logical follow-up to the amendment to the Speech from the Throne.

### Supply

A vote in the House of Commons will remind the current Prime Minister that he made a commitment, in the throne speech, to change his attitude, but has failed to do so, thus exposing himself to criticism from the House. That is the message this motion will send.

● (1530)

Furthermore, we are proposing tangible solutions when we ask that:

—the House ask the Standing Committee on Finance to strike a special subcommittee to propose tangible solutions for addressing the fiscal imbalance, and that its report be tabled no later than June 2, 2005.

After this motion of the Bloc Québécois is passed, the Standing Committee on Finance will be mandated. This government may be a minority government, but a majority of members will have asked that the matter be referred to the committee, and this committee made up of a majority of opposition members will be able to carry out the necessary studies and submit a report no later than June 2, 2005, so that the fiscal imbalance can finally be addressed.

There are three main causes for the fiscal imbalance per se. It can be explained several ways: first, by the imbalance between expenditures and access to revenue sources for each level of government. Be it at the federal or provincial level, the needs and revenues of this government are not balanced. There is an imbalance in Canada right now, a fiscal imbalance. It has to be corrected.

The second cause is inadequate federal transfers to the provinces. As a result, the public is left out when the accountability of its government is evaluated. The fact is that the federal government, which is collecting a huge amount of money—\$9 billion in surplus again last year—has a responsibility when it comes to distributing this wealth.

We can see how things are done right now. It was very clear in the recent negotiations on equalization. The results were not achieved by consensus. The federal government simply imposed its way, which will become law despite the fact that it is not what any of the provinces hoped for. Judging by the huge disappointment they caused in Quebec, these results are clearly unacceptable.

The third cause of imbalance is the federal spending power; this power widely used by the federal government contributes directly to the fiscal imbalance. The Liberal government is so hungry for visibility that it is seeking to encroach on many areas that are not under its jurisdiction just to gain visibility. This was clear in the original version of the Speech from the Throne.

Even though something might be a provincial jurisdiction, it wants to intervene and pour money in to make sure people know it is the federal government's money that will be spent there. But often, this parallels what the provincial governments are doing. Not everyone is satisfied.

One can see very clearly what that leads to in terms of results in the area of regional development. Often, there is inconsistency. There is a lack of logic between what the federal government and provincial governments are doing. The federal spending power is one of the major causes of fiscal imbalance.

There are also consequences to this fiscal imbalance, in terms of availability in the routine management of the monies needed for the

proper functioning of the provincial governments. We find ourselves in situations where citizens judge the Government of Quebec, based on its financial means, the taxes it collects.

However, people do not realize that, all things considered, if there were no fiscal imbalance, the Government of Quebec would have more leeway and could meet needs in a different way. In Canada, a very complicated system has been developed which, at the end of the day, does not satisfy anybody. We saw that again this week, at the first ministers' conference.

We want the report to be tabled by June 2, 2005, at the latest because it is vital that we get out of this situation. The Bloc Québécois has hammered away at this issue and has succeeded in getting the concept of fiscal imbalance included in the Speech from the Throne.

With this motion and the support of the House, we will succeed in getting this debated in committee and getting a recommendation made to Parliament. Thus, before the next federal election, whenever that may be, we will be able to get a tangible result. Quebec will no longer be saddled with a fiscal imbalance which hampers the day-to-day management of the responsibilities entrusted to the Government of Quebec. This is why it is essential that this resolution be passed by this chamber.

● (1535)

**Hon. Claude Drouin (Parliamentary Secretary to the Prime Minister (Rural Communities), Lib.):** Mr. Speaker, I would like to ask one or two questions of the Bloc member.

First, he said that the Government of Canada is not sensitive to the needs of Quebec and the provinces with respect to equalization. I wish he had been honest enough to say, here in the House that, when provincial and territorial premiers met in Niagara-on-the-Lake, they had set the bar at \$10.9 billion. Moreover, they wanted stable and predictable funding. This is exactly what the federal government did, at the request of the premiers. However, they decided to change their request when they saw that we had an additional surplus. This is what we are seeing in the newspaper today. The Premier of New Brunswick, Mr. Lord, tells us, "We have an additional amount of \$100 million, but we will not overreact; we will act like a responsible government".

This is exactly what we are doing here: we are acting like a responsible government. If the Parti Québécois had acted like a responsible government, it would not have increased the debt by \$11 billion during its two mandates, by trying to introduce all kinds of programs that it could not afford. We are acting like a responsible government.

How can the member tell the public that we did not keep our promises when what the provincial premiers were asking for was \$10.9 billion?

**Mr. Paul Crête:** Mr. Speaker, my colleague from Beauce asked a question that is quite relevant. The answer might be as well. The present Quebec premier, Jean Charest, a Liberal premier, came away from the meeting disappointed. We are not talking here about a sovereignist premier being disappointed.



Also, it was the Quebec finance minister, Mr. Séguin, who said the federal government bled Quebec. This is not sovereignists talking here. A federalist Quebec government said that, with a \$9 billion surplus on March 31, 2004, it was intolerable and irresponsible for the federal government to keep on this way. It is doing what it has always done, that is raking in as much money as possible and spending it in areas—

**An hon. member:** Oh, oh!

**Mr. Paul Crête:** Mr. Speaker, I let my colleague ask his question. I would like him to let me answer.

For a number of years, the federal government has been raking in as much money as possible, and spending it to get visibility, no matter in whose jurisdiction, while neglecting its own jurisdictions. That is why the present federalist government in Quebec returned home saying, “The way the federal government treats us is intolerable”.

This is not the former Parti Québécois government. We are talking here about the federal government and the judgment passed by its own federalist allies on its unacceptable centralization that is hurting Quebec.

• (1540)

**Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ):** Mr. Speaker, once again we have a situation where the Liberal government seems to be the only one who is right. It has a habit of presenting itself in that light.

I know that our daily agenda is very full. I would simply like to draw your attention to an article in today's issue of *Le Devoir* under the byline of Jean-Robert Sansfaçon. I will not read the complete article, just a little extract:

An entire day of discussions turns out to be pointless: the Prime Minister has not changed his decision to distribute \$10 billion in equalization payments for this fiscal year. That is an increase of \$800 million over the forecast in the last budget—that is agreed—but the amount is still almost \$1 billion less than the \$10.95 billion transferred in 2001-02.

For Quebec, this unilateral decision by Ottawa adds \$400 million to the province's revenues this year but that is still less than two years ago and much less than the \$2.8 billion in finance minister Yves Séguin's dream budget.

But considering Prime Minister Martin's priorities, most of which invade provincial jurisdictions—chances are very slim that anyone will convince the government that such a fiscal imbalance exists. In short, the September health agreement was likely the first and last manifestation of this mysterious asymmetrical federalism that some were so proud of just a month ago.

I do not have as much experience as others in this House, but it seems to me that the current Prime Minister's attitude is the same as that of the former prime minister—just take it or leave it.

**Mr. Paul Crête:** Mr. Speaker, I thank my colleague for his comments. Indeed it does show that the Bloc Québécois is doing its job today.

Today, we put forward in the House a motion that will force the minority government to recognize the existence of a fiscal imbalance, if we can convince the majority of members in the House to support the motion. It will be an important contribution indeed. Hopefully—and I will conclude on this—the adoption of the motion will make it possible to make practical recommendations before June 2, 2005, to put an end to the fiscal imbalance.

### Supply

**Ms. Monique Guay (Rivière-du-Nord, BQ):** Mr. Speaker, my first comments will be for my constituents in Rivière-du-Nord who decided to put their trust in me for the fourth time. I want to thank them for that.

I think the motion put forward today by the Bloc Québécois is very important and quite original. I believe it can help fix a situation which continues to be unbearable in Quebec.

I would like to point out that the Liberal government had forecasted a \$1.9 billion surplus and that, this year as every single year for the past 11 years, my colleagues who have successively occupied the position of finance critic have always been able to forecast the surplus more accurately than the government itself. The surplus is now estimated at \$9.1 billion. It is a lot of money. It does make sense then that the provinces, which are currently in a stranglehold, ask for more. They cannot make ends meet. They cannot pay for everything they need in the area of health care, among others. The costs are humongous, and the provinces are now fully responsible for all health care expenditures.

If the federal government will not give us the money we pay in taxes, then clearly we will not be able to deliver services. As you know, there are serious problems throughout Quebec and the rest of Canada. We will only be able to resolve them when the government gives us the money we need to provide the necessary services to all our constituents. This is a priority.

I would also like to remind this House that on March 17, 2004, the Quebec National Assembly unanimously passed the following motion, which I will read, since it is very important. It was unanimous, which means that all the parties, the ADQ, the Liberal Party and the Parti Québécois, all voted in favour of the motion:

That the National Assembly demand that the federal government recognize the existence of the fiscal imbalance and that on March 23, 2004, it adopt budget measures to counter the effects on provincial finances.

This motion was passed unanimously in the National Assembly. We are very aware of the existence of fiscal imbalance. Recently we moved an amendment to the Speech from the Throne to add a few words about the fiscal imbalance, which have since been included. We are making some progress.

In our motion, we are now asking that:

—the House ask the Standing Committee on Finance to strike a special subcommittee to propose tangible solutions for addressing the fiscal imbalance, and that its report be tabled no later than June 2, 2005.

That should be enough time to truly do some research and open the possibility of having a discussion on the fiscal imbalance, so that the government can realize it indeed exists and we can find solutions to this problem.

### Supply

After all, it is our public money that ends up here in Ottawa. It is money that belongs to Quebecers. It is our taxes that are sent here. It seems to me that we should get a say in this and that the money should go where it is needed, not to programs that are being promised to us. We have been promised investment in jurisdictions that belong to Quebec, such as education. We do not need overlap. Education is entirely a Quebec jurisdiction. The same is true for health. We do not need an overlap in programs that already exist.

We do, however, need money to improve these programs. That is all we need. The federal government need not boast about doing things in our jurisdiction. It is not. Duplication is of no benefit to our citizens; it is causing a problem of another sort. Instead of trying to put another system in place, it should respect what Quebec is already doing. It should respect its jurisdictions and put money in the right place.

I want to address another important point. The Bloc Quebecois has set up a committee, the Léonard committee. This committee was not named after just anybody, it was named after Jacques Léonard, who was the finance minister for many years in Quebec. He is a very smart and very knowledgeable man. This committee set up to examine federal programs demonstrated that the fiscal imbalance has three fundamental consequences for Quebec.

● (1545)

First, the federal government has too much money for its responsibilities, which means that the taxes paid by Quebecers are not being used to respond to their priorities. These taxes have been used in part by the federal government to spend more on its bureaucracy and to squander more, while the Government of Quebec lacks money for health, education, family policies and economic development. Speaking of family policies, once again, we are unable to get the government to promise it will not meddle in our areas of jurisdiction where our child care centres are concerned. We have a program that is working very well in Quebec.

In international fora, people ask us about it. Other parliaments want to know how this program works. They say it is extraordinary and they want to establish similar programs in their countries. Meanwhile, the federal government is telling us that it is going to interfere in our program. That is unacceptable.

That is why we are asking for the right to opt out. We are also asking for money that the federal government would be spending elsewhere, so that we can operate the program we already have in Quebec. Quebec needs money to continue to operate the program already in place.

As for the Léonard committee's second point, the federal government is taking advantage of its surplus position and of Quebec's tight fiscal situation to invade even more, as I was saying earlier. In doing so, it forces made in Canada decisions upon Quebec in areas where the people of Quebec should be making them.

Third, as the Canadian government grows stronger and pays down its debt, the Quebec government grows weaker and falls deeper into debt with each passing year.

I can understand that Canada's debt must be paid down. We see this as the responsible thing to do in the case of Quebec's debt also. However, not all taxpayer dollars should go solely toward paying

down the debt. We have to be reasonable and do the calculations right. When we do our budget, we do not use our whole salary to pay down the mortgage. What about groceries and many other necessities? That has to be taken into account. With the present government however, this does not seem to be a possibility.

And what about money which is idle elsewhere? The employment insurance fund has racked up a \$45 billion surplus. What is being done with this money when it should be reinvested where it is needed, given back to jobless people or used to improve the employment insurance program? What is being done is quite the opposite. The number of hours of work needed to qualify for employment insurance has been increased, and because of this women and young people, who often work part time, are heavily penalized. They never manage to accumulate enough hours to take advantage of the employment insurance program.

● (1550)

**Hon. Claude Drouin (Parliamentary Secretary to the Prime Minister (Rural Communities), Lib.):** Mr. Speaker, I do not know if my colleague has skipped a few of the things that happened in the House or if she voluntarily chose not to talk about them, but there are some important aspects that need correcting and that other new Bloc members should learn.

The equalization formula is calculated on the basis of five provinces—excluding the Atlantic provinces and Alberta, the richest province—to make an average and guarantee that the population is not be penalized, or as little as possible. Quebec has received equalization payments since the beginning of this program in 1957.

Very often, the Bloc tries to make Quebecers believe that Quebec contributes more to the program than what it gets out of it. However, through equalization, the federal government redistributes money to make sure that wealth is distributed as fairly as possible.

The hon. member is telling us that we are interfering and that we are getting involved in provincial jurisdictions. I would like to hear what she has to say about manpower training. We are transferring \$600 million annually to Quebec, and we did it with the Parti Québécois. We, Liberals, agreed to transfer \$600 million annually and we are negotiating a parental leave agreement with a Liberal provincial government, because we recognize that Quebec is in a better position to provide that service. This is a responsible government that takes action.

The hon. member talked about the debt. She said that we should not use all the money to reduce the debt. We are not doing that. We have our current accounts. We meet our budgets year after year. At the end of a year, there may be surpluses. So, far, we have paid \$61 billion toward the debt. Out of the \$9 billion that was mentioned, \$3.5 billion is interest saved, thanks to our sound management.

If there is money left at the end of a year, after all the expenses have been paid, a wise father or mother may apply the money to the mortgage. This sound investment will result in less interest to be paid.

I hope the Parti Québécois will take note of that and, if it ever takes office again—something we hope will be a long way down the road—it will reduce the debt, instead of increasing it.

The hon. member is telling us that we do not want to transfer powers to Quebec, when in fact we are negotiating a parental leave agreement and we gave money for manpower training. As for day care services, we recognize that Quebec has implemented a very good program. We will transfer the money and we want to develop this program across Canada, because this is what people need, and we federal Liberals recognize that.

• (1555)

**Ms. Monique Guay:** Mr. Speaker, I am very happy to see they are finally going to give us the money for child care and stop sticking their noses into our business. I am very happy that this promise has been made here in this House today. We will remember it; do not worry.

There would be no need for equalization payments if the government had not been strangling us. That is the real problem. We were being strangled financially and that is why we need the equalization. Quebec would greatly prefer—

**An hon. member:** Oh, oh!

**Ms. Monique Guay:** I would like them to listen. I was polite and I listened.

There would be no need for equalization payments if the federal government had not been strangling us. That is the real problem. Health care was slashed for years. When the parliamentary secretary talks to me about manpower training, it took 15 years to negotiate an agreement. Negotiating agreements with the federal government takes a long time. It does not go quickly.

And so we have reason to be dubious. I say to you, “Stop strangling us financially” and you will see that we can survive much better than we are constrained to do now. We just get things in dribs and drabs and then they tell us we are getting equalization payments. We would greatly prefer not getting them.

It is our money; it is our income tax; those are our tax dollars we send to Ottawa. We want to take back what we need to live on and get what is owed us.

It is entirely untrue to say that what we are doing is not right. I think it is abominable that they say they are doing things properly, when it is perfectly clear that things do not work that way in practice.

Yes, there is interference. It is unacceptable because money is being wasted although we already have the programs in place. Give us some respect, and give us back the employment insurance fund that was stolen from the unemployed. We would like to have that \$45 billion. We would know what to do with it.

**Hon. Claude Drouin:** Mr. Speaker, the member has just said that something was stolen. That is unparliamentary. Moreover, she knows full well that we had to transfer the surplus at the request of

### *Supply*

the Auditor General. She is not going to mention the period when the EI fund had a deficit. She cannot use those words in the House.

**The Deputy Speaker:** I believe that is an issue related to the debate and not a point of order.

The hon. Parliamentary Secretary to the Minister of Finance.

[*English*]

**Hon. John McKay (Parliamentary Secretary to the Minister of Finance, Lib.):** Mr. Speaker, I do not think I have had an opportunity to congratulate you on your elevation to that chair. I know you will make a fine and fair Speaker over the course of your term there.

I may mention at the outset that I am splitting my time with the member for Don Valley East.

This is a debate about fiscal imbalance. There has never been a fiscal imbalance. There never can be a fiscal imbalance. It is an intellectual conceit perpetrated by those who wish to somehow or another not take responsibility for their areas of jurisdiction and the raising of funds while trying to get into another area of jurisdiction and take funds from that area. This is a completely misleading debate and it is a misleading phrasing of the debate. As I speak, I hope I will be able to demonstrate to Canadians, when they see sober facts as opposed to the rhetoric on the other side, that this is a resolution which is ill-founded and is an intellectual conceit.

Given the importance of the issues at stake and their complex nature, I would like to take a few moments to establish some fundamental guideposts for the benefit of hon. members and do a comparison for the purposes of the record.

In the fiscal year 2003-04 federal government revenues were \$186.2 billion. Provincial revenues were \$170.2 billion, an imbalance some would say. The \$170 billion includes tax points which account for about \$16 billion. Already the federal government has indirectly transferred \$16 billion to the provinces. Then there is the cash transfer, and that amounts to \$37.4 billion. That reduces the federal government's revenues to \$148.8 billion and increases the provincial revenues to somewhere around \$207 billion: \$148 billion for the federal government and \$207 billion for the provincial governments.

However, it does not end there because the federal government has to pay a fairly significant debt. It was a debt that was run up over quite a number of governments and it was ultimately arrested in 1997. We have been paying down some debt since that time, but it still takes up \$35.7 billion of the federal government's revenues. Those are moneys that are not available for anything else other than to service the debt. That brings the federal government's useful revenues down to \$113 billion. Meanwhile the provinces, which do not have nearly the amount of debt the federal government has, only have to pay something in the order of 10¢ out of their dollars to service their debt.

### *Supply*

Out of that \$113 billion, there are transfers to those who are unemployed and for pension moneys in the amount of about \$29 billion. That leaves approximately \$84 billion available to the federal government for use in other programs. So much for fiscal imbalance. At this point, before the debt for the provinces, they have \$207 billion, and as I have just demonstrated with the numbers, available for the federal government for all of its other responsibilities is \$84 billion.

If there is a fiscal imbalance, it is that the provinces have all the revenues and the federal government has all the debt.

The provinces have argued that vertical fiscal imbalances exist in favour of the federal government. Essentially, they have argued that all the money is in Ottawa while the provinces and territories have all the spending responsibilities. I hope that my going through the numbers enables Canadians to understand that that is basically not true and that the underlying assumption of this debate is incorrect.

Although fiscal imbalance to date is not new, hon. members might be interested to know what the provincial position was a few years ago. Now it has taken a 180° turn in the opposite direction. More to the point, I note that in the early 1980s there was considerable debate as to whether there was an imbalance in favour of the provinces. Eventually these claims were dismissed, largely due to provincial arguments against the existence of a fiscal imbalance.

● (1600)

Hon. members will no doubt be interested to know that in support of this case against the existence of the fiscal imbalance, Ontario's 1982 budget quoted a study by the Economic Council of Canada which said:

In order to say that there is a "structural" economic problem relating to fiscal imbalance, it must be argued that one of the levels of government does not have access to the revenues required to fulfill its obligations.

We have heard that over and over again from the side opposite. It went on to say:

The mere existence of deficits at one level of government does not indicate the existence of such a structural imbalance nor does it mean that such deficits have to be rectified at the expense of another level of government.

We adopt that view, although that view was put forward by a provincial government when the federal government was arguing the opposite case 20 years ago.

Simply put, the Ontario provincial budget was stating that a vertical fiscal imbalance could not exist in the context of this confederation. That is because in Canada, unlike most other federations, the provincial governments have effectively the same access to the same major tax bases as the federal government.

The Leader of the Opposition has quoted favourably the notion that Belgium should be a model to be looked at. I do not think that my friends in the Bloc Québécois members would be quite so enthusiastic if they knew that only 8% of subnational governments control and access their own spending. Ninety-two per cent of the money comes from the senior level of government, as opposed to Canada and the United States where states and provinces have access to their own funds and decide how those funds are to be distributed. If they looked at it for very long, I do not think they would think that was such a great model to be followed.

Both orders of government are therefore at liberty to decide the degree to which they levy personal income taxes, corporate income taxes, sales taxes and payroll taxes to deal with the spending pressures related to their responsibilities, even in Alberta. Moreover, the provincial governments have exclusive access to some of the fastest growing revenue streams, resource royalties and lottery revenues. Alberta does very well out of resources royalties, and the federal government does not realize much at all out of those resources, revenues to which the federal government does not have access.

Thus, when federal support for provincial social programs is included, total provincial-territorial revenues have substantially, as I demonstrated previously, exceeded federal revenues as a share of GDP for more than two decades. At one point the provinces generated something in the order of 19% of the GDP of the nation and the federal government was down around 17%. Both have declined over a period of time so that now the provinces generate something in the order of 17% and the federal government has 15.4% of the revenues of the nation.

If the provinces really wish to generate their own revenues, they are in effect walking away with something in the order of 2% of the nation's GDP on an annualized basis. That is something in the order of \$24 billion on an annual basis.

On the expenditure side, the federal debt continues to be much larger than the combined debt of the provinces and the territories. This affects all Canadians and makes the Government of Canada more vulnerable to unexpected fluctuations. As the Minister of Finance said earlier in question period today, with the new deal in the order of \$74 billion over 10 years to the provinces in equalization in CHT and CST, we are in fact assuming some of the risk that the provinces appear to have forborne.

● (1605)

**Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC):** Mr. Speaker, I listened with some interest to the discussion about the fiscal imbalance. With all due respect, I think my colleague is misstating the principle.

He says that cumulative provincial revenues are roughly the same as cumulative federal revenues. I do not think the fiscal imbalance is about that. When we look at the different levels of government in Canada, and I would like to introduce municipal government as well, we actually have three levels of government. When people talk about the fiscal imbalance they are saying that each of those three levels of government have tax levers available to them and each of them have responsibilities for things for which they need to pay.

As time goes by there seems to be a mismatch between their taxing powers, not in the taxing powers of other levels of government. That is not the comparison. The comparison is between the taxing powers they have and their funding responsibilities.

*Supply*

I will take my home province of Ontario as an example. There are more than 440 municipalities in Ontario. All of them are under a crunch. All of them are complaining that they do not have access to sufficient revenue to pay for the services they need to provide locally. These municipalities are looking to the province and saying that there is a fiscal imbalance between the provincial and municipal government, which is similar to the same discussion that is going on between the provinces and the federal government.

We are not looking at the revenue generating capacities of the three levels of government to see whether there is an imbalance. We are looking on the other side. We are saying that the federal government is the only level of government that seems to spend time sitting around thinking up new ways to spend money, while provincial governments of all parties are having a hard time balancing their books. I presume leaders of all levels are having a problem. The fiscal imbalance is between the money the federal government raises and the responsibilities it has compared to the responsibilities of the provinces.

The fact that neither the local nor provincial governments are stepping into federal jurisdiction, but the federal government is doing it to the provinces is proof positive. I would like to hear the member's comment on that.

• (1610)

**Hon. John McKay:** Mr. Speaker, I agree with part of his comment, which is that municipalities do have some degree of difficulty in raising revenues. He and I would probably agree that is true. I know my own city of Toronto has limitations on its revenue raising capacities. It has been somewhat restricted by the previous provincial government, under Mr. Harris, over its ability to tax property and use other leverage to gain other revenues, such as perhaps a hotel tax and things of that nature.

The motion is not about an imbalance between the provinces and the municipalities. It is about the so-called imbalance between the federal government and the provincial governments. I put it to the hon. member that there cannot be an imbalance between the constituent elements of the federation. All of them have the same access to the same revenues. It is logically and intellectually inconsistent to argue otherwise.

However, that cannot be argued with municipalities and provinces. Clearly, municipalities are creatures of the province and they have limitations on their revenues. I agree with the member, that there is a fiscal imbalance there. That is because it is structural.

**Mr. Tony Martin (Sault Ste. Marie, NDP):** Mr. Speaker, could the member shed some light on the fact that over the last 10 or 15 years we have seen a significant drop in transfers to the province, to the point that some of them are finding it very difficult to deliver those very important programs on which communities rely?

Back in the early to mid-1990s the federal government changed the Canada Health Act into the Canadian Health and Social Transfer Act. All who watched that knew there would be a subsequent \$7 billion reduction in the transfer to provinces. This created a huge imbalance in my view. This is now beginning to play itself out in terms of the deterioration of health care services and community services in every province.

This is a very timely debate. I am pleased have the opportunity to participate in it and to ask the member to comment on the—

**The Deputy Speaker:** The hon. Parliamentary Secretary to the Minister of Finance.

**Hon. John McKay:** Mr. Speaker, there are two components to transfers from the federal government to the provincial governments. The first is tax points. Tax points this year were \$17.13 billion. Those tax points have not changed. That room is available to the provinces and if they move their tax shares up and down, that is entirely within their provincial jurisdiction.

Tax points were not touched during the mid-nineties when there were changes to the arrangements between the federal government and the provincial governments. There was a brief period of time in which cash revenues did go down. That has been more than restored. With the fiscal accords entered into this past September, we have \$74 billion on the table over 10 years, a very—

**The Deputy Speaker:** Resuming debate, the hon. member for Don Valley East.

**Ms. Yasmin Ratansi (Don Valley East, Lib.):** Mr. Speaker, I am pleased to rise in the House today on behalf of my constituents of Don Valley East to speak to the motion proposed by the hon. members of the opposition. As proposed, the motion calls upon the federal government to recognize the existence of a so-called fiscal imbalance in Canada.

For the record, I fully reject the notion that a fiscal imbalance exists between the federal, provincial and territorial governments. It is a fact that Canada is one of the most decentralized federations in the world and while some provinces have a much greater income than others, we have a system of equalization payments to ensure an even and balanced distribution of wealth across the entire country. That is why the Prime Minister met this week with provincial and territorial counterparts to modernize the equalization and territorial financing formula.

The new equalization formula will increase support for the provinces and territories by \$33 billion over the next 10 years. Only last month the Prime Minister and the provincial and territorial leaders reached a historic 10 year plan to strengthen health care.

The health care deal gives the provinces and territories exactly what they wanted and needed, a predictable long term source of revenue so that each jurisdiction can plan to spend health care dollars according to their own priorities. In total, the federal government will provide \$41.3 billion over the next decade.

Furthermore, the federal government is working with the provinces on a new deal for municipalities. Canadians have made it clear that they want their communities, towns and cities to be great places to live, be safe, have affordable housing, good public transit, clean air and water, and abundant green spaces. Working with the provinces and territories to increase local revenues, the government will make available a portion of the federal gas tax over the next five years.

### *Supply*

In 1993 the federal government faced the daunting task of eliminating a massive deficit that left little room for either the federal or provincial governments to manoeuvre in any direction. However, now that the federal government has been a responsible manager and reduced the deficit, and made it a thing of the past, we have an opportunity to work on a number of social challenges in effective partnership with the provinces and territories.

We have a good example in the national child benefit. Even when the federal government was fighting the deficit, the federal government established this program.

By 2007 the national child benefit will deliver \$10 billion in yearly support to low and modest income families for their children. That is not to say that there is not much more that needs to be done to help families help their children. The time has come for a truly national system of early learning and child care, a system based on four key principles that parents and child care experts say matter.

As our society ages, Canadian families are caring not only for young children, but increasingly for elderly spouses and grandparents as well. Again, the federal government recognizes the vital role of Canadians who care for the aged or infirm relatives or those with severe disabilities.

That is why the throne speech made it clear that we intend to improve the existing tax based support to these groups. However, our action and investment agenda, reflecting real needs by people, does not end here. We have to do more to ensure that Canada's prosperity is shared by the aboriginal people, the first nations.

Yes, we have made progress but for these communities it is overshadowed by unacceptable gaps in educational attainment, in employment, and in basics like housing, clean water and in the alarming incidence of chronic diseases such as diabetes.

I have highlighted a dramatic and demanding range of obligations and opportunities for federal action and investment. There is another action agenda that we must not overlook which falls fully under the federal responsibility. In today's world we face both potential threats to security and growing demands for us to provide assistance on the international stage.

In April of this year we introduced Canada's first ever comprehensive national security policy which will ensure a more focused and integrated approach to securing our open society.

● (1615)

Enhancing Canada's security means that we have to invest more in our military as part of defending ourselves at home, in North America and in the world. Canada will never be the biggest military force, so it must be smart, strategic and focused.

That is why our government will be increasing the regular forces by some 5,000 troops and our reserves by 3,000, so that they may be better prepared and equipped to meet the challenges. I know that many in the House will champion further new investments in the months ahead.

It seems to me a convincing case that there are many real obligations and opportunities that have concrete claims on federal

resources. There is one last core issue I want to contribute to our consideration today, our aging population.

We are rapidly reaching the point, many see it as 2011, where the baby boom generation will move from workers to retirees. This has significant implication for our future fiscal planning. It is in looking ahead to this and other challenges that our government has set out the objective of reducing the national debt to 25% over the next 10 years from the current 40% it is today. We are doing this to free up future resources, including reducing debt charges, so they will be available when they are needed for aging Canadians.

It is this type of prudent planning that Canadians expect and deserve of their federal government. That takes me to a very critical issue. We must be careful not to assume that the current surplus will remain the same. Within the ever changing economic environment, this is not possible. This is simply unwise and a false assumption.

Let us remember that while we have achieved seven consecutive federal surpluses, they follow 27 years of federal deficits which generated a huge national debt that still consumes more of the federal budget in interest payments than any other single spending item. Let us remember that by the mid-1990s about one-third of every dollar the federal government spent was borrowed money.

We face spending pressures not just today, but pressures that can grow as demographics and economies evolve. The best way to prepare for these pressures is to apply a prudent, balanced perspective on our current finances. It is this prudent, balanced perspective, based on solid evidence rather than wishful fantasy, that leads me to challenge the concept of a fiscal imbalance.

Yes, we must assist our provincial partners in areas of national concern and we are doing that. Our bottom line commitment to providing funding where and when needed has been made compellingly clear in recent weeks on health care and equalization. In planning these investments our government has made sure they can be delivered within the fiscal framework of balanced budgets. To do otherwise is foolish as we would return to unsustainable spending and destructive deficits.

Deficits are the surest way to jeopardize the long term economic health of every level of Canadian government. Canadians will not tolerate that risk. Canadians want careful considered investments in economic and social policies that will make us a more prosperous and secure country. These can be done through productive and positive debates instead of irresponsible claims of a fiscal imbalance.

● (1620)

**Mr. Deepak Obhrai (Calgary East, CPC):** Mr. Speaker, I listened with keen interest to the hon. member's presentation. I congratulate her on her first speech in the House of Commons.

It is quite interesting that she talked about seven surpluses. I have been in the House for that period of time. She said it was prudent planning but it was actually foolish planning. The government kept cutting money from where it was supposed to go. It kept raising taxes. If the government wanted to raise taxes by 6%, it actually raised them by 3% and then claimed there was a 3% tax cut. Those surpluses have been done on the backs of Canadians. Canadians have been sacrificing. That is not prudent management.

Let us look at what has happened. There is a crisis in the health care system. That is why the government had to give money for health care. There is a crisis in our cities with regard to their infrastructure. That is why the government is now planning to give them fuel tax rebates. Let us look at our military. The member said that the government is planning to invest more in the military.

It is the same government that has been in power since 1993. It is the same finance minister. The member cannot say there is no connection between that finance minister and the government. The government's record is not as good as she wanted to make it look in her speech.

• (1625)

**Ms. Yasmin Ratansi:** Mr. Speaker, I did not hear a question but I did hear a commentary on how badly the Conservative government mismanaged the finances of the country which led us into a \$400 billion debt and a \$42 billion deficit. It was the finance minister and the current Prime Minister who cleaned it up.

It is prudent for a person to balance their chequebook. Debits cannot overshadow credits. If that is the case, then we will not be able to provide any programs for Canadians.

[Translation]

**Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ):** Mr. Speaker, I listened with great interest to the member's speech. I would have liked to hear more about practical solutions from him, because that is what we are looking for in terms of fiscal imbalance.

Unfortunately, he did not say much about such practical solutions, and I will give him a chance to do so. In fact, according to the speech I heard, we are dealing here with an argument imbalance rather than a fiscal imbalance.

The choice that needs to be made is that of improving the lot of people out there, whatever the region they live in. With regard to mine, Gaspésie and Îles-de-la-Madeleine, I can tell you that people without jobs were truly robbed. And furthermore, the robber had accomplices. This fraud, which has in fact turned into a robbery, cannot be remedied with words or argument that cause us to fall into rhetoric whereby, according to the speech I have just heard, all is well and good.

All is not well and good. Ask the men and women back home who have no jobs and you will realize that there is a fiscal imbalance, that it hurts and that it hurts every day.

[English]

**Ms. Yasmin Ratansi:** Mr. Speaker, I think there was unparliamentary language used again. I do not think the government stole any money from the EI fund. One, it followed the instructions of the Auditor General. Two, there has been a \$7 billion increase in

### Supply

equalization payments. Three, the government under the Prime Minister when he was minister of finance gave the largest tax cut in recent years. That is prudent management. It has not put a stranglehold on anyone.

The Quebec minister of finance wrote the report and he deemed it appropriate to make tax cuts totalling \$1 billion. If a province does not have revenues to balance its expenses, I really do not know how the federal government can be blamed for it.

**The Deputy Speaker:** It is my duty pursuant to Standing Order 38 to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the hon. member for Saskatoon—Wanuskewin, Health; the hon. member for Yorkton—Melville, the Firearms Program.

[Translation]

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Mr. Speaker, I want to tell you that I will share my time with my colleague from Beauport—Limoilou.

We are dealing today with the opposition motion introduced by the member for Saint-Hyacinthe—Bagot. I am very pleased to take part in the debate on this motion. Before being elected on June 28, I was the parliamentary assistant to the member for Joliette, who was the Bloc Québécois critic for finance. Consequently, I am particularly aware of the fiscal imbalance. I worked very hard, not on the fiscal imbalance itself, but on the file. I would really like the government to work on solving the fiscal imbalance, but this is not the case.

If you will allow me, I will read the motion. I see, with the speeches that we hear from members on the other side of the House, that they did not fully understand what this motion was about. I would really like them to understand it correctly. Since I usually read quite well, they should get it:

That the House regrets the attitude of the Prime Minister of Canada at the First Ministers' Conference on October 26, 2004, and that it call on the federal government to recognize the existence of a fiscal imbalance in Canada and that, to this end, the House ask the Standing Committee on Finance to strike a special subcommittee to propose tangible solutions for addressing the fiscal imbalance, and that its report be tabled no later than June 2, 2005.

This is very concrete. The Bloc Québécois has always been careful to propose concrete solutions in this House. We are criticized for all sorts of things. However, instead of proposing far-fetched ideas, we present concrete solutions, and this is one of them.

**Mr. Raynald Blais:** We are rigorous and responsible.

**Mr. André Bellavance:** We are rigorous and responsible says the hon. member for Gaspésie—Îles-de-la-Madeleine.

Let us do a bit history here. My father was a history teacher in Victoriaville, and I have always been interested in what happened in the past. We talk about mistakes in the past, but we should avoid repeating those mistakes. This is something that members opposite should understand.

### Supply

It was 48 years ago already that the Tremblay commission proposed that federal and provincial authorities agree on a new distribution of tax fields to reflect the needs of the public and the public administration and to respect the spirit of federalism and of the Constitution. That was in 1956. To this day, we wonder what is going on. Since that time, Quebec has always asked for independent revenues to meet its obligations. It is still not the case.

In 1964, the year I was born—I did not want to say my age, but so be it—another federal-provincial conference was held, and Quebec asked for greater access to personal income tax to fund its needs. Lester Pearson and Jean Lesage came to the following agreement, and the current government should use it as a model: the federal government withdrew from certain shared-cost programs, with full financial compensation. When we talk about financial compensation in this House, we often refer to the issue of tax points. This is what we mean. Ottawa should lower its taxes to create more tax room for Quebec, so that it can fund its own programs. It is as simple as that. What was true in 1964 is still true 40 years later.

This is what is unfortunate. Considering all that happened with these commissions, it seems to me that the government should have learned. After all these years, it should have understood and solved these issues. But this was not done, far from it.

What is fiscal imbalance? There are revenues in Ottawa. We are talking about \$60 billion surplus since 1997-1998 et \$166 billion by the year 2015, according to the Conference Board, which is certainly not a sovereigntist organization. Ottawa has too much money for its responsibilities, while Quebec and the provinces do not have enough to fulfill their own. We are talking about a combined deficit of \$68 billion by the year 2015. These are the figures given by the Conference Board.

While it is difficult to understand such big numbers, we can reduce the whole picture to a more local perspective. I will tell you later what fiscal imbalance means in my riding.

If the Liberal government does not understand this definition, we can always read what the dictionary says under “imbalance”. I called my assistant a little earlier and asked him to read for me what the brand new “Petit Robert” that we have here in our central source in the House of Commons was saying under “imbalance”. We can all have a copy in our office. I do not think that it costs anything. We have that privilege. The members can go get one. I encourage Liberal members to do it. The dictionary talks about disparity, distortion, lack of proportion, inequality.

The Prime minister prefers to talk about financial pressures. The dictionary does not mention that expression under “imbalance”. However, if that can make him happy, we can talk about “financial pressures”. For us, it is the same thing as fiscal imbalance. Anyway, what really counts is that the Bloc Québécois succeeded in having the expression “fiscal imbalance” added to the Speech from the Throne in the same sentence as “financial pressures”. It is like six of one and half a dozen of the other. It is really the same thing. We are very pleased that the Prime Minister recognized it then. However, he does not seem to want to recognize it again.

● (1630)

As I was saying earlier, I would like to say a few words about the fiscal imbalance with respect to my riding. In my riding, there will be a shortfall of roughly \$28 million a year until 2007-08. Imagine the positive impact an additional \$28 million a year could have on health and education in the riding of Richmond—Arthabaska. We could do the same calculation for each of our ridings.

Too bad the member for Beauce has left. He blew up at my colleague earlier and said we were making things up. I am sure that if the people in Beauce knew there was a fiscal imbalance of roughly \$30 million a year, he would not be so proud and use such fiery language. He has been representing the Liberal Party for a few years now. Too bad he was re-elected; we were close to winning that riding. I doubt people would be very proud to hear their MP utter such nonsense in this House.

He is grasping at straws if he is has to blame former PQ governments to make his argument. He should be telling people, the unemployed, that the fiscal imbalance in his riding of Beauce amounts to \$29.9 million a year until 2007-08. I invite him to do so. He could make this calculation during the next break week, since everyone knows that a break week is not a week of vacation. We go back to our ridings to do work.

In Quebec, apart from Liberals in the Outaouais, everyone agrees that there is a fiscal imbalance. The three parties in the Quebec National Assembly, all the provinces in Canada, all the opposition parties in this House, everyone, except the Liberals, accepts and understands that there is a fiscal imbalance. We do not accept it, but we understand that there is a fiscal imbalance and we are asking that it be corrected.

On March 17, 2004, in the Quebec National Assembly, a motion was passed unanimously:

That the National Assembly demand that the federal government recognize the existence of the fiscal imbalance and that on March 23, 2004, it adopt budget measures to counter the effects on provincial finances.

A few minutes later, during a press briefing, the Prime Minister of Canada stated that Quebec would not get one more penny in the March 23 budget. I have to admit that, this time, he kept his word, unfortunately.

Members opposite boast about the health agreement, but we should hasten to add that we can hardly talk about an agreement on equalization. Just ask the premier of Newfoundland and Labrador what he thinks. They suggest with great pride that enormous progress has been made in health care. The health agreement has not been bad for Quebec, but figures should be put in perspective. It gives Quebec about \$500 million more this year out of an annual health care budget of more than \$20 billion. This is just 2.5%. But we still have a major step to take, and that is to sort out the fiscal imbalance.



The federal government still has impressive fiscal resources, compared to those of Quebec and the other provinces. In the last fiscal year, it ran a \$9.1 billion surplus, and we know that, in the current year, the surplus could reach \$12 billion. It is up to its neck in surpluses. Federal health transfers, the fiscal imbalance and equalization are closely related issues.

To conclude, the federal government should make a commitment to improve the equalization formula soon to make it fairer and more generous, something it did not do on October 26. That is our request. The federal government should not take back through lower equalization payments what it gives in transfer payments.

\* \* \*

•(1635)

[English]

#### BUSINESS OF THE HOUSE

**Hon. Raymond Simard (Parliamentary Secretary to the Deputy Leader of the Government in the House of Commons, Minister responsible for Official Languages and Minister responsible for Democratic Reform, Lib.):** Mr. Speaker, I rise on a point of order. There have been consultations among all the parties. If you seek it you will find there is unanimous consent for the following motion. I move:

That on Tuesday, November 2, 2004, a take-note debate pursuant to Standing Order 53.1 shall be held on the subject of providing assistance to victims of hepatitis C.

**The Deputy Speaker:** Does the hon. member have the permission of the House to table the motion?

**Some hon. members:** Agreed.

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

**Some hon. members:** Agreed.

(Motion agreed to)

\* \* \*

#### SUPPLY

##### OPPOSITION MOTION—FISCAL IMBALANCE

The House resumed consideration of the motion.

**Mr. Pat Martin (Winnipeg Centre, NDP):** Mr. Speaker, I listened with great interest to the enlightening speech by my colleague from the Bloc Québécois and was sympathetic to the points he raised from an intergovernmental point of view.

Speaking on behalf of the province of Manitoba, does the member share my view that one of the most serious problems with the current equalization strategy is the government's persistent dishonesty in estimating budgetary surpluses from year to year and the difficulty that provinces have in doing any long range planning if they cannot believe the numbers they are told by their own minister of finance of the federal government as to what they might be able to expect at year end in terms of transfer payments to the provinces?

Does he find in his own home province of Quebec that it is very difficult to do any long range planning without knowing whether there is stable core funding coming from the federal government?

#### Supply

Would he agree that something has to be done about the estimating process so that we know what the surplus will be from year to year?

•(1640)

[Translation]

**Mr. André Bellavance:** Mr. Speaker, I thank my colleague for his relevant question. Indeed, this is a serious problem and, once, again, as with the fiscal imbalance, everybody agrees.

Concerning the calculation of equalization, it should, first all, be done on the basis of the 10 provinces rather than of 5 of them. I have with me some information that might be of use to my colleague.

The assessment done by the federal government to arrive at the amounts given at the equalization meeting is whimsical. The federal government considers \$9.510 billion its basic contribution, because it appears in the budget for 2004, only for the year 2004-05. In addition, the federal government then considers any discrepancy from that amount as new money, whereas as early as 2005-06, it adds \$1.390 billion to that base—what it calls a base—to bring the total amount to \$10.9 billion. By taking the difference year after year and by considering that to be a contribution—we are talking from \$1.39 billion in 2005-06 to \$4.8 billion in 2013-14—the federal government ends up saying that it will increase its contribution by \$28.7 billion over the next 10 years.

There is a hitch, however. That is because a group of independent experts was created whose role it is to examine how the statutory equalization payments should be divided among provinces in 2006-07 and beyond. However, the Prime Minister has not seized the opportunity offered by the conference to address the fiscal imbalance as a whole and, also, we know, he did not have the political will to meet the needs of the public. He chose instead to meet the needs of his caucus, which was accusing him of having already given too much, and to continue with the financial strangulation of Quebec and the provinces caused by fiscal imbalance.

**Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ):** Mr. Speaker, I will first of all call to your attention the extraordinary perseverance of my colleague for Richmond—Arthabaska, who still has hopes of getting this Liberal government to see the light. Unfortunately, on this issue as on many others, what we are witnessing is the arrogance of a Liberal government which once again sees itself, and only itself, as being right.

The Liberals arrogantly tout the sale of Petro-Canada shares as a great success, forgetting that they left Desjardins Securities in the dark. They have the arrogance to boast about surplus estimates which are out by almost 500%. They have the arrogance to be alone in their refusal to recognize the fiscal imbalance.

A lot has been said about intrusion into Quebec jurisdictions. Now, what might be the effect of fiscal imbalance on such intrusions?

**Mr. André Bellavance:** Mr. Speaker, I do thank my colleague. This is indeed a serious problem and my colleague for Rivière-du-Nord brought it up earlier. She spoke about the Léonard report, which is very relevant in this regard.

### Supply

The problem is that the fiscal imbalance gives the Prime Minister of Canada a way to step up the intrusions. Furthermore, it has been estimated that 44% of federal spending is intrusive. This is nothing short of catastrophic. Spending has burgeoned, half of it intrusive, in areas where it should not go at all. That is the problem.

To do away with this problem would be simple: correct the fiscal imbalance. If each government stuck to its own sphere of activity, there would no longer be a problem.

**Mr. Christian Simard (Beauport—Limoilou, BQ):** Mr. Speaker, this is a very important day in the House of Commons, because the Bloc Québécois has presented a motion on the fiscal imbalance. I will not read the motion again. The Liberals have heard it, but whether they have listened or not is another thing, as they insist on denying the evidence, correcting the facts, correcting a fundamental injustice.

What is fiscal imbalance? It is the realization that the basic needs of people and families are not being met, whether for health, education or whatever. These needs remain unmet because a huge surplus is concentrated in Ottawa, while the needs are in the provinces and in Quebec.

The provinces and Quebec are being impoverished bit by bit, and the funds are instead often being misspent, spent inefficiently, or used to sell a government that is centralizing and ineffective. Now we are seeing the abuses, just as we did with the firearms registry, the sponsorship scandal and the Canadian unity fund.

The attitude of this government reminds me of Harry Potter's cousin, for those who are literate. This cousin took everything that belonged to Harry Potter, just like a spoiled child who takes everything from his brother, all his toys, clothes, even sometimes the food from his plate. I am sure that no one likes to be treated like that.

Ideally, we would like to be a respected brother country to the United States, to Canada, to France. This country would not have to put up with the spoiled child who, rather than meet his own obligations, prefers to spend money on what are really the other's obligations, to spend unwisely, and still to keep huge amounts for himself.

It is unbelievable. We see that this year Quebec will get, in all, \$800 million. The member for Laurier—Sainte-Marie has talked about fiscal dyslexia, because the forecasted figure for the surplus was \$1.9 billion when it was really \$9.1 billion. If we had had a share of that surplus in Quebec, we would have got \$2 billion. When we are told that they are giving us \$800 million, we have to remember that there is another \$1.2 billion we are not getting.

The government will say that it is putting the money toward the debt and that this will be good for our children. But the reason people are often cynical about politics is because the federal government is crushing the provinces and Quebec under a huge debt, accumulating and hiding surpluses, refusing to hold debates on their use, and proposing complex equalization formulas that give practically nothing more to the provinces and Quebec.

Often, when a policy cannot be explained in simple terms, it is because it is not all that it is made out to be. People can smell a stunt being pulled with the equalization. The average is calculated using five provinces instead of ten. Certain figures are factored in and

adjusted. Indexation or no indexation, an injustice remains an injustice.

That is what the Minister of Finance has planned and announced. This does not address in any way the basic fact that Ottawa has a huge amount of money to fulfil obligations which are, all in all, limited, while there is very little money for provinces struggling to respond to the needs in health and education.

The Government of Quebec has been forced, by lack of money, to cut a program designed to provide libraries in Quebec with new books. This affects our children, their education and their ability to learn that the world has changed. In many instances, geography books date back to before the cold war. That is a disgrace. And the reason for this is because the money is in Ottawa. The fiscal imbalance is such that the provinces cannot afford to fulfil their important obligations, and neither can Quebec.

It is not financial pressures but a total imbalance that is creating inequities and having a concrete impact on the voters of Beauport—Limoilou among others. I think of the single parent families which get together every week in the northern part of Beauport, in my riding. These get-togethers have a cute name, *Matinée frimousses*, and are an opportunity for these families to share on various topics.

• (1645)

They are too rich to qualify for some social programs and too poor to make it on their own. So they share amongst themselves. These single mothers need a helping hand. But what happens? Programs like child care do not get implemented and every year we lose enormous sums of money in parental leave.

It is not possible to create a program that helps these families balance work and family life, because the money for that, too, is in Ottawa. It is being poorly spent and sometimes wasted in a scandalous manner. We see it every day in oral question period. And in the end, what do we have? In the end, we have an imbalance that affects families directly. The problem is not in the structure, whether provincial or central. It is in the duplication and intrusion, using money that does not belong to Ottawa, but to Quebec and the provinces. It is a shameful thing and it hides behind all kinds of complicated mathematics and tricks to fool the people of Quebec.

My colleague from Richmond—Arthabaska presented clearly, in black and white—he also quoted the Conference Board, which is not noted for being a sovereigntist organization—forecasts of the fiscal imbalance for the provinces, that is, their growing deficits, compared to the surplus of Ali Baba and the 40 thieves. I do not know how many members there are on the other side—

**Some hon. members:** One hundred and thirty-five.

**Mr. Christian Simard:** I thank my colleagues. I knew I would get help in this respect. What is happening here is that we have this astronomical surplus, while Quebecers and Canadians in the other provinces are suffering and have real needs. We must speak out with one voice against the arrogant and stubborn attitude of this government, which refuses to see reality and keeps money which does not belong to it. The money belongs to taxpayers and must be returned to them, the provinces and Quebec. It is extremely important.

*Supply*

Since I have only two minutes left, I will conclude. When we talk about Quebec being financially strangled and we compare that to the hidden surpluses, the mistakes that have been made are shocking. Right now, as we speak, a fake budget is being put in place. We are talking about \$12 billion in hidden surpluses, or \$10 billion to \$12 billion according to the experts, which are accumulating, and we cannot even discuss how to use this surplus because it is hidden in a calculated, premeditated fashion.

The government cannot pretend it is a mistake, a miscalculation. For years, since 1997 as a matter of fact, it has erred by 500% to 600%. It is a disgrace. In the meantime, it tells Quebec and the other provinces that there is no money. It stubbornly refuses to give them more arguing there is no money. No one, no Canadian, no Quebecker believes this government which has a huge credibility deficit into which it is plunging deeper.

It managed to eliminate its deficit not by being more efficient in the areas under its jurisdiction, not by spending more wisely, but simply by strangling the unemployed and smothering Quebec and the provinces under an extremely disgraceful fiscal imbalance. That is the reason why I will enthusiastically vote in favour the Bloc Québécois motion—and I hope my colleagues from the other opposition parties will follow suit—to force this government to listen to the people who timidly elected it.

• (1650)

[*English*]

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I would like to make a comment and then ask the hon. member a question.

When the government took office back in 1993, the national debt was approximately \$480 billion and the annual deficit was about \$42 billion. It took three years to turn that around and get the first balanced budget. Today we have paid down a little over \$50 billion on the debt. We are still at a national debt level higher than we were 10 years ago. The single largest expenditure in the annual accounts of the government is debt interest, a little over 22% of the overall expenditures of the government.

When we got into this situation of balancing the budget, people started to talk about the fiscal dividend. The fiscal dividend to Canadians, I believe, is not having a surplus in a year but rather taking that surplus to pay down debt and save interest expense on the debt. That is the permanent savings. That is what can be reinvested in new programs.

My final comment is simply that the surplus of \$9 billion in the last fiscal period was ostensibly due to increased corporate revenues from corporate taxation. It is not guaranteed for next year, so we could not come up with a program for Canadians of \$9 billion and have that expense of \$9 billion each and every year because we cannot count on it. It is only a one time savings.

The member asserts in his speech that the \$9 billion surplus is the people's money and it should be paid back. Does he not agree that paying down the debt and saving about \$3 billion of interest since this government took office is an important investment to make so that we can have ongoing programs for all Canadians?

• (1655)

[*Translation*]

**Mr. Christian Simard:** Mr. Speaker, my colleague across the way thinks that people have different views. We would love to be a nation, to have all our instruments of development and to take care of all that. Unfortunately, I do not think that Quebeckers would benefit from an increase in their deficit or an end put to the balanced budgets in Quebec, because they have chosen, without any discussion about it, to apply the whole surplus to the debt. We are not against the idea of applying part of the federal surplus to the debt, but we should first know how big it is.

We know the scope of these surpluses. My colleague from Saint-Hyacinthe—Bagot, our finance critic, has for a few years now, been able to forecast the surpluses, to within 10%. We now know that surpluses are being accumulated after two quarters. It is a fact. It cannot be denied.

I come from the community and housing sector. In 1993, the Minister of Finance, who is our current Prime Minister, cut all funding for social housing. The employment insurance surplus was stolen. The deficits were transferred to the provinces. Was all that done to slightly reduce the debt of the federal government? No. This surplus was not obtained at the expense of efficiency and respect for the minister's own qualifications, but at the expense of the unemployed and the people in need of housing, on the backs of the provinces, at the expense of their responsibilities. It is totally shameful. I feel that we must correct that.

Year after year, we give in under this kind of arguments. I think that we are going nowhere with that. I abhor this government's self-satisfaction and the fact that it is not in touch with the reality of Canadians and the needs of the people in Quebec and the other provinces.

I think that the government must recognize what everybody sees, that is, the existence of an incredible fiscal imbalance and the fact that there are never any discussion on the use of hidden surpluses. All that discourages people about politics. I have an extremely difficult time accepting the confusion between the work done by opposition MPs or by honest Bloc Québécois members and what the government is doing. Often, we are put in the same bag as politicians, who go from cynicism to cynicism and refuse to admit a reality obvious to all economists, to all the people who have to pay their rent and to all low-income workers from Quebec and elsewhere in Canada. There is a fiscal imbalance, which an arrogant government refuses to distribute. Instead, it continues to misspend and mismanage and, above all, to steal its brother's toys.

[*English*]

**Ms. Judy Wasylycia-Leis (Winnipeg North, NDP):** Mr. Speaker, I am very pleased to participate in the debate and I thank the Bloc for introducing this very constructive motion.

Before I begin my comments, let me say that this is actually my first major speech since the election. I certainly would not want to miss the opportunity to thank my voters in Winnipeg North for their support in re-electing me to my third term in this place. I must say that I am very encouraged by the possibilities that are offered to all Canadians by this 38th Parliament.

### *Supply*

The beginning of the 38th Parliament makes us all reflect on why we are here and what we are attempting to change. I take great strength from the people of Winnipeg North who have battled against great adversity to achieve some quality of life, some modicum of decent living in an area that has been hit hard by economic and social systemic barriers. As I know many of those constituents are watching today, I want to thank them. I hope we honour their expression of faith in the democratic process.

I also want to acknowledge, in the context of the debate today on fiscal imbalance, three young men from Winnipeg North who are watching today, my son Nick, who has a major disability and who has just moved out of our home to start a place of his own with two other young men, Eric and George. Those three men have found a place of their own thanks to a government that has tried to overcome the negative impact of a federal government that has downloaded so much responsibility. In fact, it has demonstrated what it means to put people first and the investment in communities first and foremost.

These three young men, Nick, Eric and George, are able to live in the community despite facing many obstacles and challenges because of a commitment by our whole community and a government to invest in places where one can be a part of the community. My hat goes off today to Nick, Eric and George who represent that fighting spirit in Winnipeg North.

The debate today is of critical importance to our whole country, not just the community of Winnipeg North. As the members from the Bloc know, we are certainly in support of this motion and want to join with all members of the House in making this very constructive suggestion a reality. We are talking about nothing more than a motion that describes the fiscal imbalance in the country and calls for a committee, part of the finance standing committee of the House, to address this issue and come up with tangible solutions to the problem of fiscal imbalance.

I have understood from media reports that the Liberals may not support the motion. I am shocked. I cannot understand how something so basic, so accurate in terms of describing reality and so constructive in its purpose would be opposed by the Liberals. In a minority situation, such as the one we have today, one would think that the government would understand by now that it is a minority government and that it requires cooperation and listening to the voices of opposition members who bring positive and constructive suggestions to the House.

Maybe the Liberals will get it eventually. Maybe we need a few more close votes in the House. Maybe they have to understand that Canadians really do not want an election. Maybe they have to realize that there is a real yearning in this place and in the country for a new cooperative spirit to achieve solutions that are long overdue. I hope the Liberals get it soon.

● (1700)

Two recent developments bring into sharp focus the relevancy of the motion and the need for the motion to pass. The first has to do with this acrimonious, strained relationship between the Government of Canada and the province of Newfoundland and Labrador, a strain that has been caused by an arrogance from the Liberal government that refuses to acknowledge its commitment around recognizing the oil and gas offshore resources of that province and to agree to a

reasonable proposition in the context of this equalization debate that we are dealing with.

It is unbelievable that we do not have a government that can even sit down and talk or a Prime Minister who can even pick up the phone to contact a partner in this federation and sort out such a problem. I liken it, in very simple terms, since this equalization debate is so difficult to understand, to the case of a family on social assistance, through no fault of its own, because of economic and social barriers. When a family member does get a job that brings in a bit of money, the social assistance is clawed back so that the family is no further ahead.

That is precisely how the people of Newfoundland and Labrador are feeling. They are working very hard to ensure that the resources in their province are used to benefit the people of that region and not to be used as a disincentive to enhancing the quality of life in that region. That is the first glaring message that must be put in the context of this debate.

The second, interestingly, also has its origins in Newfoundland and Labrador, which is the Supreme Court decision today stating that pay equity does not necessarily have to be adhered to if the jurisdiction in which the case rests is facing fiscal difficulties. We are talking about a bedrock principle in terms of Canadian human rights. We are talking about an ironclad principle, which is part of the Charter of Rights and Freedoms, that has now been thrown into question. Why? It is because of a government that has refused to address the issue of fiscal imbalance to ensure that a province, like Newfoundland and Labrador, can provide for all of its citizens and so that no fundamental principle has to be cast aside because of practical circumstances.

When we signed on to the charter and said that women's rights were fundamental, that respect for people with disabilities had to be entrenched in everything we do, that the needs of aboriginal people had to be considered, and that the fundamental freedoms for all people, regardless of race and religion should be respected, surely that meant something. Surely those rights should not be squandered away because of a government's inability to ensure that wealth is distributed fairly and equally across the land. That is precisely the situation we find ourselves in today, and it is a shameful, shocking situation.

The decision today to put aside pay equity in the face of so-called fiscal realities is a setback to women and sets a dangerous precedent for all people who are vulnerable in Canada today: people living with disabilities, minority populations, aboriginal people and certainly women.

The other reason we need this debate today is that the Liberal government just does not get it. Not too long ago I went to a finance committee meeting where the Parliamentary Secretary to the Minister of Finance had the audacity to suggest that there was no such thing as a fiscal imbalance.

*Supply*

•(1705)

Members on that committee will recall that we tried hard to advance some wording around questions that we posed to people in the prebudget period to ensure that they were engaged in these consultations. We ended up spending valuable time and money because the government could not just say that yes, there is a fiscal imbalance. Therefore the debate has to take place in this chamber and I thank the Bloc for making it a reality.

We are here today because of a very critical situation in many parts of this country. It is a serious threat to the state of federalism, a serious challenge to the fundamental rights for women and many other critical issues which are growing all around us. The pursuit of solutions to resolve the fiscal imbalance should be done on a regular basis as a matter of course. It should be done on periodically to ensure that we are addressing growing tensions, concerns, issues that happen naturally and are expected because we are a federation that changes and grows and needs that kind of nurturing.

That kind of analysis was done many years ago, in 1981, as referenced earlier by my leader. It was known as the task force on federal-provincial fiscal relations. My colleague from Elmwood—Transcona was part of that task force as the NDP member. It was 24 years ago, shortly after the member had been elected to this House. He has just celebrated his 25th anniversary in this place and is now the most senior statesperson in Parliament.

That episode in our history was valuable. It proved absolutely essential in terms of moving this nation forward, in terms of a universal approach to providing health care for everyone. It was essential for us to be able to move forward in terms of the Canada Health Act and to make many other improvements to programs that cover the ambit of federal-provincial relations.

Here we are 24 years later with a review being proposed not by the government of the day, but by the opposition. Not only that, the members of the government are saying apparently that they are going to oppose it. It does not make sense. I hope that during the course of the debate and over the weekend the Liberals will wake up and will come to this place next Tuesday and decide to vote in favour of this constructive proposition.

There are a couple of things we have to look at in the context of this debate. We have to ask ourselves why we are dealing with this motion today. Why did the Bloc feel it had to bring it forward? Why do we feel so strongly about it?

One only has to listen to the debate to ascertain that all of us are concerned about the way the Liberal government has managed the economy over the past 10 years. We are talking about a history of financial mismanagement and poor budgeting by the Liberals.

Federal-provincial financing has always been an issue and is one which we should revisit on a regular basis. However, the current acrimony and tension have arisen in the wake of the Liberals' severe cuts to transfers when they came to power in 1993 and as reflected in their mid-1990s budgets.

We only have to look at the CHST and the accompanying transfer cuts done by the present Prime Minister's 1995 budget which proved to be a devastating attack on health, education and social assistance.

It sent provincial governments reeling. Still to this day the provinces are trying to pick up the pieces. It did not just hurt the provincial governments; it hurt Canadians and the most vulnerable Canadians most of all. Let us look at some statistics.

The Liberals cut education funding by about 17%, driving up student debt. Students are now leaving four year programs with almost \$25,000 in debt. Fees have accounted for almost 20% of education costs. Statistics Canada reports that between 1992 and 2002, fees increased by 135%, more than six times the rate of inflation.

•(1710)

If we are not prepared to invest in our young people, if we are not prepared to deal with the need to establish lifelong learning opportunities, if we are not prepared to ensure that in this great country of ours we share our resources so that the provinces can provide for those educational opportunities, we are doomed as a nation. We are cutting our own throats. We are cutting off our nose to spite our face.

Surely the government could understand the importance of at least investing in education, ensuring that every student, every child, every youth in this country has the opportunity to pursue his or her dreams, to be whatever he or she wants to be and contribute back to this country.

Let us take it a step further in terms of the beginning of this whole lifelong learning process. Let us look at child care. Here we are dealing with it again. I do not know how many times I have stood in the House to talk about a national day care program.

**Ms. Libby Davies:** Thirteen budgets.

**Ms. Judy Wasylycia-Leis:** My colleague from Vancouver East says it is 13 budgets. It is the longest running broken political promise in the history of this country.

**An hon. member:** And the provinces won't support it.

**Ms. Judy Wasylycia-Leis:** Mr. Speaker, it has nothing to do with the provinces not supporting it. It has to do with a federal government that lacks the political will to do it. The government does not see the importance of ensuring that the youngest citizens of this land are able to get the kind of education, care and nurturing that they need during those very important developmental years. There is nothing more important that we can do.

Shame on the Liberals for promising it year after year and never living up to it. They always find a scapegoat and blame it on the provinces. Enough of that. Let us get on with doing it. The Liberals say they will do it this time. Let us hope they do it this time, because if they do not, we will have a huge problem.

Just look at the fact that only 20% of children in child care under the age of six are in regulated care in this great, wealthy country of Canada. Compare that to 60% in the United Kingdom and 78% in Denmark. We have to deal with this problem now. It is very much a part of the issue of fiscal imbalance.

### Supply

I could go on. I could talk about cities and municipalities. The government is backing away from its gas tax promises which again is driving up provincial costs, offloading on to municipalities, offloading on to citizens. It is making individuals responsible instead of the government doing what the government is meant to do, which is to ensure equality of conditions, equality of opportunity so that everyone in our country no matter where they live, whether it be in the north end of Winnipeg, downtown Vancouver or suburban Toronto, is able to contribute according to their abilities.

I want everyone to know that we are not supporting this resolution to drive another stake into the heart of this country, a strong federal nation. We are not advancing the notion to decentralize more programs and destroy a strong central nation. For that, we may differ a bit from the Bloc. However I think we all have one concern today, which is that we find ways to better distribute the resources of this nation, the wealth that the federal government is now sitting on. This year alone the government is sitting on a \$9.1 billion surplus, never mind the \$86 billion in surpluses that have been accumulated over the last 10 years and have gone into the debt, only because the government refuses to do this upfront. It has decided to engage in a deliberate lowballing process so there is no public debate and no parliamentary input.

I will conclude by saying that two wrongs do not make a right. The further neglect of federal responsibilities is not the answer to the problems from earlier neglect. No strings federal funding, cheque-book central government is not an acceptable answer. National standards with asymmetry for Quebec are still needed to ensure that when the federal government does invest in health care or child care, the money goes toward improving those areas.

• (1715)

A serious parliamentary study of existing imbalances may be worthwhile as long as it does not turn into a platform for undermining the responsibilities of our federal government, responsibilities which the Liberal government apparently would rather continue to ignore.

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, back in 1993 the election platform included a provision for creating 150,000 child care spaces and that was still not enough. As a matter of fact, today it is estimated that it would cost from \$12 billion to \$15 billion to provide all the estimated child care spaces.

The member raised the important issue of child care. Based on the latest reports, the problem is that the child care that has been provided by the provinces in their provincial jurisdiction has been poor quality child care. Part of the solution to child care is not simply to create more of these inadequate babysitting services but rather to deal with the issue of early childhood development.

The member is very familiar with Dr. Fraser Mustard. She is also familiar with the fact that the first year of a child's life is the most significant in terms of early childhood development. That is one of the reasons the House and the government agreed to double maternity and parental leave to a full year. This allows parents to give their children that secure, consistent attachment with an engaged, committed adult. That is what affects children more than anything.

Do we have to fix somehow the problems in the existing system? How are we going to address the situation where communities do not have the accessibility to child care because of their geographic location or community situation? What about the equity for those who choose to provide care in the home to their own children? What benefits should we give to the growing number of people who want to care for their own children?

• (1720)

**Ms. Judy Wasylycia-Leis:** Mr. Speaker, first, I do not accept for one moment the premise behind the hon. member's question when he made a blanket statement and suggested that child care facilities in the country are of low quality. He has just insulted thousands of people who are committed to providing quality child care and have done so over the years despite the refusal by the government to participate and support those initiatives. He has just insulted organizations like the Manitoba Child Care Association which has made an incredible contribution to the country by supporting and working to ensure the achievement of one of the best, second only to the Quebec system, models anywhere in the world for providing quality child care.

The problem is that when a province has to do it on its own there is only so much it can do. The Manitoba government has made a huge pioneering effort, a huge inroad into this area, and has provided quality, non-profit, accessible, regulated day care spaces where children get safe care and parents do not have to worry.

When the member makes that kind of disparaging remark, we know exactly where he is coming from. He is trying to drive another nail in the coffin of this election promise, never mind the fact that it is a Liberal promise. That Liberal member has the audacity to stand up and begin to tear apart his own party's suggestion and in fact is doing what he can to kill this idea before it even gets off the ground. We are not going to let that happen.

We do have a problem in some provinces because there has not always been the same commitment in every province as we have seen in the provinces of Manitoba and Quebec. That is another reason why we need a national day care program with national standards and legislation to ensure that care is provided on a quality not for profit basis. That is the whole point of the Liberal promise. That is the whole point of this debate. That is why we are so devoted to it and why we want to make it happen this time once and for all.

This initiative is about addressing the concerns of working families and ensuring that those families who choose to work, those mothers and fathers who choose to work or must work, which is largely the case, are able to put their children in safe, loving, caring, child care centres which must be made available to meet the needs of the changing workforce, to address the concerns of part-time women working in the workforce, the needs of shift workers, and those who must work only at night. It is something that is there where it is known that the kids are safe.

This is not a program about addressing the needs of every single person in the whole society. We have other measures to address the concerns of those families who choose to have a parent staying at home full time. We do that through tax provisions. We do it through extensions in terms of maternity and parental leave. We do it through decency in terms of leave for school activities and other commitments, and ensuring that we have caring arrangements in the event that there are elderly parents or people with disabilities.

We do not do it by playing one group off against the other and leaving this most fundamental question out to dry yet again. That is a disservice to the country and the children. It is contrary to everything the member believes in terms of ensuring that those at the very youngest ages are able to get that loving environment and care that they need to proceed, grow, mature and be responsible and committed citizens of the country.

• (1725)

**Mr. Loyola Hearn (St. John's South—Mount Pearl, CPC):** Mr. Speaker, let me congratulate the member for Winnipeg North on her speech. She raised a tremendous number of important points this evening in her speech and in her answer to the question from the member opposite.

I would like to thank her for making reference in her speech to the battle that is going on right now between our province and Ottawa with respect to offshore revenues. I certainly appreciate the support she and her party have given our province in that regard.

In her speech she talked about the increasing costs of education. A lot of people talk about the costs of tuition. There is a lot more to education than just tuition, as she knows, for people who live outside the university towns in particular. Is she finding, as I am, that more and more families in the rural areas are finding it very difficult to finance the education of their children?

**Ms. Judy Wasylcia-Leis:** Mr. Speaker, the hon. member identifies a very serious issue in our society today, and that is the question of access to educational opportunities wherever ones lives in our country. We are finding the same phenomenon that often occurs in the area of health care, where in fact people who live in rural, remote, or northern communities have neither the access in those communities to post-secondary education institutions nor the resources to pay for the rapidly rising costs to enter an educational facility. It is becoming about the most serious and fastest growing concern in this country today.

We used to say that health care was the number one issue. It is still a big concern but we are seeing some movement. I believe that education and access to educational opportunities are reaching a crisis situation.

That is part of the fiscal imbalance. The member may not agree with me on this point, but I would suggest to him that fiscal imbalance is also about what we do with our fiscal dividend. We have heard from the Liberals the promise of splitting the dividend. Years ago they said it should be split on a fifty-fifty basis. They claim they have done that, but it seems they have put 90% of that dividend into tax cuts and reductions, and 10% into programs like education.

### *Supply*

We would like to see this fiscal imbalance addressed and ensure that we can actually, at this glorious moment in this seventh year of a surplus, put some money into the very foundation of lifelong learning.

• (1730)

[*Translation*]

**Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ):** Mr. Speaker, I will share my time with the member for Châteauguay—Saint-Constant.

The fiscal imbalance relates to a situation. The federal government collects too much money for its responsibilities. Witness its year after year surpluses. However, Quebec and the provinces do not have enough revenues to assume their own responsibilities.

For years the Quebec government has been strangled fiscally under the orchestration of the Minister of Finance and the Prime Minister. Since 1994, Ottawa has been collecting astronomical surpluses, more and more taxes in Quebec, but has given back less and less money where it is needed. This means that the federal government is doing less and less of its share in funding of health and education systems.

When the current Prime Minister was the Minister of Finance, federal government spending increased by 45%, while transfers to Quebec and the provinces rose by only 1.9%.

Meanwhile, federal government revenues increased by \$1,569 per capita in Canada, while health, education and social transfers were reduced by \$34 per capita.

On the financial level, Ottawa is awash with cash. It has accumulated a surplus of \$60 billion since 1997-98. Even worse, the Conference Board is forecasting another \$166 billion by 2015.

Despite the fact that it accumulated surpluses by cutting in areas that belong to the provinces, the Prime Minister is hailed as the champion of sound management of public finances.

It is important to note that the federal government's margin goes beyond the budget surpluses. It also includes the excessive increase in federal operating expenditures.

When the Prime Minister was the Minister of Finance, the federal government lost control of its operating expenditures. These expenditures increased by 7.8% annually, compared with an average annual inflation rate of 1.9%.

At the same time, there was a greater concentration of federal jobs in the national capital region. Indeed, since 1994, the number of federal jobs has increased by 11% in that region, while it decreased by 1% in the regions across Canada.

Here are a few examples which show that Ottawa is enjoying huge surpluses. These examples are taken from the 1997-98 to 2002-03 period.

While federal operating expenditures increased by 30%, those of the Quebec government only went up by 20%.

While the Quebec revenue department reduced its expenditures by 47% during this same period, the Canada Customs and Revenue Agency increased its spending by 57%.

### Supply

The Quebec health department increased its expenditures by 33%, while its federal counterpart increased them by 78%.

During the same period, the Quebec education department increased its expenditures by 12%, and the culture department by 12.8%. Meanwhile, the Department of Canadian Heritage increased its spending by 38%.

Total operating expenditures for the federal Department of Justice increased by 67%, while those of the Quebec justice department only went up by 12%.

The Prime Minister relegated the problems to the provinces and to the unemployed. From 1995 to 2003, the Liberals took \$45 billion from the employment insurance fund. On an annual basis, my region of Saguenay—Lac-Saint-Jean was deprived of \$157 million.

• (1735)

In the case of Quebec, this fiscal imbalance takes on a special meaning because we are different, because Quebecers are a nation. The fiscal weakening of the only state they control is a concern for the future, the more so because the precariousness of Quebec's financial situation was deliberately caused by the former finance minister, the present Prime Minister, who can truly say that he is the architect of the fiscal imbalance.

This situation is largely due to the cuts made by the federal government in transfer payments to Quebec and the provinces. The Prime Minister did not take advantage of the premiers' conference in Ottawa to fulfill his promise of addressing the whole issue of the fiscal imbalance.

The Prime Minister did not have the political will to respond to the needs of the people. Instead, he responded to the wishes of his caucus, which accused him of giving too much already.

The new era of cooperation announced with great fanfare by the Prime Minister is stillborn. The fiscal imbalance is hurting the people of Quebec. When will the government recognize it?

The regions of Quebec and my region, Saguenay—Lac-Saint-Jean, are suffering from the effects of the fiscal imbalance. Some of its effects are that we cannot take care of our sick people and that we cannot invest in education and social programs. When will the federal Liberal government take note of this reality and recognize this deplorable situation?

The disintegration of the regions is very real and its effects are undeniable. No one can argue with the fact that our young people are moving to the big cities, that poverty is expanding and that endemic unemployment is hurting Quebec's natural resources areas.

When will the Liberal government recognize that Ottawa has too much money for its needs, and that Quebec is under-financed and cannot face its obligations?

[English]

**Hon. Diane Marleau (Parliamentary Secretary to the President of the Treasury Board and Minister responsible for the Canadian Wheat Board, Lib.):** Mr. Speaker, what a problem we have. It is terrible. I came to this House in 1988. I recall the crying and the tearing of the shirts over the deficit. We were going to hit the wall.

[Translation]

Separatists did not want to have anything to do with the Canadian government because it had a large deficit. They were not talking about fiscal imbalance then, because there was none. We never heard about that. Today, because we managed to turn things around and be in a good fiscal position, there is a lot of wailing and complaining.

Are we losing sight of the equalization program, which helps provinces most in need? It may not be perfect, but it certainly helps provinces like Quebec.

I am from Ontario. I am an Ontario taxpayer. We do not get equalization payments. I pay, and gladly so. But I think we are being blackmailed.

• (1740)

[English]

This whole topic is a myth. I wonder what would happen if they pushed us back into a deficit. How would they speak about the country then? I want to know that.

[Translation]

If we ran a deficit, what would you say? I would like to know. Is that what you would like? I do not agree.

**Mr. Robert Bouchard:** Mr. Speaker, I think the hon. member opposite should recognize there is a fiscal imbalance.

This fiscal imbalance has been recognized by a Quebec commission led by Mr. Séguin, who is now a Liberal minister in Quebec.

**An hon. member:** Right on.

**Mr. Robert Bouchard:** The parliamentary secretary must also admit that Quebec does not have sufficient fiscal resources to meet its obligations. Year after year, the federal government keeps accumulating a surplus, and each is larger than the last.

The Prime Minister has championed public management because he balanced the books and then ran surpluses. But surpluses were at the expense of the provinces and the unemployed. We should not forget that the government scooped \$45 billion out of the EI fund. Fiscal imbalance is bad for Quebec. If it is bad for Quebec, it is also bad for Quebec regions.

**Ms. Diane Bourgeois (Terrebonne—Blainville, BQ):** Mr. Speaker, when we talk about equalization and about fiscal imbalance, they are certainly not the same thing in my view. The member who asked a question earlier was not wrong when she said that a few years ago, Canada had a deficit.

Members will recall that to remedy that deficit situation, the Liberal government of the time slashed expenses. It cut back on transfers to provinces and forced provinces to tighten their belt and to rethink their funding. Thus the fiscal imbalance appeared over time, as Canada solved its own deficit problem at the expense of the provinces.

I would like to ask the member for Chicoutimi—Le Fjord to repeat to me, because I did not understand well, how much the problem of the fiscal imbalance costs his region.



**Mr. Robert Bouchard:** Mr. Speaker, I will reply to the member, who asked me a question, namely how much this government's plundering of the employment insurance fund is costing my region. First of all, we know that at the national level, this government plundered an amount of \$45 billion. Thus, in my region, this theft represents an amount of \$157 million every year, and unemployed people in my region of Saguenay—Lac-St-Jean are deprived of it.

**Ms. Denise Poirier-Rivard (Châteauguay—Saint-Constant, BQ):** Mr. Speaker, I will look at the issue of fiscal imbalance with Quebec's farming community in mind.

As the Bloc Québécois leader put it, the Prime Minister did not use the premiers' conference in Ottawa to tackle the entire issue of fiscal imbalance, especially with regard to agriculture and agri-food.

My colleague the member for Saint-Hyacinthe—Bagot contends that the PM did not have the political will to meet people's needs. He chose instead to cater to the wishes of the Liberal caucus, which blamed him for having already given away too much, and to tighten the fiscal imbalance stranglehold on Quebec and the provinces. Go tell Quebec cattlemen, extremely hard hit by the mad cow crisis, that Ottawa has given Quebec too much.

Here are some numbers. Faced with problems in agriculture because of fiscal imbalance, the Quebec government is forced to fill the space left vacant by the federal government's lack of support. Let's look at this in context.

The OECD, the Organization for Economic Co-operation and Development, measures the support given by various countries to their agricultural sector. It publishes yearly a manual on agricultural policy follow-up and evaluation in member countries. The manual contains a set of indicators measuring various facets of support.

An analysis of these different indicators clearly demonstrates the following. The level of support provided in Canada is among the lowest, and is far lower than in the U.S. or Europe. The level of support has been markedly on the rise in the U.S. in recent years, contrary to the drop already referred to in Canada. On May 2, 2002, Congress passed a bill providing an increase of \$31 billion over six years in subsidies to American farmers.

Now, to look at the situation in Quebec, where the government compensates for insufficient level of federal support, which is not the case most of the other provinces. In Quebec, 63% of public expenditures in the agrifood sector are assumed by the Government of Quebec.

When this support is expressed as a percentage of the agricultural gross domestic product or GDP, if we exclude Newfoundland, where agriculture is not a major activity, only Quebec provides support in excess of 20%. The figure is around 10% in Ontario and only 6% in B.C.

We in the Bloc Québécois are of the opinion that the federal government must accept the idea that there is fiscal imbalance in Canada. The federal government must recognize that Quebec farmers, particularly those hard hit by the mad cow situation, are victims of that imbalance.

In its brief to the Quebec commission on fiscal imbalance, the Union des producteurs agricoles made the following statement:

### *Supply*

The problem of fiscal imbalance, which this commission is mandated to examine, is defined as the result of the fact that the provinces have insufficient revenues to meet their responsibilities in the areas over which they have jurisdiction, while the federal government has funds surplus to its needs for the funding of activities within its own areas of jurisdiction. It is very obvious that the roots of the problem are not to be found in agriculture or agrifood.

What are the consequences for agriculture? Overall, the problem for agriculture relates to the fact that the level of government with money to spare seems to have an increasingly poor grasp of the role it ought to be playing in agriculture, which is in particular to help Canadian producers compete on an equal footing with their counterparts elsewhere.

Support for the agricultural sector in Canada is in decline. Some people believe the federal government does not have a good grasp of its responsibilities in the agricultural sector. This statement is based on information reported in documents taken from the Public Accounts of Canada, collected over a number of years, and the budgets of the Department of Agriculture and Agri-Food in its *Farm Income Data Book*.

The figures show that between the beginning of the 1990s and the 2000 decade, federal government expenditures on subsidizing the agricultural sector were cut in half. Relatively, the proportion of the federal budget going to agriculture and agri-food dropped from nearly 4% to less than 2%.

● (1745)

I will say it again, the analysis of various OECD indicators clearly shows the following facts. The level of support in Canada is among the lowest and is much less than that offered in the United States or in Europe. Subsidies have been increasing in the US for several years, in contrast to the decline in Canada as reported previously.

Let me tell you about the trends in three OECD indicators: estimated producer support per full-time farmer equivalent; producer support estimate per capita; and finally, total transfers as a percentage of GDP.

In Canada, producer support per full-time farmer equivalent was US \$9,000 in 1999 and much less than the US \$21,000 offered in the United States or the US \$17,000 in the European Union.

Over the past 10 years, the size of Canada's subsidies has dropped substantially and then had a slight revival. During that time, while support in the United States did decline, by 1999 it was above 1986-88 levels.

In order to measure the effects on the public of the levels of support provided in various countries, the OECD estimated the total aid to the agri-food sector on a per capita basis.

Canada offered a subsidy of US \$163 per capita in 1999, only half as much as did the United States, at US \$350, or Europe, at US \$336.

Over the period of a decade, per capita support for agriculture has dropped by US\$105 in Canada, while it has increased by \$73 in the United States, \$11 in Europe and \$18 on average for OCDE member countries.

### Supply

The third indicator, the total in transfers in percentage of the GDP, also shows that Canadian government support for agriculture is among the lowest in the world. In 1999, Canadian government transfers to the agriculture sector totalled .78% of the GDP, compared to 1.05% in the United States and 1.49% in the European Union.

All this information suggests the same thing: the level of support for the agriculture sector in Canada has declined substantially over the past decade while our major competitors have maintained or increased their support. At the time, the current Prime Minister was the Minister of Finance and, thus, responsible for this significant decline.

As we mentioned earlier, the Government of Quebec compensates for the federal government's disengagement, but that is not the case in all the provinces.

In Quebec, as you probably know, for decades now, the work done by our farmers and their representatives has contributed to convincing Quebec governments to provide better support for the agriculture sector. The Government of Quebec compensates for the extremely low support from the federal government.

This situation paints a very good picture of what we describe as the fiscal imbalance in Quebec, particularly how the shortfall affects the farmers.

The data mentioned earlier indicate that the agriculture sector is receiving almost half as much support in Canada as it does in the main competing countries, despite the efforts made by Quebec to compensate for the inadequate federal support.

As trade between countries becomes increasingly freer under international trade negotiations, one wonders whether in the medium and long terms, Canadian farmers will be able to sustain such unfair competition. It is not surprising, in such a context, to see that for almost a decade in Canada, one crisis after another has hit farm income.

• (1750)

**Mr. David Smith (Pontiac, Lib.):** Mr. Speaker, the Bloc Québécois critic for agriculture and agri-food is telling us tonight that there is a fiscal imbalance in this area in Quebec. It is true that there are pressures in the agricultural industry.

Being a native of the Haute-Gatineau Valley region, I was brought up on a farm and I represent the beautiful Pontiac riding where many cattle producers live. Problems are bound to occur.

**An hon. member:** The French word is “bovins”, not “boivins”.

**Mr. David Smith:** I am sorry. I am anglophone but I make an effort to speak French. I ask you to forgive me if I have insulted anybody. Mea culpa.

This being said, the issue is still there. The Pontiac region is located between Quebec City and Windsor, in the corridor that is home to 80% of the Canadian population. The pressure felt in the cattle industry—I cannot be wrong—is due to the border closure. The Minister of Agriculture and Agri-Food has found solutions to support this industry by providing the opportunity to open new slaughterhouses.

I can tell you that in my riding for example, we have looked into this opportunity to see if we could slaughter our own cattle, locally, and sell the products of the beautiful Pontiac region, the largest riding in Quebec, an integral part of Canada.

I am getting to my question. Would this solution of offering \$60 million, new money, to allow us to slaughter our own cattle and sell our products here in Canada, not be an ideal solution to relieve this tremendous pressure that already exists?

I would like to know what the member thinks of the fact that our farmers from Quebec or anywhere else in Canada cannot even slaughter their own cattle and sell their meat because their slaughterhouses are too busy.

• (1755)

**Ms. Denise Poirier-Rivard:** Mr. Speaker, in reply to my colleague opposite concerning the creation of slaughterhouses, I wonder if it would be possible to arrange for the slaughter of our cows which sell for 7¢ each. Last week, you must have heard about a producer in the Lac-Saint-Jean area who received 7¢ for a cow.

I don't think that establishing slaughterhouses will solve the fiscal imbalance in the agriculture sector. That is my view. I said it earlier and I repeat it, the level of support for the agriculture industry has substantially diminished in Canada over the last decade, whereas our competitors have maintained it. If we had maintained it, we would probably not face the problems we have now, not only with our cull cows, but also with our beef. Our main competitors have continued their support and have even increased it.

Let us recall that at the time, the Prime Minister was Finance Minister and, hence, responsible for this significant decrease. The decrease is still there.

I do not think that building slaughterhouses is really the solution and will lower the fiscal imbalance. It may be a solution, but we should not proceed on a case-by-case basis.

**Ms. Diane Bourgeois (Terrebonne—Blainville, BQ):** Mr. Speaker, this is not the first time that we hear about a lack of money in agriculture. I say a lack of money because, when I was a little girl, my grandfather had 119 acres of land. I bought this land afterwards, in the 1980s, and I farmed it for a few years. In addition to a woodlot, part of it was used for livestock and another for crops.

I come from the Mascouche, Terrebonne and Saint-Roch region. On these lands, there are now practically no woodlots, but there are pigs, beef and cows. When I was a little girl, people in my region were on the side of Maurice Duplessis. Why? Because Maurice Duplessis was fighting for Quebec's farmers. From the time that he was there, we would hear farmers saying, “Ottawa does not think about us”.

If the federal government was thinking about Quebec's farmers, it would not have attempted to close the school of veterinary medicine in Saint-Hyacinthe, because it would have wanted to help our farmers. It would also get going on the supply management issue. Then, it would pay attention to our maple syrup producers—

*Supply*

**The Acting Speaker (Mr. Marcel Proulx):** The member for Châteauguay—Saint-Constant has the floor, very quickly, even though I did not fully understand the question.

**Ms. Diane Bourgeois:** It was only a comment, Mr. Speaker.

• (1800)

**Ms. Denise Poirier-Rivard:** Mr. Speaker, I would like to say to the hon. member for Terrebonne—Blainville that I appreciate her comments because I have been in such a situation. It is true that supply management has not been taken into account. Also, there is the embargo that is preventing us from exporting our animals.

One way or another, in my opinion, the majority of the members in the House will agree with me that not a day goes by that we do not read something in the paper about problems involving agriculture, animal husbandry or vegetable growing. There is an imbalance. There truly is a crisis in agriculture. It is time to address the issue. Let us not forget that we are all here tonight because agriculture feeds us all.

[*English*]

**Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.):** Mr. Speaker, I will be sharing my time with the hon. member for Etobicoke North.

I am grateful for the opportunity to address the House on this motion. I believe it speaks to some important issues that are essential to the future of our Canadian federation. As my colleagues on this side of the House have already stated, the fiscal imbalance discussed in the motion by the opposition simply does not exist in the country.

The provinces have exclusive access to some of the fastest growing revenue streams in the country. More important, total provincial and territorial revenues have been far above those received by the federal government for more than 20 years. This trend is not expected to end any time soon. However, there are other reasons why the concept of the fiscal imbalance is a non-starter, not the least of which is the fact that the federal government will, over the next 10 years, provide an additional \$74 billion to the provinces and territories through increased funding for health care and a new formula for both equalization and territorial formula financing.

Indeed, I would like to address the bulk of my remarks on a topic that has been very much in the news recently; the issue of equalization. This has been one of the pillars of our federation for more than four decades and it is another important argument against the idea that a fiscal imbalance actually exists.

To begin with, the equalization and territorial formula financing programs ensure that all Canadians, no matter where they live, have access to reasonably comparable public services. This commitment helps to ensure that all Canadians are treated equally from coast to coast. However, the provinces and territories have been complaining for several years about how the federal government funds the equalization and territorial formula and the planning difficulties that they have faced as a result of the year to year swings in the amount of payments they receive under these programs. These are legitimate concerns and the government has done everything it can to address them.

Just two days ago, Canada's premiers and territorial leaders agreed to the government's proposed framework for equalization. This new framework represents the most fundamental and sweeping changes in the program's history. The goal of this new framework is nothing less than to make payments to the provinces and territories more stable and predictable while significantly increasing the overall level of funding.

Over the next decade, this new framework will provide \$33 billion more in equalization and territorial financing payments to the provinces and territories. That is quite an improvement, but the government recognizes that simply pumping more money into the system is just not enough.

We need to take a hard look at how the current legislation on equalization and territorial financing allocates money to the provinces and territories. That is why the new framework calls for a review to be conducted on how the legislated equalization and territorial financing levels should be allocated for the provinces and territories in the 2006-07 fiscal year and beyond.

Our government recognizes the need to ensure that all provinces and territories can offer the best possible services to their citizens. Equalization and territorial formula financing programs are clear evidence of our commitment in this area. The programs, along with health funding through the Canada health transfer, also offer clear evidence that the fiscal imbalance referred to in this motion does not exist in the country.

For those reasons and those that have been outlined by my colleagues, I cannot support the motion and would urge other members of the House to do the same.

• (1805)

**Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC):** Mr. Speaker, I enjoyed listening to the member for Thunder Bay—Rainy River. I have known the member for many years. He has a long history in public life, having served as the mayor of Thunder Bay and as the president of the Association of Municipalities of Ontario.

The question I would like to ask the member is on an issue that I raised earlier today. It is the notion of the fiscal imbalance. I raised the point that we have three levels of government in Canada; federal, provincial and municipal. I would argue that there is a fiscal imbalance in terms of the taxing powers compared to the spending responsibilities.

Certainly, when the federal government cut its transfers to the provinces in the mid-1990s, when that member was in municipal government, many would argue that caused the provinces to pass that through to municipalities and the municipalities bore the brunt of it.

What are the member's thoughts on this notion. If the federal government did more to help the provincial governments, would that not allow the provincial governments some more flexibility to pass through some of that generosity to the municipalities?

**Mr. Ken Boshcoff:** Mr. Speaker, the question is quite a good one because it clearly is on the minds of many Canadians throughout the municipal field.

### Supply

There is no doubt that the question of predictability and determined amounts, including the fact that people want to know when these things will happen, have been front burner issues for municipalities and provinces. I believe the legislation and agreement go a long way in allowing provinces to answer those questions of predictability especially.

With the federal involvement, with the negotiations about to begin with municipalities on the gas tax and with the recent history of the \$590 million allocated this year through the GST rebate, the federal government is getting involved. No matter what the legislative constraints may be, we will be there.

All through this debate, I have listened very keenly to the questioning. I have thought about how municipalities have been addressed. I feel very strongly that this type of increase in funding, the allocations that will stabilize the provinces and give more predictability to their own budget processes, will be most helpful to the municipalities.

[Translation]

**Mr. Roger Clavet (Louis-Hébert, BQ):** Mr. Speaker, the remarks made by my colleague for Thunder Bay—Rainy River were very interesting. Nonetheless, I find it somewhat peculiar that someone so familiar with marine terminology can deny the existence of an imbalance. Maybe it is only a matter of vocabulary.

I am very familiar with the Thunder Bay area. This beautiful area in northwestern Ontario has a sea port. Maybe we have a hard time understanding each other because of the vocabulary. Some talk about financial pressures while others talk about fiscal imbalance.

If we look at the issue from a marine point of view and take the example of a large ship, it might be easier to understand. I think that the member for Thunder Bay—Rainy River would understand the notion of imbalance if it suddenly happened on a ship. Fiscal imbalance is like having a surplus of \$60 billion on port side. We agree, these figures are indisputable. On starboard, the provinces would show a combined deficit of \$68 billion. In other words, on one side of the ship, there is a load of \$60 billion, and, on the other side, a load of \$68 billion. Even the Prime Minister, who is very familiar with marine terminology, could understand that this is not an exaggeration, but rather an imbalance.

If this is true for a ship, it could apply here. A ship with such an imbalance would not be able to follow a straight course, even a Canada Steamship Lines' ship—

• (1810)

**The Acting Speaker (Mr. Marcel Proulx):** I am sorry to interrupt the hon. member. The hon. member for Thunder Bay—Rainy River.

[English]

**Mr. Ken Boshcoff:** Mr. Speaker, when we use the ship analogy, the first thing we have to understand is we have to keep the ship afloat. I believe this infusion of funds, as ballast, will certainly do that, not only for Thunder Bay and the member's riding, but for the entire country.

**Hon. Roy Cullen (Parliamentary Secretary to the Minister of Public Safety and Emergency Preparedness, Lib.):** Mr. Speaker, I am glad to have the opportunity to enter the debate.

In reading the motion, there are parts of it that I support. Maybe I will introduce an amendment because I do not like the first part dealing with the Prime Minister of Canada. The Prime Minister has indicated his generosity to the provinces, on behalf of all Canadians, in terms of the investments in health care and his commitment to deal with equalization.

However, I agree there is a fiscal imbalance. I was quite happy on October 7 when a motion was unanimously adopted by the House, which said that we fully respected the areas of jurisdiction of the provinces and that the financial pressures, some call the fiscal imbalance, would be alleviated. I was quite happy with that wording because some call a fiscal imbalance one thing and some call it another. I believe there is a fiscal imbalance, but I believe it is in favour of the provinces.

My colleague, the Parliamentary Secretary to the Minister of Finance, has been very clear on that point. If we look at the debt, if we look at the revenue sources and revenue streams, the provinces in aggregate have far more revenue sources and far less debt. For example, if we look at debt, it is 41% of GDP for the federal government and 22% of GDP for the provinces in aggregate. If we look at the revenues, the federal government on a net basis gets about \$150 billion a year and the provinces get about \$208 billion a year.

I find it is strangely ironic that the Bloc Québécois would bring forward this motion. As we all know, when the Bloc emerged in Quebec, it was not a have not province. However, it has become a have not province. Why? Because investment and economic activity have left Quebec. I was born and raised in Montreal. I am a member now in Toronto. We have been the beneficiaries of that. It is a sad commentary on our country and on our province of Quebec.

The percentage that goes to Quebec is \$3 billion to \$4 billion now, but at one point equalization payments got up to \$5 billion out of \$10 billion that was in existence at the time. Half of the equalization went to Quebec.

Yes, there is a fiscal imbalance and it is in favour of the provinces. They have all the revenues and we have the debt. In fact it is a good news story. This is where it gets very ironic in my judgment. People have talked about the surplus that came in at \$9 billion as some kind of bad news story. With the \$9 billion, we can pay down the debt. The federal government has paid down now something in the order of \$55 billion, which is saving the taxpayers of the country \$4.5 billion each year as an annuity going forward. However, we still have about \$500 billion of debt on our books. The provinces have much less.

We should have a discussion and we should have a committee. We should look at and talk about the fiscal imbalance which is in favour of the provinces. I would be glad to participate in that.

*Adjournment Proceedings*

• (1815)

**The Acting Speaker (Mr. Marcel Proulx):** It being 6:15 p.m., pursuant to order made earlier today, all questions necessary to dispose of the opposition motion are deemed put and a recorded division deemed requested and deferred until Tuesday, November 2 at 6:15 p.m.

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## ADJOURNMENT PROCEEDINGS

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

[*English*]

### HEALTH

**Mr. Maurice Vellacott (Saskatoon—Wanuskewin, CPC):** Mr. Speaker, on October 15, I asked the health minister to act immediately to expand the hepatitis C compensation to victims outside the 1986 to 1990 group with the surplus that we now know exists in the hepatitis C compensation fund. If the minister does not intervene to expedite this process, hepatitis C victims who contracted that disease prior to 1986 or after 1990 will not see any money until some time long after June of next year when the next actuarial report is due to be released.

The answer from the Parliamentary Secretary to the Minister of Health was completely unacceptable. He refused to admit that the fund has a surplus. He said that the minister was looking at the situation with the other partners, and that expanding the fund to cover pre-1986 and post-1990 victims was only one of several options being considered for this money.

On October 18, the minister said the same thing, although this time he gave more explanation about the nature of his stalling tactics. He listed three different consultation processes that he intends to pursue before making a decision. This is an extremely demoralizing response for hepatitis C victims after the years of suffering and impoverishment that they have already faced.

I quote the minister who would only say that there was “potentially” an actuarial surplus in the fund. He said that the court would have to determine whether or not there was in fact an actuarial surplus. He then said that the federal government would have to work with the provinces and territories and would have to talk with the lawyers of the plaintiffs. Of course we know all that. That has to be done, but for the health minister to frame these points as a stalling tactic and to use them in that statement amounts to an evasion rather than a clear statement of commitment to address this issue very speedily for the sake of hepatitis C victims who are suffering miserably through no fault of their own.

Even while the health minister says that he is ready to reconsider the rules for access to that compensation fund, he has yet to give any details of the government's plan. It would be cruel to muse about this publicly with no intention of delivering. Given the government's record when it comes to doing right by hepatitis C victims, I am not going to be satisfied until details for compensation are made public. The government does have a history of talking big, particularly on

this file, but delivering very little. I hope this is not one of those situations and that we get some resolve here this time.

It is rather shocking to hear the current health minister stalling like this. When he was attorney general in British Columbia in 1998 he supported opening the fund to all victims. How can he justify his about-face on this vital issue now?

We know from the annual audited reports that the hepatitis C compensation fund sits at \$1.1 billion. Last year the fund earned \$56 million more in revenue than it actually distributed on claims and expenses. Instead of the 20,000-plus victims, only about 5,000 actual victims have come forward from the 1986 to 1990 group who currently qualify for compensation from that fund. The health minister is refusing to admit that there is a huge surplus in the fund. Can he explain to the House why he does not trust the government approved auditors on this matter?

What hepatitis C victims need now is a health minister who understands basic math. There is a huge audited surplus in the fund and it will grow larger every year. We ask that the government commit to expanding the coverage immediately. Do not mix fuzzy math with fuzzy politics and use it as an excuse to delay justice for Canada's forgotten hepatitis C victims.

**Hon. Robert Thibault (Parliamentary Secretary to the Minister of Health, Lib.):** Mr. Speaker, there has been much discussion about the rationale used by Canada's governments in deciding on a collaborative approach to hepatitis C assistance. It would be useful to review some of the events of the past to better understand why these years were so significant.

Although an antibody test for hepatitis C was not developed and put into use in the Canadian blood system until 1990, surrogate testing was used in the United States starting in 1986. Since the implementation of specific blood tests for hepatitis C in 1990, the Canadian blood system is considered to be as safe as can be. The 1986 to 1990 timeframe is significant and was the rationale for Canada's government to use in offering assistance.

• (1820)

[*Translation*]

This government has worked with the provinces and territories and, in March 1998, we announced a plan to provide financial assistance of \$1.1 billion to the thousands of victims. By working collaboratively with the lawyers for the class action plaintiffs, we reached a settlement agreement which was approved by the Ontario, B.C. and Quebec courts in December 1999. This was only possible because the Government of Canada went to the provinces and to the claimants and proposed a solution.

[*English*]

Governments and lawyers for the class action plaintiffs reached a proposed settlement agreement and filed it to the three class action courts in June 1999. The settlement was approved by the courts in December and it was recognized that the settlement was far and equitable.

*Adjournment Proceedings*

In March 2000, the courts appointed an administrator known as the Crawford Expertises Canada Inc./The Garden City Group. As of October 1, 2004, the latest date that figures are available, 9,424 claims have been approved and slightly more than \$387 million have been paid out.

The joint committee, a group of lawyers appointed by the courts to supervise administration of the settlement agreement, has assured the Minister of Health that it is taking every available step to review claims efficiently and promptly.

[Translation]

The latest date that figures were reported was March 2004. The \$865 million reported does not belong to the government. It belongs to the beneficiaries of the trust fund established by the courts under the settlement agreement concerning victims infected between 1986 and 1990.

The question as to whether there is a surplus in the trust fund can only be determined by the courts, which they will look into in June, pursuant to the terms of the settlement. Payments to claimants out of the fund may continue for as much as 70 years, either to new claimants who have until 2010 to apply or for new or continuing payments to those who have already qualified.

Some claimants will be receiving loss of income payments for a very long time from the settlement agreement. Other claimants can make claims for additional compensation as their disease progresses.

[English]

I would remind members that the government's actions to assist people living with hepatitis C are not limited to the settlement compensation. Following the compensation announcement, the Government of Canada received representation from individuals infected outside the window period of 1986 to 1990. The Minister of Health listened to their concerns and, as a result, in September 1988, a \$525 million strategy was announced to assist all individuals infected with or affected by hepatitis C.

As part of this initiative, the government has been transferring to the provinces and territories up to \$300 million for appropriate hepatitis C treatment and services for all those who contracted hepatitis C through the blood system outside of the window period.

**Mr. Maurice Vellacott:** Mr. Speaker, \$1.1 billion is sitting in the compensation fund for victims of hepatitis C from tainted blood and it is not being used. Meanwhile, more than \$250,000 a month is being spent on administrative costs alone.

The House of Commons Standing Committee on Health passed a motion last week calling on the federal government to extend compensation to all those who contracted hepatitis C through tainted blood. The motion was introduced by the Conservative member for Yellowhead, the vice-chair of the committee, and the motion passed unanimously.

The motion passed by the health committee reads as follows:

That this Committee, in recognition of the recommendation of the Krever Inquiry and the large surplus in the federal Hepatitis C compensation fund, urge the government to extend compensation to all those who contracted Hepatitis C from tainted blood.

The committee is sending a pretty strong message to the government. With over \$1 billion left in the fund and far fewer victims than first estimated, the excuses are running out. There is more than enough money to compensate all of the victims.

Would the minister confirm that he will act immediately—

[Translation]

**The Acting Speaker (Mr. Marcel Proulx):** I am sorry to interrupt the hon. member. The hon. Parliamentary Secretary to the Minister of Health.

[English]

**Hon. Robert Thibault:** Mr. Speaker, I do not want the member opposite to confuse the issue with facts, but sometimes it is necessary to look at the facts.

First, and I will repeat, these funds are not government funds. The funds put in this trust agreement belong to the plaintiffs. They are administered by the three courts. The courts have found a company to do the day to day work which, of course, has an administrative charge.

This is an actuarial surplus. It is not the balance in the account. It is how much more money is in the account to meet future needs than what will be the future costs that will be determined to be the actuarial surplus. It will be presented by the administrators of the fund to the courts. The courts will determine if there is a surplus and how much of a surplus there is based on the information that is presented.

Based on the agreement, we can then look at how to best use the surplus, assuming, and I certainly hope that there is some—

• (1825)

**The Acting Speaker (Mr. Marcel Proulx):** The hon. member for Yorkton—Melville.

FIREARMS PROGRAM

**Mr. Garry Breitkreuz (Yorkton—Melville, CPC):** Mr. Speaker, on Tuesday, the Deputy Prime Minister and Minister of Public Safety refused to say how much the firearms program would cost to fully implement and how much it would cost to maintain. Twenty-five times we have asked this same question and 25 times the government has failed to answer. That is two years of keeping Parliament in the dark, the very thing the Auditor General chastized the government for in her December 2002 report.

I also asked the minister why she was pumping \$120 million into a completely ineffective firearms program this year while more than 1,700 DNA cases were backlogged in the RCMP forensic laboratories. She also ducked that question. I asked her a more pointed question in committee yesterday but rather than answer the question she said that she would answer my question in writing.

Tonight I am going to give the minister another chance to answer my question in Parliament.

Our sources in the RCMP tell us that in the year 2000 the DNA case backlog in the RCMP forensic laboratory reached a low of 330 cases, but on October 2003 the backlog had risen to more than twice that, 683 cases. In the last year alone, this backlog has risen from 683 to 1,733 cases, doubling once again.

*Adjournment Proceedings*

The minister's new department is not improving public safety. She is letting criminal suspects roam free because she will not give the RCMP labs enough money to analyze DNA samples. The 2004-05 evidence recovery and biology services business plan called for increased investment by the RCMP in order to deal with the DNA backlog situation but its request was denied. Why?

In July the RCMP issued a news release announcing the following, "On June 29, 2004 the DNA data bank recorded its 2,000th successful DNA match linking crime scenes to convicted offenders".

All parliamentarians need to know what percentage of the 1,733 backlog DNA cases in the RCMP forensic laboratories would result in a successful match with a convicted offender or, in other words, how many criminals are walking around free because of the lack of adequate funding for the RCMP labs by the Deputy Prime Minister and her government?

Given the DNA data bank's fantastic success rate of matching convicted criminals to crime scenes and the gun registry's fantastic flop, it defies all logic to starve the RCMP forensic labs while the flop of a firearms program eats up \$120 million a year.

The minister has her priorities all wrong. She has dolled out hard-earned taxpayer dollars based on her party's political priorities, not public safety priorities. After nine years \$1 billion has been wasted on the Liberal's firearms fiasco. One can just imagine what the police could have done with \$1 billion to fight real crime and chase real criminals.

Instead of tracking 310,000 criminals with outstanding Canada-wide and province-wide warrants, and instead of tracking 176,000 convicted criminals with firearms prohibition orders against them, and 37,000 dangerous persons with court restraining orders, the minister and the Liberal government have wasted \$1 billion tracking and harassing 2,000,000 completely innocent hunters and recreational shooters.

My question for the 26th time is: How much will it cost to fully implement the program?

•(1830)

**Hon. Roy Cullen (Parliamentary Secretary to the Minister of Public Safety and Emergency Preparedness, Lib.):** Mr. Speaker, in the member's question in question period he talked about the DNA in the supplementary, but I am prepared to deal with the question around the firearms registry.

The first question put forward by the hon. member concerns the licence renewal process that was approved by Parliament in 2003.

[*Translation*]

The second question deals with the costs of the program reported to Parliament in October 2004. The hon. member knows that firearm licences must be renewed every five years.

[*English*]

More than 50% of the 1.98 million firearms licences were issued within a 12 month period preceding the legislated deadline of December 31, 2000 that required firearm owners and users to be licensed under the Firearms Act.

Bill C-10A, originally tabled in the House as Bill C-15 in 2001, received royal assent in May 2003. It amended the Firearms Act to provide measures for the effective administration of the firearms program. Included in the legislation was a provision to allow a one-time extension of some possession-only licences, to solve the peak in workload, every five years for licence renewals, thus allowing for a more even yearly distribution of licence renewals.

[*Translation*]

Parliament passed this provision, and the evening out of the workload has been supported by stakeholders consulted on Bill C-10A in the fall of 2003. It also got the support of provincial firearm regulators, because this has created a stable operational environment while ensuring quality services and public security.

[*English*]

Workload levelling is a much used and effective business practice that allows a more even distribution of work over an extended period. This eliminates increased costs and staff for processing an unusual peak in workload. Workload levelling also allows the program to continue to meet application processing standards thus ensuring firearm owners receive their renewal before their existing licence expires.

The hon. member again has a question pertaining to the costs of the Canadian firearms program. Full program costing is reported in the Canada Firearms Centre's "Report On Plans and Priorities" and in its "Departmental Performance Report" which were tabled in Parliament in October 2004.

As reported in the 2003-04 Canada Firearms Centre's "Departmental Performance Report", the full federal cost of the firearms program of \$934.4 million includes: the cost of information technology; the licensing of all firearm owners; the registration of all firearms; the indirect costs to other government departments; and transfer payments to the provinces.

It is my pleasure to remind members of the House that the Canada Firearms Centre remains committed to providing Canadians with efficient and cost effective services. Workload levelling is but one of the many measures that has been taken to allow us to meet that commitment.

**Mr. Garry Breitkreuz:** Mr. Speaker, I did not get any answer with regard to what I asked about the DNA registry, and that is regrettable. I hope I will get an answer some time.

*Adjournment Proceedings*

As the member opposite has just explained, this is really an example of how poorly thought out this entire program was. Right from the get-go the government was told that it was completely unworkable and that the costs would spiral out of control. The government claimed it could do it for a cost to taxpayers of \$2 million. The Auditor General said that it went 500 times over budget and we are still paying about 60 times more per year than the total cost was supposed to be.

What are we getting for that? Millions of guns are still unregistered. More than 400,000 firearms licence holders have not registered their gun. More than 300,000 registered handgun owners still have to re-register their handguns. Five million guns in the registry are still not verified. The police cannot even use the information.

This has to be one of the biggest boondoggles the government has ever come up with. When will it finally back off? This latest thing is just more evidence.

**Hon. Roy Cullen:** Mr. Speaker, I apologize for not having an answer on the DNA, but that was in the supplementary and perhaps I can get back to the member on that.

With respect to firearms licensing, as it often is in life, people leave things to the last minute. Sometimes they do that because they are not very happy when they have to license a firearm. What we had was a peak load of registrations. On a five year renewal basis that would mean we would have a peak every five years. The firearms centre would have to staff up and then staff down, pay overtime, et cetera. This makes eminent sense and was adopted by this Parliament.

I would like to talk about some of the good things that are happening with the firearms registry. For example, it has now registered roughly seven million firearms. That is a good number of registered firearms, but more important, there are about 20,000 inquiries on the firearms registry by police every week.

● (1835)

[*Translation*]

**The Acting Speaker (Mr. Marcel Proulx):** The motion to adjourn the House is now deemed to have been adopted. Accordingly, this House stands adjourned until tomorrow at 10 a.m., pursuant to Standing Order 24(1).

(The House adjourned at 6.35 p.m.)

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