



House of Commons Debates

VOLUME 133

NUMBER 062

1st SESSION

35th PARLIAMENT

OFFICIAL REPORT
(HANSARD)

Tuesday, May 3, 1994

Speaker: The Honourable Gilbert Parent

HOUSE OF COMMONS

Tuesday, May 3, 1994

The House met at 10 a.m.

Prayers

ROUTINE PROCEEDINGS

[*English*]

ORDER IN COUNCIL APPOINTMENTS

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Madam Speaker, I have the honour to table, in both official languages, a number of order in council appointments made by the government.

Pursuant to Standing Order 110(1), these are deemed referred to the appropriate standing committees, a list of which is attached.

* * *

FINANCIAL ADMINISTRATION ACT

Mr. Randy White (Fraser Valley West) moved for leave to introduce Bill C-245, an act to amend the Financial Administration Act and the Auditor General Act (review of budget speech).

He said: Madam Speaker, I am most pleased to rise and table this document with the House. It amends the Financial Administration Act and the Auditor General Act. Its intent is to review the revenue estimates provided to the people of this country and my colleagues through the budget process. In years gone by revenues have been largely inflated and we feel a more accurate assessment of whether they should be is necessary. This bill will take care of that.

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

* * *

PETITIONS

NATIONAL ENERGY BOARD ACT

Mr. Pat O'Brien (London—Middlesex): Madam Speaker, it is my pleasure to present a petition today signed by some 250 residents of southwestern Ontario, including my riding of London—Middlesex.

These petitioners call on the government to amend the National Energy Board Act in order to provide intervener funding in the matter of interprovincial pipelines. With these petitions I would note that the total number of petitioners in southwestern Ontario is now at 1,000 calling on the government to take this action.

CRIMINAL CODE

Mr. Jim Abbott (Kootenay East): Madam Speaker, it is my privilege to present a petition signed by 50 of my constituents with respect to section 241 of the Criminal Code of Canada, which has to do with euthanasia.

In part the petition reads: "The Supreme Court of Canada recently upheld section 241 of the Criminal Code of Canada in the Rodriguez decision recognizing that section 241 was enacted to protect all individuals, including the disabled, the terminally ill, the depressed, the chronically ill, the elderly. If section 241 were to be struck down or amended such protection would no longer exist and our most vulnerable members of society would feel an implied pressure to end their lives".

GOVERNMENT ORDERS

(1010)

[*English*]

SUPPLY

ALLOTTED DAY—TAX REFORM

Mr. Jim Silye (Calgary Centre) moved:

That this House implore the government to initiate immediate consultations with Canadian taxpayers and provincial governments on the creation of a fair and integrated reform of the entire tax system which incorporates the principles of equity, efficiency and effectiveness, thereby reducing the tax burden on Canadians.

He said: Madam Speaker, on behalf of the whip of the Reform Party I would like to advise the House that pursuant to Standing Order 43(2) our speakers on this motion will be dividing their time today.

Someone once said that you cannot get there from here. Nowhere is this saying more applicable than to the Canadian government's reliance on a confusing, complicated and convoluted system of tax and revenue collection. I rise on this opposition day as the first of many Reform speakers to call on the government for a complete overhaul of Canada's taxation system.

Supply

The Chair read the motion so I will not do the same.

Every year Canadians spend countless millions of dollars on accountants and lawyers to have their income tax prepared. The 2,091 page Income Tax Act is an unmitigated mess of rules and regulations and is screaming for reform, as are millions of Canadians.

This red book, which is not to be confused with the Liberal red ink book, has in the rules and regulations and various forms that make it so confusing that all the people who tried to do their own tax returns this year had a hard time coming up with the right answers, myself included.

The Liberal government with its red ink book promised to find ways to achieve tax fairness, simplicity and harmonization, implying some sort of reform to our tax system itself. Are Canadians truly getting the changes that they demanded and were promised? The answer is no.

After six months all we hear in answer to our questions is "jobs, jobs, jobs". All the Liberal government has done is pass old Tory bills, introduce no new bills of their own and we have not been able to question the government whatsoever on the direction that it wants to take this country.

What has happened is that the Liberals have dangled reform in front of the noses of Canadian taxpayers but they have not delivered.

In question period yesterday—I hear an hon. member talking who was not here, so he might listen to this—the Prime Minister stated that the only way to reduce taxes is to get Canadians back to work. This is a noble gesture, but has the Prime Minister not considered that it is the high tax burden that Canadians face which is stifling our economy and economic growth?

The fact is that revenue collected from personal income tax has more than doubled since the 1984–85 fiscal year. Tax collected from corporations has remained stagnant at approximately \$10 billion because profits have been sluggish due to our recession.

Canada's overall tax burden has become the second highest of the G-7 countries in recent years and the taxpayers, as we all know, have moved to the underground economy that is valued anywhere from a low of \$20 billion to a high of \$120 billion.

The government has failed to address the problem. In its last budget it increased spending by \$3.3 billion instead of holding the line or reducing the spending. This makes the private sector less productive which leads to greater unemployment. Will governments acknowledge that they are in fact part of the problem and not the solution?

The current high taxation rates serve as a temptation for government to keep spending at its current levels which will not solve our problems of high debt and high unemployment expeditiously. We must learn to live within our means like all

Canadians and cannot look to the Canadian taxpayer before accomplishing this goal.

It is our belief that to stimulate the economy and to increase revenues for government, lenders, investors and consumers must possess a larger pool of disposable income. In this light, the Liberals should start by throwing this Income Tax Act out the window and replacing it with a completely new, entire tax system.

Why not reform the tax system? I would submit to the finance minister that less is more. Lower taxes will mean more revenue to the government. In this vein I would recommend the implementation of a flat tax on individual and corporate income. This model may work. We would suggest to start with a premise that would require input and consultation with Canadians, the provinces and individuals in the House, that the first \$12,000 be tax free. One per cent of charitable donations would be deductible, but RRSPs would be limited to \$5,000 to \$6,000 for deductions so that the wealthy would not get the higher amount of deductions. There would be a spousal deduction and a child care deduction, and that would be it. We would draw a line, multiply it by 15 per cent or 20 per cent and send in our tax return.

(1015)

Corporations would pay the same rate. The difference with corporations would be that their dividends would be deductible. We would not be taxing that and giving it out as after tax dollars. Dividends to individuals who invest would be deductible and taxable in the hands of the recipients. All investments in the future, all loopholes, exemptions and deductions defined here with rules, exceptions and counterexceptions would be gone. We would be investing as individuals with after tax dollars, and the corporations would be paying us based on their profits.

The objective of this tax would be threefold. It would simplify the current complicated tax forms so that all Canadians could understand them. It would restore equity in the tax system, eliminating the perception that one group of taxpayers is favoured over another and people with the same level of income would pay relatively the same amount of tax. The inequity right now is that there are people making \$100,000 a year and one person pays \$40,000 in taxes and the other person pays \$20,000 because they might have better advice or they might have better borrowing power. That is not fair. Third, this tax would eliminate the triple hits that Canadians are taking in their pocket-books with PSTs, GSTs and income taxes.

Under this system there would be no loopholes for anyone and we would be rid of the expensive bureaucracies now required to co-ordinate tax collection.

In National Revenue and Taxation, Customs and Excise, there are 44,000 employees at a cost of \$2.2 billion. Savings to the Department of National Revenue in tax collection and the monitoring of all personal and corporate tax exemptions would be in the billions, not just the \$36 million the government has proposed to save by the wonderful amalgamation of two deputy ministers, one of taxation revenue and the other of customs and

excise. We need more savings than just \$36 million out of a \$2.2 billion budget. That is ludicrous and the government should be embarrassed.

Introducing a simple, fair and integrated system of taxation would lower these costs substantially while checking the powers of the bureaucracy. If the bureaucracy in Canada is left unchecked it will continue to increase costs and taxes, continuing the country on its present downward spiral. Canadians will never have an opportunity to pay less taxes in a current year than they did the year before.

An example of the high cost of the bureaucratic action was brought to my attention by a CA firm in Calgary, Bogle, Duska, Robinson and Perry. Mr. George Duska did an analysis in a six-month period. The number of forms and taxation slips whether or not they were required that changed for him to do his job on a file, to make copies and do the necessary changes, was about an inch and a half thick over a period of a month and a half.

Witnessing the cost in changes in tax forms that had taken place over the past 10 years, Mr. Duska did an analysis of the revised tax forms over the six months to see if these changes were truly necessary. In his opinion 16 per cent of the revisions were required by the tax system, while 84 per cent "were useless and a waste of taxpayers' money". This indicates that as usual bureaucracy is out of control.

I challenge the government and cabinet to give existing standing committees more authority to look at the expenditures and the budget estimates. They should let them come back to cabinet and recommend cuts, prioritize them and cut off the bottom two, to start the government toward a balanced budget. It is a small area relative to government expenditures, but it illustrates the fact that our present system is becoming a bureaucratic nightmare.

I would like to conclude by educating the Liberal government, which might be nearly impossible, on the reality of the private sector, not the perceived reality of the Liberal government. Government overspending results in the raising of tax dollars. Higher taxation means less capital available in the marketplace which leads to a drop in demand. When demand drops, consumption drops, businesses close their doors and the cycle continues.

This vicious circle is the main reason why over one million Canadians are unemployed. It takes money to create wealth. The government takes too much of it and then wonders why unemployment goes up. Business people in the House know this but politicians in the House do not understand this. They do not understand the difference between the spending of debt capital, borrowed money and equity capital, especially when the

Supply

government has not paid back \$1 of the money it has borrowed since 1968, the first years of Trudeau.

(1020)

Is that not embarrassing? Who in the House borrows money from the bank and has never had to repay \$1 of it over 23 years? I would venture to guess nobody. Why is the government being treated differently or why is it treating itself differently? The private sector understands the difference. It is time that politicians did as well.

It should not be beyond our means to create a more equitable system of taxation, one that inspires prosperity for Canadians and economic growth for the country. Let us work toward the restoration of public trust in taxation and create a tax system that reflects the principles of equity, efficiency and effectiveness, thereby reducing the tax burden on Canadians.

We must listen to the comments of all members in the House today and see if we come up with some solutions. The real problem is a balanced budget. It is important. No tax system in the world is good if it does not address the real problem. If we continue to spend \$160 billion and do not raise \$160 billion, we are contributing to the problem, not solving it.

Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry): Madam Speaker, I begin by congratulating the Reform Party for initiating the debate on comprehensive tax reform. I also humbly correct the member because he made a statement that the government had failed to address this problem.

I would like to clear the record because we have started the process of addressing this problem. We started it in the finance committee. Just yesterday the Prime Minister reiterated our election commitment that the GST was going to be killed. I think that is what he said. It is important for Canadians to know this. They cannot think, because we campaigned for three years for tax reform, that we came here and did not begin the process. We have not solved it yet but we have started.

I remind the member that I had the privilege of appearing before the committee last week on the single tax which many of us on this side of the House have been working on for the past few years. It is a very difficult and complex issue. The member announced that.

I have a question for the member. When a single tax is designed, or a proportional tax, one basic principle is flushing out all corporate loopholes, all tax preferences. Some would call them grants. Will the Reform Party be consistent on that and agree, as those of us who support single tax agree, that when we flush out all those preferences we will flush out all preferences that pertain to the energy sector in the province of Alberta?

Supply

Mr. Silye: Madam Speaker, I would like to respond to the hon. member for Broadview—Greenwood on the GST replacement and the work in the finance committee.

Although the intentions are honourable, we will really end up at the end of the day with a new tax that replaces an old tax. They will still try to collect \$15 billion out of the pockets of taxpayers. They say that is a solution. We can simplify it and make it less expensive to collect but nevertheless it is still a tax. It is a band-aid approach to the problem. The real solution to the problem is an entire review of the tax system so that we do not have to worry about the GST replacement and we only have to tax the one time.

With respect to corporate profits, the whole concept is that currently the Income Tax Act and the income tax system are being used to drive social and economic policy. We have to design an income tax system solely for the collection of revenues to pay for the government programs people want. The responsibility of politicians is to find out what the people want and raise the money to do it.

(1025)

If they come up with a program to support the oil and gas industry, to support the coal industry or to support manufacturing, fishing, forestry or whatever, then they should treat them all the same and not be selective with specific subsidies at a particular time that distorts the marketplace, that confuses the marketplace and that creates unfair competition within the industry. At that time they might be favouring a certain type of industry. Within that industry those who know how to make a profit will be making a profit and those who do not will be getting the subsidy. In a way that is rewarding failure.

The system of a flat tax, a proportional tax or a single tax—I do not care about the name—is an important concept. The principles are important. If we can get members of the House to accept certain principles and concepts, we will go a long way toward solving the problem. No company or industry, even if it is in the city of Calgary where I have worked for 23 years, would object to the fact of eliminating all complications, pretax and after tax. If we just deal with after tax dollars and we all had more disposable income, it would really purify and clean up the system.

Mr. Ian McClelland (Edmonton Southwest): Madam Speaker, I am particularly pleased to rise today to speak to the motion. It is near and dear to all our hearts, particularly at this time of the year when we have just gone to the well to pay our taxes.

The underlying consideration that must be part of a tax structure is the element of fairness. Members will know that all of us as Canadians do not mind doing our share, but we want to know with absolute certainty that we are doing our fair share and that there are no privileged persons and corporations in our

society doing nothing and living off the sweat of others who contribute.

I will spend a few moments speaking to the issue of the corporate tax structure in Canada, particularly with a view to small and medium sized businesses. The question is: Does it do the job? Does our tax structure do what we want it to do or does it not?

Members will know many different types of taxes affect business in Canada. There are income tax, payroll tax, capital tax, sales tax and property taxes. Each of these affects business differently according to the firm's sector of activities and its size. The elemental question is: Is it fair and does it work? Does it do the job?

We know the tax structure is different for small and large firms. Why is it different? It is different because payroll and property taxes account for a larger part of the small business tax burden than they do for large firms. These taxes that small business bears are independent of profit. It does not matter how much profit a company makes. It has to pay payroll taxes, the municipal taxes, the taxes on water and sewer and all those sorts of things. These taxes weigh more heavily on a small business than they do on a large business.

Over the years governments have shifted the tax burden from corporate income tax to payroll and property taxes. All governments favour these forms of taxation because they provide a more stable revenue stream than income taxes which rely on profit.

The negative impact on the development of the economy, the fairness of the tax system and the structure of the tax system should be a cause for concern as we go away from corporate taxes which are a result of profit and payroll and other taxes which are not profit oriented.

For example, taxes related to profits account for a significant portion of the overall tax burden: about \$36.5 billion in 1992 representing 73 per cent of the \$50 billion of direct corporate taxes paid in 1992. Therefore 73 per cent of the corporate taxes paid in 1992 had nothing to do with income.

At this point I wish to acknowledge the source of much of my comments today. It is "Growing Small Business", a budget document presented by the Minister of Industry. Most of what I will speak to today is in the government's budget documents. I thank the Canadian Federation of Independent Business for also providing me with some information.

(1030)

There is also indirect taxation of business inputs that are not related to profits. These taxes are levied by federal and provincial governments and are paid by businesses when they purchase goods and services. Examples of this type of tax are the excise tax on fuel and provincial retail sales taxes. About one-third of

provincial retail sales taxes is collected on business input. Input tax credits under the GST reduces this on a federal level.

The current tax scheme in Canada is a burden on existing small and medium sized business. Just as important, it is a disincentive for those who wish to start their own businesses. Therefore if the government is to realize its goal of creating more and more jobs, it makes sense that the government would also reduce the tax burden and subsequently reduce the tax disincentive for people to be entrepreneurs, to get into business and create their own jobs.

Although the government realizes that unfair taxation is a problem for business and this realization is acknowledged in the budget documents, it is reluctant to do anything to rectify the situation.

The government as a matter of fact went so far as to announce in the February budget that it is unable at this time to offer any tax assistance to small and medium sized business. Instead it has put the pressure on banks to allow easier access to loans.

I submit that the problem is not exclusively access to loans. The problem is to be able to retain cash in a small or medium sized business to employ more people, to expand the business, to get involved in other businesses. The government must realize that all the start-up capital in the world will not assist small business unless businesses are profitable and are able to retain cash in the business.

The problems facing businesses go deeper than just taxes. It is the result of a flawed philosophical approach to business. It is proven that small business creates up to 80 per cent of the jobs in Canada. Yet all governments continually put impediments in place that take away from business the ability to grow and prosper.

Government after government has used small and medium sized business as a cash cow to balance the books. The current Liberal government must become the exception to the rule if it is to realize on its promise to create jobs. Claiming to want to create jobs yet not making changes in the tax environment for small and medium sized business just will not wash.

Small and medium sized business must be allowed to retain capital for reinvestment in the business to create the jobs that are so desperately required in our economy. Capital from small businesses should not be taxed until it is taken out of the business.

I would like to spend just a few moments if I may to speak to the equity position of taxation in business, small business versus large business or multinational business.

I have a list of many businesses in Canada that have from \$26 million to \$111 million in pre-tax profits which in the year 1992 paid no taxes whatsoever. A member of this very House some

Supply

years ago coined the phrase "corporate welfare bums". Ladies and gentlemen, that phrase was apropos then and it is apropos now.

Canadians would be absolutely horrified to know of the tentacles large business has in this very House in Ottawa which is nothing but a siphon for business to get money from the government to promote whatever business has the tentacles and the ability to get into the House. I submit that individual Canadian taxpayers earning \$7, \$8, \$10 an hour should not be subsidizing any corporations. If a business does not have the ability to compete on its own, it should not be in business.

As this debate unfolds and as we move along we have to understand that the basic element of fairness has to be part of our tax system. As the day progresses we will be speaking to the notion of a single tax or a flat tax. The premise behind this is so that everyone understands that the system is fair, that nobody gets away with anything, that we all contribute equally according to our means.

(1035)

Mr. Alex Shepherd (Durham): Madam Speaker, I would like to comment on some of the provisions the Reform members are making today.

One is that the system is complex and indeed it is complex. Our society over the years has become more complex and that is a fact of life.

One of my observations on the income tax system has been not so much that it is complex, but I think some of the things that the members have been drawing attention to is the fact that we keep changing it all the time. In fact 1972 was a major time of amendment and reform to the income tax system, as was the early eighties. Now members are proposing another change to the system. Every time we change the system it means we do not understand it any more. It takes us another 10 or 15 years to understand the system.

I would like to suggest to the member that possibly a more beneficial method is just to leave the system partially alone. We need to change some things where some are getting better benefits out of the system than others.

I would like the member to deal with another aspect which is the main part of my question. With the flat tax Reform Party members are proposing today, how can they justify the shift in tax burden from upper income groups to the middle class?

Essentially the mathematics are very simple. If we have to collect x number of dollars from the system we are going to have to collect it from various aspects of our tax system. Right now our tax system is progressive. By definition it has to follow that with the flat tax they are proposing today there is a reallocation of tax burden from the upper income group to the middle class. Could the hon. member explain that?

Supply

Mr. McClelland: Madam Speaker, I thank the hon. member for the question and the opportunity to expand on a couple of aspects of this single tax.

I think the hon. member's point about changes is that we have not been changing the tax system; we have been tinkering with it. There is a saying in the manufacturing industry that we have lost the handle. That means when you have tinkered with something so often and so much you do not know where you started and you lose the handle.

We have lost the handle with our tax system. All the tinkering in the world is not going to change it. We have to go back to ground zero and reinvent it. We have to keep in mind the kiss principle: keep it simple stupid. It must be kept simple and direct. If a book three inches thick is needed to define the tax law and you have to be a Philadelphia lawyer to figure out how you are going to pay the taxes, then obviously people feel there are loopholes for some and not for others.

As far as equity in a single tax is concerned, who is going to get nailed? Obviously you are only going to nail the middle class. That is where the money is.

To presume the high income earners in our country are paying a fair portion now is to presume there are not such things as a capital gains exemption, that there are not all kinds of tax incentives to help people at the higher end of the income level. These are not available to people at the lower income level.

To presume that things are fair and equitable in the tax system now, I just do not concur with the hon. member's premise. I think it is not fair now and it needs to be fair. The tax system is only able to get resources from people who have them. We have to understand that.

Mr. David Walker (Parliamentary Secretary to Minister of Finance): Madam Speaker, it gives me great pleasure to lead off the debate for the government side today and to thank the member for Calgary Centre for putting such an important issue in front of the House.

There is not a member in the Chamber who does not have to deal from time to time with the question of tax reform. I was interested in the interventions first from the member on our side, the hon. member for Broadview—Greenwood. He has been a great advocate of tax reform. The member for Durham just rose. He sits on the finance committee, as does the member for Niagara Falls. Since joining the House, all of them in their own way have been very active on the question of tax reform. I thank them for their contributions. I am sure all members will join me in wishing to hear more from them on questions of tax reform.

(1040)

The motion itself at first glance has much to contribute to the debate. The first part reads:

That this House implore the government to initiate immediate consultations with Canadian taxpayers and provincial governments on the creation of a fair and integrated reform of the entire tax system—

After looking at the first part of the motion I would like to get the House to consider where we have come from on the question of tax reform and where we might be going.

The question of taking on the whole issue at one time at one level is quite attractive. It would be very nice to find a simple solution to the question of tax reform in this country, but the reality is that tax reform has been a very difficult process.

Post-World War II Canada usually uses the Carter commission with its after the fact cliché that a dollar is a dollar as the beginning of tax reform efforts which now stretch over 30 years. Successive governments including our own back in the 1960s and 1970s have done more than their fair share to instil a better sense of fairness in the tax system.

However, the job remains a daunting one. It is one in which we need the advice not only from members of our own caucus but also members from all parties in this House to find the best way to improve Canada's tax system.

I hope each member in the House is most conscious of the tax system since the period for filing income tax returns has just ended. It is not just an abstract issue to members; it is one each of us as individuals contribute to annually, as well as daily through the consumption taxes. To remind Canadians, when members of the House of Commons and the Senate speak about tax reform, they are not just speaking about something in someone else's life, they are also speaking about something in their own lives. Therefore they are very conscious of the need to make things fairer at all times.

As the member pointed out in the lead speech, the legacy of the last 10 years has been an increased shift to individual personal tax. This has caused a great deal of concern among Canadians on the question of fairness. At the same time in the business community the question of payroll taxes and the ever increasing burden of weekly and monthly remittances to provincial, local and federal governments drive small businesses to distraction and are a constant concern of big businesses in their investment decisions in Canada.

We on this side of the House join the opposition in seeking ways to improve the tax system. We probably would differ on the ability of a government to find one solution to the entire question of tax reform. One of the great frustrations in governing is of course that every solution requires biting off a chunk of the problem and dealing with it in a practical sense. Tax reform is an ever evolving process.

I would like to share with the House the ways in which we have begun to deal with the issue of tax reform at this time. There are three benchmarks for this government.

The first one is that in our platform before the election we set out tax reform as a major initiative. Part of the commitments we made to Canadians is to make progress on questions of taxes and tax reform during our first mandate.

Also, one of the first measures taken in this House was the approval of the work being done by the House of Commons finance committee, of which I am a member. There are at least four other members of the committee in the House of Commons today participating in this debate. The committee has sought to reform the GST.

To observe the rules of the House, I will not dwell on the work of the committee. However I will make it part of the public record that in view of the witnesses who have been heard, the experts who have come in to help the committee and the wisdom of the members themselves, we are very much convinced the committee will produce a report which will be used as a tool by the Minister of Finance in his efforts to deal with the provincial governments.

The second part of the motion deals with the negotiations with the provincial government. We would agree in the motion with the reality that we cannot sell the question of tax reform on our own.

Consumption taxes are perhaps the best example. There are 11 regimes in this country of which 10 are active in consumption taxes. Some provinces have differential rates. All 11 regimes tax different commodities and different services at different rates. It is very confusing for the consumer and we have set out as our highest priority in tax reform to bring some order out of the chaos and the GST/consumption taxes in this country.

(1045)

Again, on behalf of the Minister of Finance I thank my colleagues in the House and in committee for their work. Like them, I look forward to seeing a report some time in the next month, on schedule, which then can be taken to the provincial ministers of finance and contribute to an ongoing national debate on tax reform.

The third initiative that we have taken and that I would like to spend some time on is our February budget. Our February budget considered a number of measures to eliminate tax loopholes and inequities in the system. This is why in the budget we also announced that we would be rolling back unemployment insurance premiums of 1993 to deal with the question of the high cost of payroll taxes.

Supply

Although the changes that we made to the UI system were minor, we consider that to be an important first step to indicate to Canadian businesses that we are conscious of the cost of payroll taxes. Often forgotten in this is that the worker bears a very high cost on a weekly basis for these premiums. Any initiatives that we can take to cut back on his or her weekly premiums is appreciated.

During the prebudget consultations, Canadians told us that payroll taxes like these are a major barrier to job creation. We heard that message and we acted. These prebudget consultations are also bottom line proof that our pursuit of a better tax system is firmly rooted in a commitment to consultation with taxpayers and with other levels of government.

As I noted at the beginning of my speech, the question of tax reform will take us several years. Next fall is the second stage in the work of the finance committee. The Minister of Finance is required by orders of the House to report for the first time in our history to the finance committee with an economic statement.

The finance committee will then proceed with several weeks of hearings in a more public prebudget consultation process. I personally take this as a benchmark of changes in the attitude of the Canadian government toward taxpayers in the organization of the budget, the expenditures and on the revenue side.

I ask those Canadians who are watching this debate and those members of the House who are participating in this debate not to consider it to be a sole opportunity to contribute toward tax reform but to proceed to prepare for the finance committee in the fall and to bring forward ideas for tax reform, to bring out ways that we can make the system fairer and to put those into the public realm for debate, discuss it with members of Parliament on the committee. Write a letter. For those members who have their own projects, bring it to the attention of the committee.

One of the most interesting aspects of the GST hearings was a number of members of Parliament who came forward to present their ideas on GST reform. Around 24 or 25 members participated in this debate. I thought it was a very healthy process. Although my memory in the House is not long, I think it has been a while since members felt it efficacious to go in front of a committee in that number and present their own ideas.

The fact is that officials from finance and other departments that deal with tax issues meet with their provincial counterparts year in and year out to discuss proposals for changes and improvements. The broad policy review process that the February budget outlined includes areas where tax concerns are being studied and Canadians are being consulted.

This reality that consultations are taking place on tax improvements is just one reason why today's motion, although it is a good start, may perhaps do discredit to the tax reform process inadvertently if it is not appreciated in the reading of the motion

Supply

that the complexity of the issue is respected. No one can bring to the debate a holier than thou attitude that one solution will solve all of that.

This is what I personally find disturbing inasmuch as the verbal game playing and intellectual cynicism in the motions, invocation of a triple-E solution of equity, efficiency and effectiveness goes together without creating other problems. Again, I want to assure Canadians that in developing tax policy these principles have been and will continue to be recognized as critically important by the government and the officials in finance and Revenue Canada.

(1050)

Unfortunately, Canadians should recognize that these are not principles that always work well together. In fact sometimes just the opposite is the result. It is just this conflict that the opposition has chosen to ignore in its original motion.

A bit of common sense history and philosophy will make it clear why this motion could contribute more to solving the challenges of tax reform. As Canada's income tax law gradually evolved over the past 74 years it has been shaped by several key forces which I would like to review for the House.

The first is the use of the tax system to do more than just generate government revenues. It has also been a tool to carry out economic and social policies from child care assistance to research tax credits that play an important part in our national well-being. But each of these measures has needed specific and often intricate legislation on definitions, rules and procedures.

A second force in shaping our modern tax system is the increasingly sophisticated tax planning evolved by individuals and corporations seeking to reduce their tax liability. This perfectly legal and entirely understandable activity has a clear corollary. We have had to put in place correspondingly sophisticated tax law in order to preserve the government's tax base.

A third force is the evolution of the economy itself into one that has become more sophisticated and complex with every passing year and one more deeply tied to global currents and competition. Here again there is an unfortunate corollary. The fact is that it is becoming often impossible for a tax system to be truly simple, truly fair and truly effective given the extraordinary variety and complexity of commercial and other situations it must accommodate.

Let me give just one high tech example of what I am talking about. We would all agree in the House that the high tech industry is the cutting edge of the new economy and that research in these areas is something that the tax system should encourage. That is something virtually all the participants in our prebudget consultations agreed on. But what about the situation where a company, say Ottawa's Bell Northern Research, used

equipment to make experimental microchips and yet uses the same equipment to produce proven commercial chips? Is this research equipment or manufacturing equipment? How do we determine the equipment's tax status? Especially, how do we determine its tax status without developing fairly detailed rules?

If we eliminate any tax benefits for research facilities all we are doing is inviting Canadian researchers and manufacturers to move to jurisdictions where those benefits are available. Those are the sorts of real world situations and issues that tax policy makers must not ignore and they must not be ignored in the consideration of a resolution such as the one we have in front of us.

A key element of a fair and equitable tax system is that it provides both taxpayer and government with all possible certainty. If you do not know what your obligations and entitlements are, you can never be sure you are not at a disadvantage. Only explicit law can be certain. To be explicit a law must be somewhat complex. It must cover all known eventualities and then be updated as new conditions warrant.

I suspect that many critics of the government might try and argue the fact that many tax measures require interpretation. There is evidence that current laws fail this goal of certainty. What they do not realize is that radical simplification which must use sweeping generalities would actually make the act more ambiguous and ultimately increase the amount of interpretation necessary.

I wish that reality was not so demanding on all of us. But wishful thinking and rose coloured spectacles are poor guides for policy and do Canadian citizens no favours. This is exactly the case when it comes to one form of tax simplification that some hon. members in this House have been known to espouse, what I call the seductive flat tax proposal. How much simpler, how much fairer it would be if there was just one rate of tax to be calculated on all income. Simpler perhaps, but perhaps not. Fairer? Well, that depends on your definition of fairness.

(1055)

I suspect that many Canadians would not find a flat tax system less equitable and fairer than the current progressive system. After all, to be revenue neutral individuals in top income brackets would enjoy lower taxes while tax increases would be necessary for lower and middle income filers.

The fact is that high income Canadians pay a considerably larger share of the total tax bill than their size as a group in the population. The lowest income groups pay a relatively small share of the tax take. Is this equitable? Not in the sense of mathematical equality. Is it fair? I suggest that most Canadians agree that those facing economic hardship who must devote the bulk of their incomes to basic necessities do not deserve to have

their tax burden increased. This government is committed to avoiding tax increases among low income families.

I hold that justice without compassion is more tyranny than equity. By the same token, a tax system that places narrow numerical simplicity ahead of social conscience will be a betrayal of the values of mutual support and sharing that are a cherished part of our national Canadian fabric.

It is also worth pointing out that the complexity in our tax system is not so much the result of having more than one tax rate. Let me again remind the House that complexity stems from a wide variety of complex situations that arise in the real world. The current tax system takes into account the reality of differing individual and family circumstances.

For example, special measures such as the child care expense deduction provide relief to families which incur these expenses. Other measures such as the charitable donations credit encourage contributions to the voluntary sector. Under the 1994 budget we in fact made it easier for Canadians to contribute to voluntary associations.

Under the flat tax system such measures should not exist. If they are maintained then we are right back to the exemptions and credits in calculations that many of us wrestle with each year. The only difference would be in using one tax rate instead of the current three, hardly a dramatic improvement.

That leads me directly to another problem I have with today's motion. That is perhaps the intimation that is implied, that there is some silver bullet or some simple one-step solution to these problems. However, there is no national consensus as to exactly what that one simple solution might be.

At the start of my remarks I mentioned the series of cross country prebudget consultations that the Minister of Finance and myself engaged in. It might interest the member to know that while some participants wanted fewer rates and brackets, others took the opposite stance and urged us to increase the range of brackets and make the rates even more progressive. There was also real wisdom in the comments made by one Toronto participant who observed that one taxpayer's loophole was clearly another's entitlement.

Madam Speaker, I hope I have not, if you will, taxed the patience of the House too much by highlighting the real world conditions and obstacles that make a simple, fair and effective tax system such a challenge. It is a challenge that this government will continue to accept. I know that my colleagues here will have much to say on the action that we have taken and the activities underway to meet this goal.

The challenges that must be overcome cannot be overcome by pretending there are magic cure-alls. Progress is not made by

Supply

glibly lumping together principles that undercut each other. Success will not be achieved by pretending that panic and haste can achieve more than patience and steady sensible progress.

In my speech I highlighted some of the problems that we have in developing proper tax regimes for corporations working in a very competitive international environment, with very difficult trade and tariff regimes. In the last few days I have had an opportunity to deal with people in the garment manufacturing industry, for example, whose whole world is being turned upside down by changing tax regimes and tariff regimes. We are all aware of just how difficult individual Canadian families are finding the tax system and how it leads members in this House to be impatient for a new system. I quote a famous American jurist, Oliver Wendell Holmes, who said: "Taxes are what we pay for a civilized society".

That I guess is the message that I would like to leave with this House, that as we deal with taxes we also deal with the legitimacy of this country in the way that taxes provide us with the resources to do things together. Trying to change the tax system and to make it fairer also implies that we remember the usefulness of these taxes for everyone. I thank you for this opportunity to contribute.

(1100)

[*Translation*]

Mr. Benoît Tremblay (Rosemont): Madam Speaker, the motion before the House today asks for more consultations, and today we may hear quite a few statements full of good resolutions in this respect.

I think we heard this in what was said by the hon. member for Winnipeg North Centre who is also a member of the finance committee and who said he wants more equity in the tax treatment of individuals and more equity among the provinces.

I would like to give two examples: one concerning individuals and one which concerns the provinces. Although the hon. member must be familiar with these examples, he did not mention them at all in his speech. However, it is now time to act.

As far as individuals are concerned, during the election campaign it was made clear that family trusts were a tax benefit that was unacceptable to most Canadians. However, there was nothing about this in the last budget. Maybe next fall the finance committee will consider the issue. We are still waiting for information from the Minister of Finance, and they tell us they will have the information but we are still waiting. If the committee starts considering the issue of family trusts next fall, this means there will be nothing in the next budget.

We must not forget that this measure was introduced by a Liberal government and extended by the Conservative gov-

Supply

ernment at the end of its mandate, and now they are trying to play for time instead of dealing with this obvious injustice.

As far as provinces are concerned, the last example which contradicts what the hon. member for Winnipeg North Centre just told us, refers to how the federal government treats Quebec tax credits for research and development. Quebec has introduced a tax system that benefits research and development, researchers and universities.

The system is simple: companies are allowed a tax credit of 20 per cent on research expenditures if they do the research alone and 40 per cent if they do the research in co-operation with a university. This is a very successful program. However, the federal government decided that the tax credit allowed by Quebec was to be considered as a subsidy, which was contrary to common practice. And it still is.

This means that the federal government imposes a 39 per cent tax on tax credits allowed companies and universities by the Government of Quebec. But not a word about this, although for years, the Quebec Minister of Finance has been asking for a review of this unacceptable tax treatment by the federal government.

Has anybody heard of any changes in this respect? Not at all, Madam Speaker. So if they want to be fair to the people and fair to the provinces, I wish the hon. member, who is a member of the finance committee, would respond to these two specific issues. It is time to act.

Mr. Walker: Madam Speaker, I will talk first about the family trusts issue. The government announced in the budget that this issue would be referred to the finance committee but, at the present time, the committee is very busy with the GST issue, the budget issue, Bill C-17 and other bills. I think that, in the fall, the committee will start examining the family trusts issue. But at this time, it is too busy with the other bills.

The second issue is very important for all the nation, because research matters and tax matters in the research field are very difficult to settle. Within the government, the Departments of Industry and Finance are currently examining our research policy directions. I hope to see changes before the next budget and also, I say to the hon. member that it is possible that changes will be made to the family trusts issue if the finance committee thinks that might be a major problem for the next budgets.

(1105)

[*English*]

Mr. Jim Silye (Calgary Centre): Madam Speaker, I would like to make a comment and ask a question of the hon. member for Winnipeg North Centre.

I am disappointed to hear that he is against the exploration of an integrated flat tax system or single tax. I am also challenged

to see here that he says it is seductive. It is unfortunate that when suggestions are made that seem to have a lot of encouraging inducements to looking at them they are labelled as too simple.

Why do people in politics feel that the problems are so complex and that tax reform is a difficult process? I believe the parliamentary secretary has already listened to the Department of Finance too long. That is an incorrect and false premise. He should think for himself. He should look at the problems and try to use some common sense and he will see that this is where that will lead him. Not that I am that intelligent but that is where my nose led me and Lord knows it is long enough.

The other comment I have is that we in the Standing Committee on Finance are looking at a replacement for the GST, but that is a band-aid approach to the real problem. Why not cure the entire illness with a surgical overhaul of the entire tax system?

We have a year and a half to do it; a year and a half to just come up with a band-aid and the illness will have grown worse, and then our problem will become even greater.

The hon. member also took credit for the wonderful consultative process that this great Liberal government has now introduced to the principles of democracy. Taking credit for consultations is nothing new. If that is all the credit it wants to take, it can have all of it.

What would be new is after we consult with provinces and individuals the government actually listens and implements their suggestions. I hope this is something that will happen.

He also criticizes flat tax. This is where I am leading to my question. He states that as the current system is progressive, it would eliminate progressivity. It would introduce regressivity because it is a flat tax and we are taxing the poor.

Lower income earners would be tax exempt. Upper income earners would lose their tax loopholes. They would not get these wonderful deductions that they are getting now and they would pay tax on every dollar earned. For instance, higher income people can lower their tax rates from a 50 per cent rate down to a 30 per cent rate and this I know from personal experience. That would be eliminated and they would be paying tax on everything.

Therefore, collectively from individuals and more significantly in terms of corporations this is where we get more tax out of corporations. After my comments here and specifically to his questions, would the parliamentary secretary apply some common sense and would he be willing to request the Department of Finance and the department of revenue and taxation to crunch some numbers to illustrate or highlight the difficulties to this House of a system like this with no exemptions?

Why not put the Departments of Finance and National Revenue to work instead of listening to them saying that it is too complex and it will not work? Put them to work and make them

Supply

prove to this House that a system like this does not deserve more consideration.

Mr. Walker: Madam Speaker, the member for Calgary Centre has put me on the horns of a dilemma: do I think for myself or do I listen to the department?

t That is not necessarily two different issues, but I like to think that I can still keep my own counsel when I listen to other professionals giving me advice.

The last point is a very serious point. In this case I am not speaking for the department. I have some doubts about the flat tax. It does not mean that I think there should not be an open discussion. I have listened to my colleague from Broadview—Greenwood bring this up several times. I really do hope the finance committee takes a look at these ideas in the fall as part of the deliberations for the upcoming budget.

If it will help the committee to have a presentation on some of the data and some of the intricacies, either publicly or with the hon. member individually, I would be more than happy to take that request to the department and we can arrange something. I do not think the resources of the government should be, if you will, cornered by the government and I do not have any intention of doing that.

If I appear to be critical of a different way of approaching taxation, it does not mean that I am not willing to open up the doors and make sure that is fully explored in the coming months. The member has given this a lot of thought. We have our disagreements but that does not mean that it should not be looked at properly and thoroughly.

(1110)

[*Translation*]

Mr. Pierre Brien (Témiscamingue): Madam Speaker, I am extremely happy to participate in today's debate on a subject very close to my heart. When I decided to run for political office, I had two major goals in mind: the first, of course, was to bring about full sovereignty for Quebec, and the second was to create a fairer, more equitable tax system, since it accounts for a large part of the social contract between individuals and the government and is presently the cause of much of the dissatisfaction people feel for their elected representatives.

Today's debate is also, in my view, very timely. Yesterday was the deadline for filing income tax returns. Many people likely spent the weekend working feverishly at the last minute to properly complete their tax returns. Just yesterday, I was completing a tax return for a friend. I enjoy this task, but I know that many people find the process quite difficult and quite complex. There must not be many people who are totally familiar with the ins and outs of the Income Tax Act, given its

complexity. Year after year, new amendments are made. The end result is an extremely complex piece of legislation.

The same could be said of the Goods and Services Tax to which some Liberal members made reference a while ago. This tax is also extremely difficult to understand and fraught with complexities and regulations. The GST legislation is almost as voluminous as the Income Tax Act.

In moving his motion, the hon. member for Calgary Centre touched on one alternative that he would like to discuss. While I do not necessarily agree with the aims or technical aspects of his proposal for a single tax rate, I do think that all options deserve to be weighed. This is a serious proposal, one that should be given due consideration.

Having said this, I do have some reservations, although I am not an expert on this single tax. First, I am not convinced that this would really be a more progressive, more equitable tax. Of course, a single tax rate that would apply to all incomes may seem rather simple, but would it really result in a system that was fairer and less regressive than the current one? I somehow doubt it, because there are many ways to avoid declaring income. This option would have to be carefully considered.

On the other hand, it does not leave us any leeway in using taxation as a social and economic development tool. I know this is one of the arguments of those in favour: taxation must not be a social and economic development tool; alternatives must be found.

Personally, I think it can be a very useful tool. Let me give you an example. In 1987, in my region, the economy was going full steam. We came very close to full employment, with 6 per cent employment rate, and we were doing very well. One of the main reasons for this success was mining exploration, an activity strongly encouraged by way of deductions for flow-through shares.

Toward the end of that expansion period, the governments attacked this deduction, and you should have seen the tremendous impact this had on our region. Today, research does not even ensure availability of sufficient reserves any more. Trouble lies ahead ten years down the road, maybe less, because we are not discovering enough mineral reserves. Problems are already starting to show up in our region, and that is a serious situation.

But we used to have a tax incentive, a tool that allowed and encouraged people to make investments. You know how risky it is to invest in a mining exploration company. The taxpayer would put money into shares, but in recognition of the risk factor, the government shared the risk via tax incentives.

Interestingly enough, this is not a direct subsidy by which the government gives money to people and tells them: "Go and do research". Instead, the government is supporting investments made by individuals in the private sector. So, the risk is shared. I think this is the sort of interesting tools afforded by the tax system. Let us not be mistaken in thinking that only high-income taxpayers took advantage of this; many middle-income

Supply

people in our region were attracted by all the spin-off benefits their investments could have. The nice thing was that when you picked a company that struck an interesting deposit, then, it was almost like winning the lottery.

(1115)

How can we encourage these businesses? I would like those who support this kind of tax to explain how they will promote economic development, especially in higher-risk areas. The government has a duty to intervene when investments may be insufficient due to various factors. That is what I wanted to say regarding this tax.

Now, if we look at the current tax system as a whole, I think that, to resolve any problem, we must follow a certain procedure. First, we must analyze the situation carefully; make a diagnosis; identify alternatives and make a choice. But there is also a subsequent step that the government often forgets: following-up on the choices that were made. The Auditor General often talks about it. Many government programs are not assessed properly after their implementation. The same goes for tax measures. That is why we think it would be interesting to look at overall expenditures—not only budget but also tax spending—to examine, assess and follow up on them and to study their impact in the last few years.

Of course, the Liberals were full of good intentions when they were in opposition. It led them to write the red book that I will not quote because I sent it to recycling when I realized it was only wishful thinking. Very little is put forward in this House. I would like the Liberal government to be a little more serious. They cannot always fall back on the argument that their four-year mandate gives them enough time to act. There are always things that need to be done. We cannot wait for four years. They can rest easy, they will not run out of things to do. And we can start right away.

Earlier, the Parliamentary Secretary to the Minister of Finance talked about the committee's heavy workload due to the GST and Bill C-17. However, when the GST report is tabled on June 1, the committee will then be free to deal with family trusts in June. Parliamentarians will be available in June as Parliament will still be sitting. Yes, there will be other minor bills but given how long we worked on the Goods and Services Tax, we could examine family trusts.

However, the government should give out information and put figures on the table. But they prefer to wait until the fall to gain time, to stall for another year; other issues will be raised and they will find other reasons to prevaricate. Playing for time is the best way to avoid dealing with a problem. And that is what they are doing. And they ease their conscience by saying that it

is in the latest budget and that they will start to do something. Hold on there—we shall see; I have my doubts.

In the past, some people dealt with taxation. There were important commissions, the Carter commission, the Rowell-Sirois commission; at that time principles were expressed that are still current today. We should deal with them instead of starting all over. The public feels frustrated and their frustration is rather justified. Often, committees and commissions of inquiry are set up to analyze problems. They identify the problems very well and produce very fine three- or four-volume reports; a huge number are printed and copies are available everywhere, but often these recommendations remain on the shelf. Although the problem must be restated for today's conditions, these reports often contain some very worthwhile things.

As I said in my introduction, the tax system is an important part of the social contract; it is how revenue is collected from taxpayers to pay for the government's expenses. Individuals now have a terrible feeling of unfairness which puts a very strong pressure on them to somehow right the balance. What do they do? They encourage the underground economy because they feel that it is the right thing to do for themselves. And you must understand where they are coming from, given some data from the 1980s.

For example, look at the wealthiest 1 per cent of the population. I have some reservations about the figures that I will give, but I heard them from the member for Gatineau—La Lièvre. Even if they are not totally accurate, they certainly are indicative of the trend.

(1120)

In 1980, the highest percentile, the richest 1 per cent, owned 16 per cent of Canada's total wealth. Ten years later, with the recession in the early 1980s and the economic slowdown in the late 1980s, this top percentile held 26 per cent of the wealth, an increase of 10 per cent in the 1980s.

It is not surprising to hear middle-class people say that they feel they were strangled in the last decade, that they felt a lot of pressure. People live with it every day and resent it and that is what spurs on our underground economy.

Let me give some other figures, Madam Speaker. Let us look at government revenue, starting with 1981, so that we can better see what happened. In 1981, federal and provincial governments together collected \$34 billion in personal income taxes. In 1991, that amount had reached \$100 billion.

Let us now take a look at corporate income taxes. In 1981, \$11.7 billion were collected in such taxes, compared to \$18.3 billion in 1991. Obviously, the progression is far from being the same, which explains why a small percentage of Canadians were able to get richer. If you look at the breakdown for each province

and the federal government, you can see that the pattern is the same everywhere.

I want to say a word on personal income tax, because last Friday we learned something which nearly went unnoticed and which is almost outrageous. Revenue Canada employees complain about political interference when auditing corporations. Last Friday, I raised this issue in the House. The Parliamentary Secretary to the Minister of Revenue said that there was no concrete evidence justifying an inquiry. I am sorry, but 300 persons filled out a questionnaire.

As you know, when a survey is conducted by sending out a questionnaire, there is always a space for comments at the end. People usually do not fill out that part. They just quickly answer the multiple-choice questions. However, in that case, 300 people out of 4,000 filled out that part of the questionnaire. Three hundred people bothered to make comments. More than that in fact, but 300 complained about political interference when auditing some company files. This is really serious.

Of course, you may think this was the case only under the previous Conservative government. But how do you know it is not also occurring under the government opposite? After all, once the Liberals and the Conservatives find themselves on the other side of the House, their policies are pretty similar. In fact, they are quite similar, and that is a real concern.

We also referred to the GST. I was not going to discuss this tax, but I have to do it. I am not sure that Canadians and Quebecers fully understand the commitment made by the Liberal Party during the election campaign. The Liberals said they would eliminate the GST, but they also whispered that they would replace it with something else. That was mentioned in the following paragraph. I am not sure how people reacted. However, I can honestly tell you that residents in my riding did not believe the Liberal Party. They felt that the Liberals would somehow take the same amount of money from their pockets. Whether the Liberals were going to change the name or the structure of that tax, people were reluctant to trust them.

I will not get in to what is being done in committee. I am a member of the committee, so I know perfectly well what is happening there, but I must say I am concerned. We get the impression that the expanding underground economy is connected only with the coming into effect of the GST, but it is far more complicated than that, and just reforming the tax is not going to restore confidence, especially since the objective is quite clear. The instructions of the Minister of Finance are to find an alternative that will produce as much revenue: \$15 billion. The rates may be different on certain products but on the whole, the objective is still to take another \$15 billion out of taxpayers' pockets. How do you expect the consumer to per-

Supply

ceive this as a major and effective reform? I agree that in the case of businesses, there are a lot of things that can be done to simplify the system, which would bring costs down, and consumers would benefit to some extent.

(1125)

However, they are certainly not going to reduce operating costs by \$15 billion. That does not make sense. The cost of administering the tax, which is very high, is around \$600 million.

A number of Liberal members tend to confuse the issue when they talk about GST administration costs. Now, I do not necessarily want to defend this tax, but I would like to explain what we are talking about here. The total revenue is around \$29 billion, but businesses are entitled to claim an input tax credit, which is quite common in the case of a value-added tax. If we take away the cost of input tax credits for businesses, not a tax that must be paid but a refund, and we subtract as well the tax credits for low income individuals, we have \$15 billion left.

It is simple mathematics. A number of government members are saying it costs 50 per cent to run the system and to get a dollar you have to spend 50 cents, but that is just not true. It costs \$600 million to run the system, and their calculations are all wrong.

It is still too much, of course. However, with this political rhetoric, they are just spreading rumours. This is irresponsible, and they should take the trouble to check their facts.

So what is the answer? I see I have only five minutes left, but I could talk all day about taxation and tax reform.

We must start with a comprehensive evaluation of all tax expenditures. Consider what they were used for and what the objectives were. Were those objectives met? The department publishes information on tax expenditures connected with individual and corporate income tax. When we read this information, we see that a number of data are not available. In the report published this year, the latest year available is 1991, and a number of data are still not available. Is it because they were not calculated or evaluated? I agree in some cases it is very difficult, but in other cases, it is definitely quite feasible.

Is it because they don't want to reveal this information? Is that what the Liberal government and the Minister of Finance mean when they talk about transparency and profess to be very staunch advocates of government transparency? I am not certain, but I hope not. I hope they plan to produce reports that are far more serious. We can give them the benefit of the doubt, since they had only recently been elected. Perhaps this reflects a tendency on the part of this government, but in any case, we will no longer accept publications such as this one.

Supply

There are two sides to a balance sheet, the revenue side and the expenditure side. Regardless of the measures taken to improve the fairness of the tax system and the way in which revenues are collected, we cannot forget that there is a serious problem on the expenditure side. Revenues are collected to cover expenditures, but these expenditures are exorbitant. Consumers, who are also voters, view a number of these expenditures as wasteful, and rightly so. The first step toward significantly reducing government spending is to eliminate this waste.

The Prime Minister has told us that it is the responsibility of committees to review spending item by item. The members on this side of the House are not afraid of this task and are ready to take a go at it. I am happy to see that Reform members are also willing to take on this task. However, when we introduced a motion calling on committees to have the responsible ministers testify, only two of the fourteen committees agreed to the motion. Two out of fourteen! Another shining example of the Liberal's brand of transparency!

There is the Minister of Finance, although this is not the biggest operating budget, and there is also the Minister of Human Resources Development who manages a fairly large budget. But does he intend to testify? It is almost scandalous.

Before concluding, I would like to mention a number of areas on which we are prepared to concentrate our efforts. Mention was made of family trusts. I know that one of my colleagues will be speaking about this issue later and that my colleague from Rosemont spoke about it earlier. There is also the matter of a minimum corporate tax. We currently have a capital tax which is a form of minimum tax. However, since it is possible to reduce the tax level to zero, this is not a real minimum tax.

The year 1987 is notorious for a figure now making the rounds in Canada. That year, a number of corporations earned \$27 billion in profits without paying a penny in taxes. That is a shocking statistic. The public is hard-pressed to believe that the tax system is fair when it hears statistics like these.

(1130)

Also scandalous are tax havens, the tax treaties signed with other countries that allow people to evade the tax system to some extent. These were repeatedly denounced by the Auditor General. We will be looking into it shortly at the Finance Committee and I hope the minister will give us clear indications on what he intends to do.

The measures announced in the budget are clearly insufficient and will not solve the problem. We have to review all tax treaties and put into place a truly operative minimum income tax system. One such system was introduced in the United States by Ronald Reagan, who is hardly the greatest socialist in the history of mankind. Why could we not do the same thing here?

In terms of corporate tax, the situation is much better in Canada than in other countries.

So, there is food for serious thought here and I would like to draw this parallel with the GST before closing, Madam Speaker. When the tax on business inputs was removed, who gained from the introduction of the GST? The businesses with inputs on which the tax was removed.

Since my time has run out, Madam Speaker, I will simply tell you that we have been in favour of a tax system reform for a long time and are prepared to work at that. The government should act responsibly and, in the year to come, the days to come, it will have to put something on the table so that we can start real discussions and find real solutions to a problem perceived as very serious by consumers and voters.

[English]

Mr. Jim Silye (Calgary Centre): Madam Speaker, I would like to compliment the hon. member for Témiscamingue for a very good presentation. I feel he has made some very good points, especially his suggestion—the most important of all and I implore the government to listen to it—which is to look at all the options.

On his point of progressivity, he was worried and concerned, as previous members have expressed, that a flat tax might enter into that territory and make it regressive. As an economist I would think he has read about Albert Laffer, an American economist, and the Laffer curve—not like a joke. The answer to progressivity is that currently within our system we have all these loopholes. We have different segments of taxation at the high end, different incentives, various rates and the graduated taxes. Therefore our tax rates have to be high to get the same amount of money.

Where lower in the curve, by having no tax loopholes and no exemptions, the kind that you need down here—I am not talking about personal deductions—you generate the same amount of money. As the hon. member for Témiscamingue would like to have fairness and equity, that is where the equity would come back in. It eliminates a lot of the rules, addressing his specific point on flow-through shares and how the lack of deductibility or the lack of incentive to invest would impact negatively in his riding.

An individual currently at the high end who makes these investments, who is obviously in the upper middle or upper income, is taxed at the 50 per cent rate. If their taxes were reduced to 15 per cent of income and they had 85 per cent of disposable income they could still make that investment in their ridings. The corporation, after it made its profit, could give a return on investment to that individual through dividends taxable to the individual. With the change you would have to make, the corporation would be able to deduct that dividend. The key to it all is with the corporation. The high marginal tax rate for corporations after they use up the first \$200,000 of taxable

income which is tax free or taxed at a lower rate is 50 per cent. You could lower that tax rate for a corporation from 50 per cent down to 15 per cent as well.

The principle of our taxation system is that if you give a deduction that somebody has to pay the tax on it is eliminated. It takes it out of the Laffer curve and brings you back down and now you are treating dollars with more respect. You are treating real dollars and governments can then focus on just generating the revenue they need to pay for the social and economic programs that they have, subsidies, whatever it may be because you do need those. You are dealing with true dollars, after tax dollars, instead of this complicated, confusing abomination.

Basically my intervention here is to make a comment on what the hon. member had questioned about this system of a single or flat tax.

[*Translation*]

Mr. Brian: Madam Speaker, I understand the point made by the hon. member for Calgary Centre on progressivity. Just to reassure him, when one studies economics, one cannot help but hear about such a well-known economist as Mr. Laffer.

(1135)

We also study his curve, which looks a lot like decreasing performance curves based on the same principle. That being said, it is still possible to make the system progressive with different tax rates.

Certainly, an individual with a 50 per cent tax rate can use a number of deductions to bring his actual rate down to 30 per cent. Except that if the 20 per cent deduction is a productive investment in the economy made jointly by the private sector and the government, in my opinion, it would be even more efficient than if the government did it directly, because it would be a private initiative. I would feel reassured by such a system; it would be much better than leaving everything up to the private sector.

One philosophy is fundamentally different, namely the role of government in society. I am one of those who believe that the government has a duty to intervene. And the tax system enables it to pick its targets. In the system favoured by the hon. member for Calgary Centre, all sectors are treated equally. His rationale is this: Competition will be very healthy because every type of business in every sector will face the same competition, will not have the advantage of tax incentives, but will be served by the government. Which may sound positive.

However, as a society, when we want or would like to help certain sectors because they are going through temporary difficulties, because we want to promote them, or because we think

Supply

they have potential, the tax system does not give us much room to manoeuvre. We would need direct subsidies.

I am not sure it would really be more efficient than a shared-risk formula. But I must say that the current system has become so complex, so bogged down, that even the objective of coming up with a shared-risk formula between the government and the private sector loses some of its efficiency because of that very complexity.

So I want to reassure the hon. member that I understand his point of view. But we may have different philosophies on the role of government in society. Since he quoted an economist, I can quote him another who may be recognized one day as a major success or failure; there is Mr. Keynes, who was in favour of major government intervention, and the Keynesian state. It may have been too much, but government intervention also had a multiplier effect.

So for every economist who says one thing we can find another who often says the opposite. It is somewhat unfortunate as this often gives economists a bad reputation, but economics is not an exact science, it is a human science and it is up to us to decide which theory we want to favour.

[*English*]

Mr. Alex Shepherd (Durham): Madam Speaker, I would like to thank the hon. member for his comments.

We are discussing tax policy today and some of that gets fairly dry after a while. I would like to focus on the aspect of what tax policy means in a country like Canada. As the member suggested, I was preparing my tax return just yesterday as well, unfortunately having waited to the last minute.

When I was preparing my return, I was focusing on the fact that everybody else in this country was doing the same thing, that people who have problems with child care expenses and so forth were the same people in Newfoundland and in British Columbia.

It is very important for a country to have a focus. It may not be a happy one that we have on filing our tax return but still it is a focus on what unites us as a nation.

I am interested in some of the comments by the member. One thing was on some of his statistics on wealth creation and concentration in Canada. I heard those very same figures just yesterday and I do not believe them either.

I wonder if the member could focus on why he would not believe in the figures and then build a whole argument based on them.

He was concerned about simplification in the system and I agree that this is one thing we have to do. I do not necessarily believe in a flat rate system but I do think we can make it a little simpler.

Supply

I note that yesterday people in the province of Quebec had to file two tax returns, not just one. I wonder if he would reflect on the fact that it is making things complicated for the people of Quebec to have to file two tax returns.

I would like to ask him a question on harmonization. I note that with the GST the province of Quebec attempted to harmonize with the GST but not very effectively. I wonder if he could focus on his commitment to harmonize the GST in Quebec.

(1140)

[Translation]

The Acting Speaker (Mrs. Maheu): I give the floor to the hon. member for Témiscamingue, who unfortunately has only one minute to speak.

Mr. Brien: Madam Speaker, I will answer within one minute. First, I did not say that I did not believe the figures on which I based my argument on the distribution of wealth. On the contrary, I believe that they are indicative of the trend. I am not sure that they are accurate, but they are indicative of the trend.

Now, as for simplification, he mentioned that in Quebec we have to complete two income tax returns and pay two taxes. He talked about harmonization. On that, I will simply answer him that it is the reason we members of the Bloc are here. The way we want to simplify is to have only one tax. We do not want to have just a federal tax return; on the contrary, we want to have just a Quebec tax return. That is the reason we are here; we want Quebec to take over and become sovereign. We want Quebec to control all these revenues and all these taxes. It is political independence and that is the essential role of the Bloc Québécois. So in that sense I think we are very consistent.

[English]

Mr. Walker: On a point of order, Madam Speaker. I do not interrupt the House too frequently but the member suggests that the department is not doing work when in fact it is. I would like to bring to the attention of the House that the studies referred to have been done, and there are several studies on tax expenditures.

Mr. Ray Speaker (Lethbridge): Madam Speaker, thank you very much for the opportunity to second the motion of my hon. colleague from Calgary Centre. The motion before us is very straightforward. It asks for a major tax review under the current circumstances that we face as Canadians.

As has been mentioned by the hon. member for Durham, all of us have just faced the rigorous task of doing and redoing our income tax for 1993 so we know the problems that are there. They are very fresh in our minds as well as in the minds of all Canadians. It is very appropriate that we have this motion before us today in which we are looking at better ways of utilizing the

income tax system, better ways to apply excise tax, a better way to apply consumption taxes. The review today is very appropriate.

There is no way that all of us in the House are going to agree on the fact that there may be only one way to do it. There are a variety of ways of approaching tax review and tax revisions.

What I want to do today in my few moments is look at it under the criteria of whether taxation is fair, whether there is simplicity, efficiency and effectiveness. In his earlier remarks the Parliamentary Secretary to the Minister of Finance mentioned that the government accepts those principles in evaluating the tax system. I would have to accept him and the government at their word that they have a criteria and that if there are to be revisions, the revisions or the changes in the tax policy would be based on those very basic principles.

When we look at the taxation system we have to recognize that there is no real consensus as to what the problem is. I do not believe we have a consensus in Canada nor will we have in this assembly here today as to what the solution is. I think we must look first of all at what the problem may be.

I believe that the problem stems from the overspending of governments. That is the first major problem that we must deal with. No matter how we collect the taxes, it is very frustrating when Canadians say that we as legislators and leaders waste the money that they give to us. We have to deal first with the problem of overspending. The major question before this assembly is how it should be done.

Canadians are certainly overtaxed. They believe they are no longer receiving value for their tax dollars, and Canadians are certainly correct on that premise. It is very obvious when we look at the current circumstances and the finances of this country. For every dollar that Canadians send to Ottawa, and this is on the downscale rather than the upscale, 65 cents is applied to government program spending, programs for Canadians.

Why is that happening? We have a \$500 billion plus debt facing us.

(1145)

Second, in the current budget \$41 billion is being applied to interest payments which do nothing in terms of productivity or helping people in Canada with regard to health programs, social programs, transportation programs or whatever they may be. The interest payment takes away access to the positive use of a tax dollar.

In terms of the government's plan we also face another \$100 billion of debt in the next two to three fiscal years being added to the current \$500 billion debt. This means that of the tax dollar, the \$1 that comes to Ottawa, the amount available for programs

Supply

will certainly be less than 65 cents. It will most likely approach a 60-cent dollar to run our country. That is not good enough.

The point I want to make is that there cannot be effective tax reform without effective expenditure reform and dealing with the debt and the deficit of the country. This is not to say that GST and tax reform are not necessary. I only wish to point out the futility in trying to fix the tax system without reigning in the spending of governments.

Let me deal with defining a fair tax system. That will be the thrust of my remarks today. How do we put together a fair tax system? I will list six points which I feel are relevant.

The first is equity. A fair tax system implies equity. Equity implies that Canadians feel that all taxpayers are sharing equally in the tax burden. Any redesign of a tax system must distribute the burden of tax equality among Canadians.

The second is punishing success. A fair tax system does not punish success. Equity demands that Canadians be allowed to keep the rewards for working harder, for working smarter and for being successful. This component of tax reform is often overlooked. It is often an area wherein those putting together tax policy say that a person is earning a lot and let us take it away from him or her. It is not fair. By overtaxing the monetary rewards of success the incentive for Canadians to invest in a future for Canada is removed. We rob ourselves by punishing success through the taxation system in this land of ours.

The third is dealing with the less fortunate. What should a tax policy do there? A fair tax system does not punish the unfortunate in our society. A tax system that overtaxes those who cannot defend themselves is a double hit on the less fortunate in our society.

The fourth is a point that is often made. I know it has been made many times in this assembly. There is only one taxpayer. On that basis I make two points. First, we must recognize that taxation of businesses eventually falls on individuals. It does so through lower wages, higher prices, reduced dividends and an internationally uncompetitive industrial base. While I am not advocating the elimination of taxes on all businesses, we should recognize that a corporation of any size does not bear the burden of these taxes as is often assumed. These taxes are borne by one taxpayer or individual Canadians.

The second way our tax system must recognize that there is only one taxpayer is with respect to provincial and federal powers of taxation. The current overlap of consumption taxation means that Canadians face 10 different sales taxes. This increases the cost of doing business and overly complicates the tax system.

Last I want to deal with what I call economic choices. A fair tax system does not bias the economic choices of taxpayers. Through special cases and exceptions the current tax system discriminates against certain activities and promotes others.

Canadians more than ever before are recognizing their activities to avoid tax. This is what we mean when we talk about a tax revolt.

The tax system should not be a mechanism for a large range of public policy initiatives. My hon. colleague from Calgary Centre covered this point earlier.

(1150)

These public policies are often designed with all the best intentions. They often result in the reorganization of economic activity in a way in which they were not intended in the first place. When this is done, the true cost of policy is difficult to determine and the reorganization of economic activity creates negative and unintended consequences.

In the last few moments I have I want to raise the following question. How does our current system stack up? Let us look at equity first of all. Canadians do not feel that everybody is paying their share. Second, in punishing success, our current system punishes success. Third, we now have a tax system with a marginal tax rate that at many points exceeds 50 per cent, the percentage believed to have a disincentive effect to earn more. The economic effect of this damaging policy is nearly impossible to measure as it must measure what Canadians are not doing but could be doing under a better and fairer tax system. The fourth point is punishing the less fortunate. Today many people are paying taxes with incomes of \$7,000. Last I would make the point with regard to complication. It is clear that a current tax system is complicated with the many forms of tax that are before Canadians. What is the solution?

The Acting Speaker (Mrs. Maheu): I am sorry but the hon. member's time has expired.

Mr. Alex Shepherd (Durham): Madam Speaker, I thank the member for his comments. I will comment on possibly two aspects.

First he talked about punishing success. I note the income tax system currently has approximately three rates: for those incomes under \$25,000, \$65,000 and over \$65,000. Over \$65,000 it hits roughly 45 per cent. Depending on what provinces do it could get up to 51 per cent.

That system has been in existence in Canada for 10 or 15 years. The rates on higher incomes have been higher in the past than they are today. I have not seen a whole outflow of people leaving the country because of this policy. Could the member comment on that aspect?

The second one is the comment about the delivery system. We are using the income tax system to deliver social policy or whatever. Could the member comment on what is a successful system to deliver social benefits? I think of child care expenses, GST rebates and so forth. It seems to me that if we want to simplify government maybe we should be focusing on the

Supply

income tax system as a method of delivery. Could the member talk about that aspect?

Mr. Speaker (Lethbridge): Madam Speaker, with regard to the first point in terms of what is fair and what does not act as a deterrent to persons investing, taking risks, being successful and encouraging success, in a sense that is what creates our economy, when a tax system does that and does not act as a detriment to investment.

To stand and say that I could judge what the rates should be and whether the three rates we have in place today are fair or not would be difficult. The point I wanted to make in my presentation was that the cost of government today is too high. People, no matter where they are, whether they are in business, private individuals, in labour or whatever, are paying a rate of taxation up front in many cases of 25 per cent as wage earners. They are paying 25 per cent. They are sending it to Ottawa through their income tax forms. That is too much. We are taking away too much from people that they could use for their own personal reasons. That is a deterrent.

The only way we are going to deal with that is to bring the cost of government down. That is the whole thrust of the objectives of the Reform Party. We must bring the cost of government down so that there is more money in the hands of the people. That is the point I make there.

The next point is with regard to using the Income Tax Act or other tax policy for social purposes. I have found in my travels and in the hearings of the finance committee on the GST that every time we tried to use the tax system for social policy it created inequities. For example, when we were in Quebec City a professional group made a presentation to us and said: "We are not exempt from GST". Another professional group that appeared before the committee prior to that one had said it was exempt. Which professional organization should have had the exemption and which should not have? We could go down the line and find other social organizations. Some are exempt from GST and some are not. The tax is applied unfairly.

(1155)

Social policy initiatives should go through the budget process. In this assembly we should determine what types of benefits we will pay to which group, make it an expenditure program as such and deal with it directly rather than indirectly through the tax system.

Mr. John Williams (St. Albert): Madam Speaker, I rise today to speak on the need for simplification of the Income Tax Act.

The Income Tax Act was introduced in 1917. As we all remember it was to be a temporary tax to pay for the first world war. At that point Canadians had an obligation to defend democracy and freedom around the world. In order to do so they introduced a tax which they called the income tax. It was to help

pay for the war but it was only to be a temporary situation. After the war when things were back to normal the tax would be eliminated. That was 77 years ago. The war has been over for 75 years and we still have the tax.

There are basically two things in the world we can count on: one is death and the other is taxes. The bad news is that death comes but once and taxes every year.

Back in 1986 the government at the time suggested that it would introduce tax reform because taxes were far too complex. Back in those days we had 10 different categories or 10 different brackets to reach the maximum marginal rate of income tax. The government said that it would reduce those 10 brackets to 3 brackets and that the taxes would be much simpler because it eliminated 7 different categories or brackets of increasing levels of taxation.

It did not say that it would leave the top bracket where it was and take a bit off the people at the bottom or that the middle class would get a bit of a break which the government would recoup later. It called that tax simplification or tax reform.

I have here the 22nd edition of the Income Tax Act published in August 1993, all 2,091 pages. I am an accountant. This may make sense to a layman, but as an accountant I have a hard time dealing with the complexity of the Income Tax Act. There are statements and sentences that go on for hundreds of words without a period to indicate the end of a sentence. The complexity and the meaning of the Income Tax Act test the abilities of the wisest, the most intelligent and the most expert in the country.

I sit on the public accounts committee. We were examining people from the Department of National Revenue and the Department of Finance regarding a loss to taxpayers of \$1.1 billion that was pointed out by the Auditor General because the government that wrote the legislation could not understand the meaning of its own words. The resource sector disagreed with the interpretation of the words. It ended up in court. The government lost. The resource sector won. Taxpayers are out \$1.1 billion because of the complexity of trying to define the true meaning of one simple clause in the Income Tax Act. All 2,091 pages of the act give some idea of the complexity.

(1200)

Capital gains was introduced back in 1971 by the Liberal government at that time. It was deemed to be a tax on increasing wealth. However at that point in time this country was at the threshold of a decade of tremendous inflation. Capital gains in essence became a tax on inflation.

Capital gains was not a tax on increasing wealth but a tax on inflation and the government knew that. It knew people were not getting richer. If you bought a house in 1971 for \$25,000 and sold it for \$100,000 in 1981, the actual value of your wealth may

not have gone up, but in terms of actual dollars it went up significantly. The government said: "You have to pay a large part of that in tax". It was a tax on inflation, not on wealth creation.

Along came the Tory government which said: "We would like to give our friends a break". So the Tories brought in the capital gains exemption saying it was going to be phased in over a number of years. They envisaged that the first half a million dollars of capital gains was going to be tax free. Remember that the average person on the street really does not get the opportunity to have half a million dollars in capital gains. However the intent was: "We are going to give it to the taxpayer and we are also going to segregate it into things such as the capital gains exemption for farmers". They were going to be different.

As time went on the government realized it could not afford this measure it was introducing so it capped the capital gains exemption at \$100,000 but said: "Wait a minute. We are going to add some complexity to this. What about the farmer and his half a million capital gains exemption? Is he going to get both?" No, he can only get one, half a million dollars.

As one accountant explained it to me, we are going to have two buckets. There will be a big bucket for the farmers which will hold half a million dollars capital gains exemption. Inside that big bucket will be a small bucket which contains the \$100,000 capital gains exemption. When the small bucket runs over then that of course is subtracted from the large bucket.

The concepts being put forward belie the comprehension of the average person on the street. When someone does not understand the tax he is paying, how do we expect him to pay it voluntarily and willingly in a democratic society? This is why we are finding that coercion and pressure are becoming more and more the order of the day. That statement has come right from the Minister of National Revenue who has said he will not tolerate people who evade taxes and so on. Yet the people on the street cannot understand the tax they are being asked to pay.

This government has to listen. When people fill in their tax returns they write the cheque saying: "I am mad at the government. I don't know why I have to pay all this amount of money. My accountant says I have to pay it but I don't understand it. I feel I pay far too much and I am being ripped off". We have a problem. This government has to explain to taxpayers how the taxes are arrived at. Having 2,091 pages of small print is not the way to go about it.

We have seen complexity added to the Income Tax Act as a kind of smoke and mirrors attitude to collect more taxes. Ten years ago the government introduced limitations on the Canada savings bond accrual.

Supply

Canada savings bonds are a Canadian institution. We have been buying them since the war to help the government fund its debt. Some people bought the compound interest bonds. They keep them for seven years, cash them in and get all the interest at once. Maybe that was their plan, with the high income they would keep them until maturity when they retired. The government said: "No, you cannot do that. You have to report the interest at least every three years".

As an accountant filling out income tax returns many times I had to tell people who had compound Canada savings bonds that they cashed in at maturity: "Wait a minute, you should have reported this three years ago". They said: "Well nobody told me". The Bank of Canada knew these people were holding compound bonds but it did not tell them they had to pay taxes.

When we finally make the adjustment we have to go back three years. The government says: "Fine, thank you very much and here is the interest owing because you are three years late in reporting". Is that the way for government to endear itself to the taxpayers?

I could go on. Time after time after time there is unneeded complexity which is useless and is there to basically generate more revenue through penalties, interest and other maintenance for the government. It feels that the taxpayer can be squeezed unceasingly.

(1205)

My time is up. I could go on, but I think I have given some indication that reform is long overdue.

Mr. Mills (Broadview—Greenwood): Madam Speaker, I do not have a question. I will begin on debate but I believe there is another member who might have a question.

Mr. Alex Shepherd (Durham): Madam Speaker, I thank the hon. member for his comments. We seem to be talking about simplicity, making the system simple. Like him, as an accountant preparing tax returns over the years it has been my observation that the problem with the system is not that it is complex. The real problem is that we keep changing it every year. The complexity and the reason people do not understand it is that it changes year after year. The reality is we should stop fiddling with it.

Could the hon. member comment on why he wants to continually fiddle with the system and make it more complex so that people will not understand it next year either?

Mr. Williams: Madam Speaker, I understand the member's point that we should stop fiddling with it. However I say ask the taxpayer on the street how we arrive at the amount of taxes due by him and he will say he does not know. We add up the income, take a percentage, and that is what is due. That was the old way of doing income taxes.

Supply

Many of my former clients ask me why it has to be this complex when 40 years ago it was a dead simple one page form. We have added and added complexity. Today we cannot get by without our computers. Even as an accountant I have to rely on a computer to do the complex forms because I feel it is more accurate than trying to figure it out myself.

The time people have to spend even trying to get their minds around complex issues like the cumulative net investment losses. That is where a loss which may have been claimed five years ago comes back to hit you with a bill for interest because you had forgotten that you claimed for a deduction five years ago and it now affects your taxes payable this year.

There is no need for that. It used to be that your income this year was what you reported and that was it. Now we have RRSPs that have a multiyear basis, capital gains for a multiyear basis, cumulative net investment losses on a multiyear basis, and on and on and on.

There seems to be no end to the opportunities the government takes to add complexity rather than simplicity to the tax return.

Mrs. Karen Kraft Sloan (York—Simcoe): Madam Speaker, I have been listening with great interest and following the direction of the debate. It appears the Reform argument is coming from two possible areas. One is that we should have a very simple income tax form which I certainly agree with, but also that social policy measures should not be part of our income tax system.

If I were to go back to my constituents they would be appalled to learn the Reform Party is advocating banishing registered retirement savings plans. So many Canadians find this as the only way they can contribute toward their retirement years.

If you look at a registered retirement savings plan, as has already been noted, there is some complexity with it. If we did not have them on our forms it would indeed be a very simple form to fill out. It is clearly a direct social policy measure that the Canadian government is looking at helping Canadians save for their retirement.

I am appalled and I think my constituents would be appalled that the Reform Party is advocating something like this.

Mr. Williams: Madam Speaker, let me put the matter straight. Is anybody in the Reform Party advocating that we eliminate RRSPs?

Some hon. members: No.

Mr. Williams: Thank you, Madam Speaker.

(1210)

Mr. Mills (Broadview—Greenwood): Madam Speaker, I am delighted to have the opportunity to participate in this debate. I believe I am on debate, Madam Speaker.

* * *

BUSINESS OF THE HOUSE

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Madam Speaker, on a point of order. There should be more comments.

I heard an hon. member say he got along fine without me and I am glad to see him again too.

Madam Speaker, there have been discussions among the parties and I think you will find there is unanimous consent for the following motion:

That, notwithstanding any standing order:

The Standing Committee on Finance is instructed to report Bill C-17, an act to amend certain statutes to implement provisions of the budget tabled in Parliament on February 22, 1994, no later than May 25, 1994;

The report stage of the said bill shall be on May 26 and May 30, 1994 and at 15 minutes before the expiry of the time allotted for government business on May 30, 1994 the Speaker shall put all questions necessary to dispose of the report stage of the said bill without further debate and any divisions necessary shall be taken immediately;

The third reading stage of the said bill shall be on May 31, 1994 and at 15 minutes before the expiry of the time allotted for government business on May 31, 1994 the Speaker shall put all questions necessary to dispose of the third reading stage of the said bill without further debate and any divisions necessary shall be taken immediately.

[Translation]

The Acting Speaker (Mrs. Ringuette—Maltais): Does the hon. parliamentary secretary have the unanimous consent of the House to move the motion?

Mr. Michel Gauthier (Roberval): Madam Speaker, I would like to obtain some information.

The Acting Speaker (Mrs. Ringuette—Maltais): I give the floor to the hon. member for Roberval.

Mr. Gauthier (Roberval): Madam Speaker, normally, 48 hours must pass between report stage and third reading, since amendments are not acceptable less than 48 hours before.

I would just like to make sure that if there are only 24 hours between report stage and third reading, the opposition's amendments would be in order if presented 24 hours in advance. It is just to make sure that the time provisions of our Standing Orders would of course apply to this motion.

Mr. Milliken: Madam Speaker, of course, when amendments are moved by any member in the House on this bill, they are considered by the Chair and the Speaker will decide at the beginning of the debate at report stage.

Regrettably, with this motion, we specified that the debate would begin 48 hours after the report, but we will have only 80

hours. So it will be a little harder for the Chair and also for members, but that is the arrangement we made.

[*English*]

The report from the committee will be received on May 25 and the debate will start on May 26. We have arranged for the debate to start on that day.

Those days have been designated because they are long days in order to give the opposition every opportunity to debate this bill on a reasonable basis. We could have the debate on a Friday but it is a short day. In order to lengthen the opportunities for the opposition, we have agreed to have the debate on the Thursday and Monday instead. That is the reason we have shortened the notice period for the report stage. However I think it is a reasonable compromise and that is the reason for it.

[*Translation*]

Mr. Gauthier (Roberval): Madam Speaker, I would like to be sure that I understood correctly. It is not to create problems; on the contrary, it is to avoid them. I did not quite get what the hon. member was trying to convey to me, so I would ask him the question again.

Since there is only one day between consideration in committee and report stage, we would then leave it to the Speaker to decide whether or not he accepts the amendments presented. Accepting the motion as is without specifying whether amendments would be in order would mean that throughout the last day of the committee's work—I believe that I just said report stage and third reading; sorry, I meant that there would only be one day between committee stage and report stage. This means that no amendment would be acceptable on the last day, which would be basically contrary to the spirit of the rules of procedure of parliamentary committees.

(1215)

[*English*]

Mr. Milliken: The standing orders would require that the notice of the amendments be given on the day after the report. So the report will be received on May 25 and presented in the House during Routine Proceedings that day. Obviously the notice of the amendments would have to be given before six o'clock that day to be considered the next day. Normally you have an extra day.

The Chair will have the amendments by six o'clock and will be able to work on its ruling overnight and communicate with the parties. If there are a lot of amendments it may mean an all-night work session for the Chair.

[*Translation*]

The Acting Speaker (Mrs. Ringuette-Maltais): Does the hon. parliamentary secretary have the unanimous consent of the House to move the motion?

Some hon. members: Agreed.

Supply

The Acting Speaker (Mrs. Ringuette-Maltais): The House has heard the terms of the motion. Is it the pleasure of the House to adopt this motion?

Some hon. members: Agreed.

(Motion agreed to.)

* * *

[*English*]

SUPPLY

ALLOTTED DAY—TAX REFORM

The House resumed consideration of the motion.

Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry): Madam Speaker, I am appreciative of having the opportunity to participate in this debate because it is an issue very near and dear to my heart. It is an issue that is near and dear to the heart of every member of Parliament. You cannot be in public service today without hearing from your constituents that they are frustrated with the current tax act of Canada.

When you test a tax system it should stand up to three basic criteria. First, is it simple enough that the person on the street who basically has to be responsible for participating in the tax system can understand it? On simplicity the tax act of Canada fails.

Second, on fairness we have heard time and time again of examples within the tax act where people who are making millions of dollars a year are not paying anything and people in the lower income spectrum, sometimes under \$50,000, paying more than multimillionaires. When it comes to the test of fairness, it does not pass the test of fairness either.

When you talk about the third criteria, efficiency, my goodness when it comes to efficiency there is no one in this country who would stand up and say that the current tax act is an efficient system.

I must start off by reminding everyone in this House that the Prime Minister during the last election led the debate on tax reform. He led the debate. He said it in the red book. He came to Toronto on more than one occasion. I can vividly remember in the control room of CFRB when they confronted him on the issue of tax reform. The Prime Minister, then the Leader of the Opposition, said our government will be committed to comprehensive tax reform and it will have to meet the tests of simplicity, fairness, and of course efficiency.

We have been in office for just six months and we have started the process of addressing comprehensive tax reform. I believe the finance committee has done a terrific job going across the country and listening to all the different ideas that were presented.

The previous government moved arbitrarily on the GST, without proper consultation, and it ended up getting us all in a mess. It ended up fracturing the confidence of Canadians. It

Supply

destroyed a good part of our retail industry, not to mention that it exacerbated an underground economy beyond our ability to calculate right now. The underground economy it is said could be as high as \$30 billion to \$40 billion.

(1220)

I say to the members of the Reform Party that they are not alone in their quest for comprehensive tax reform. All of us on this side of the House are on the same pathway as they. I have to caution them, and I say this humbly to the members of the Reform Party, that it is not easy to reform the tax act of Canada.

I believe that I can say that from a bit of experience. I began this journey on tax reform four and a half years ago when the Prime Minister of Canada at that time, Prime Minister Mulroney, and Michael Wilson would stand up on this side of the House and when we would criticize the GST they would say: "Come up with an alternative. Don't just criticize it. Come up with an alternative". A group of us got together and said: "This is going to be an interesting exercise". We came up with this idea called the single tax system.

I want to spend a couple of minutes explaining why we called it the single tax rather than the flat tax. I think it is very important to understand this point. I believe it is essential in advancing comprehensive tax reform further down the path.

For years there has been an attempt to reform the tax system. The number one alternative for debate was called the flat tax. The problem with the flat tax system was that the proponents never took into account the constituencies that needed to be addressed when it came to progressivity. In other words, and I am not suggesting the Reform Party is doing this because I have listened carefully to their speeches, the flat taxers tended to say: "No credits for seniors, no credits for families with children, no credits for charitable donations, to heck with the RRSPs". The flat tax system developed a very bad name. It was: "Here is the gross revenue. You have one single credit and then after that you are 20 per cent, over and out".

The seniors in our community, families with children and charitable organizations, the most disadvantaged in our community who we should care about the most, started to look at the flat tax and said: "The social side of the equation is being ignored in the flat tax system". Regrettably the flat tax got a very bad name. The biggest slam against the flat tax was it was not progressive.

A group of us who were dealing with this problem and doing the research said: "We can't go with that name because if we are going to get acceptance we have to design in the tax form credits that will make sure that those people who are most disadvantaged in our society are looked after right up front". We came

around to this name called the single tax, a single rate of tax, corporate and personal.

We designed the personal side of the form. I am sure many members have seen this form. It is a relic now because it is draft two which was done in about April 1989. We are now at draft 19. In five years seven or eight of us have been listening to thousands and thousands of Canadians, probably about 100,000 Canadians over five years who gave us advice and input on how we could refine it. I only bring this point out that it took five years because most of those points that people made were good points. It taught me a big lesson.

(1225)

Even though I wanted to come in in one year or two years and reform the tax system, I realized that a package this complex could not be done overnight. Believe me, I am not being defensive. I still support the idea of a single tax. One cannot just do it. It is not like putting something in the microwave and 20 seconds later, it is there, ready to go.

Going back to the personal side of the single tax, we started off with the following premise. We must for starters make sure families with children are recognized in the single tax. Therefore they must have a credit. We then said that the seniors need to feel comfortable with this tax act, therefore they need to have a line in the tax act and a credit.

Another line that we put in the credit was for charitable donations. I want to tell members that that 1 per cent line for charitable donations is essential. When we did our early research on this issue we called Drs. Hall and Rabushka from the Hoover Institute at Stanford. They said to us: "Do not make the mistake, Dennis, that we made when we started. We scrubbed the charitable donations line. We said no more charitable deductions".

They told us that the charitable organizations went to their local politicians and went to the press and they were such a force that they condemned the system even before it got out of the gate.

One has to have a line in one's tax act for charitable donations. One can cap it, but one must be generous because ultimately one is going to need those constituencies supporting the system if you are going to pull it off.

Then we said that we cannot do away with the RRSP structure. The RRSP structure is almost a part of our fiscal framework. We put that in the act but we capped it. Of course there was the basic deduction.

After all, there are those deductions or those progressive credits. I want to put the emphasis on progressive because the biggest criticism of this project is that it is not progressive enough. One can design progressivity into the act or into the

card. At any rate after those progressive features were designed, we told them that after their basic income and those deductions they could take a single rate of 20 per cent.

On the corporate side, because one needed to have a fully integrated system, we said that there should be a very progressive credit for small business on the first \$50,000, no tax. After that, it is their basic corporate expenditures and after those corporate expenditures and their basic depreciation is put in place, there is a single rate there as well.

That is the direction that we have been working on. We believed that would accomplish a number of goals. The most important thing is simplicity. I think very few people would argue that this system is not simple. There it is. One can see it. One can fill it out. It is very straightforward.

The next most important thing is to make it doable and that is the challenge that we have in this Parliament.

(1230)

There are difficulties in moving a tax system that primarily ran and to this day runs the economy of Canada and now we are saying, those of us who support this type of idea, that we want to stop running the economy of Canada through the tax act. We basically want to make it a tax collection unit; no more preferences, no more loopholes, flush them all out with those exceptions that I mentioned for seniors, families with children and charities.

I have to say to the Reform Party that the transition from the current system that we are in to a single tax system is really the debate that we have to engage in because that transition period is the real challenge.

I do not believe the challenge is one of whether or not we are going to generate enough revenue because right now the current tax system is so flawed that some experts say the underground economy is over \$40 billion or \$50 billion and growing. The notion of a simple, fair tax system is reinforced by the underground economy right now.

There is another factor and it is called having a globally competitive tax system and I do not believe we have been talking about that issue enough. Our tax system right now is driving people not only underground but offshore. In other words, our achievers, our entrepreneurs who are creating real wealth are starting to leave. Over a million Canadians are in California right now and we did a survey and found that many of them are there because of our tax act.

I believe that one of the reasons we should investigate comprehensive tax reform which the Prime Minister and our party have supported is that we need to reverse the capital flows. We have to design a tax system that causes the capital to flow back into our country rather than flow out. The current tax act is not doing that very well.

Supply

People from time to time come to me and ask how I could support somebody making \$60,000 a year paying 20 per cent and someone making \$1 million a year paying 20 per cent. Is that not unfair, inequitable?

For me it is not. There are many others in Canada who believe two things. Number one, the harder you work and the more you achieve and the more you earn, you should at least be able to keep some of it in your pocket. There is another thing. Right now there is no guarantee that we are getting anything on the person who is making \$1 million or \$2 million whereas in the single tax it is airtight. We are going to get that 20 per cent no matter what, including family trusts.

In other words, under a single tax system all income is in the loop, it is airtight.

I suggest that if we had a system like that then those people, whether they be scientists or doctors or people who have achieved entrepreneurial wealth, rather than being tempted to leave would stay. Not only that but we would see other capital from around the world coming to our country because we would have a competitive tax system, a tax system that respected wealth creators, job creators, a tax system that respected people who have achieved through their intellect all kinds of scientific discoveries.

(1235)

I want to say that we on this side of the House support the pathway that leads to comprehensive tax reform. However, at the same time I want to say as someone who has been engaged in this debate for a long time that it is not an easy task. This transition period is going to be a very tough period.

Let me give an example and let us deal with the energy sector right now because many of the Reform members are from western Canada and I know that the energy sector is very important to their constituents.

Right now in the tax act there are billions of dollars of tax grants to the energy sector. Under the single tax all of those grants or those preferences are gone, eliminated. When a company from the province of Alberta that has been used to getting these tax deductions, some of which are actually in the billions, finds that all of a sudden they are gone, it is a tremendous kick to the cash flow of that particular company. It is going to come running up to Ottawa or to members in their constituency offices saying it is out of business if that tax credit is cancelled.

Therefore, we are going to have to have a transition period because we are going to have to analyse whether that entire tax grant should be eliminated.

My own view has always been the following. Any grant, whether it be a direct grant in a line department or an indirect grant through the tax act, should always be linked to the policy objective of creating jobs. The problem is that because these tax grants are buried in the tax act there is no accountability as to whether they are meeting the policy objective.

Supply

I am going to close in 30 seconds. I want to say to the members of the Reform Party that we have to make sure when we move those grants into the line department we link them to job creation. If they do that, where they are transparent and accountability, we could have a successful tax act.

Mr. Ted White (North Vancouver): Madam Speaker, I very much enjoyed the speech of the hon. member. In fact, I hope he has the ear of the revenue minister and is managing to get some of these changes put into effect without too much delay.

I hope the hon. member will listen to my speech later on today about tax saturation because I think that is a point perhaps we have reached here in Canada today. Taxes are too high and part of the reason is that the spending is far too high.

I hope the hon. member will admit that is part of the problem. I certainly hope that it does not take a debt crisis as it did in New Zealand before we can come to grips with this tax situation and actually turn it into something fair.

I agree with the member regarding the complexity of the system. He implied a few times that millionaires do not pay their fair share of taxes. I would like to explore that a little. I would like to know if the member can give me a list of the reasons or ways millionaires do not pay tax other than because of a family trust, which he mentioned. I would really be interested to know. If millionaires can avoid paying taxes in some way legally then those same ways should be available to any average taxpayer in this country. If those ways are there I would like to know about them because I think I am paying too much tax as well.

I wonder if the hon. member could explain the ways millionaires escape paying tax.

(1240)

Mr. Mills (Broadview—Greenwood): Madam Speaker, I want to begin by saying to the member that in no way, shape or form did I mean to cast aspersions on the people who are generating great personal wealth in this country. Neither did I want to say that they were not paying tax through illegal means.

The bottom line is that there are opportunities that exist for tax deductions or tax options within the tax act that would allow a person with great wealth to reduce that income tax payable.

I am not going to get into any specifics today, but I did give an example in a recent householder. I will give the one example that was actually advertised in a magazine a couple of months ago: "Now your income tax dollars can help you invest in a beautiful home in the sun". I am sure members remember that ad: "This investment opportunity is designed to be of maximum tax benefit to individuals like you with a total family income of over \$50,000 per year, Intelevest Group. You can either redirect your income tax dollars to help you invest in luxurious townhouses

in beautiful Sarasota or you can continue to send all that hard earned money to the government in income taxes".

In other words, this is an example of how the tax preferences discriminate against those with lower income tax. In other words, you would have to be over that amount. It allows a higher income earner to use his higher income to participate in this luxury townhouse rental income at an after tax cost of zero. That is one specific example but there are many others.

Mr. Philip Mayfield (Cariboo—Chilcotin): Madam Speaker, I would like to compliment the hon. member for Broadview—Greenwood for his statement, his intervention. I appreciate very much the way he has laid it out, citing simplicity, fairness and efficiency.

As I was listening I realized that he talks about the doability of it as well. I am pleased to hear the practical thoughts he has. This Parliament is not the first Parliament to take a run at tax reform. Names like Carter and Macdonald are well known in this exercise. As I have read about these other attempts there has always been the story of the obstacles that have been placed in the way of simplifying the tax system and of reforming it.

I was wanting to ask if the hon. member would perhaps outline some of the obstacles to tax reform. Who are the vested interests that resist reforming the tax system so that it may pass the test of simplicity, fairness and efficiency so that it is a doable tax system?

Mr. Mills (Broadview—Greenwood): Madam Speaker, I would like to deal with the question in two parts.

First, naturally there are people who have thought for years, on behalf of industry, to put their tax preference or their tax loophole or their tax break, whatever you want to call it, into the tax act. Those people who have fought for years and worked over the Department of Finance for their special privilege are defenders of the status quo. They believe in that with the same passion as the member would believe in his particular approach.

However, I am going to say that the biggest obstacle to tax reform in my mind are the people of Canada. The people of Canada are not interested in tax reform. They talk about it a lot and I know we talk about it. I am somebody who has worked on the issue for five years, but when push comes to shove it is not the kind of issue that makes people roll up their sleeves and get turned on about. I know there are tax groups out there that band together and rally from time to time. In relation to the whole, Canadians at large, they are a very small number.

(1245)

In fairness to the member, my biggest frustration with the issue of tax reform in the last five years—and my party has been supportive of the issue—is that we cannot seem to get the people of Canada charged up and asking for tax reform. They have little

moments or little flutters when they call about it, but there is no real thrust from the people.

Mr. Jim Silye (Calgary Centre): Madam Speaker, I will be very brief. I compliment the hon. member for Broadview—Greenwood on all the work he has done for the last four or five years. We would like that to snowball and not have to wait another three or four years before something happens.

In defence of his simple, fair and efficient tax system, whether we call it a flat tax, a single tax or proportional tax, how many more years is he willing to wait before his government supports or rejects the proposal?

Mr. Mills (Broadview—Greenwood): They are playing hardball with me today, Madam Speaker.

First let me be very specific. I have always said that the single tax is an effort to advance the tax reform debate in a constructive, open way. If there are better ideas out there than the single tax, I welcome them. In other words if it is proportional tax or if the men and women of the finance committee come up with some new tax design that is better than the single tax, as good as or whatever, I am for it. I do not want to be in a position—and the Prime Minister has said he does not want to be in that position either—of defending the status quo. He said it again yesterday.

We must understand that it is most important not to make the same mistake the Conservatives made. They came in so quickly with this GST that they fractured and tax shocked the people of Canada. That set us back 10 years.

Mr. Jim Abbott (Kootenay East): Madam Speaker, my topic as it relates to the subject today is that Canada is an exporting nation. Our livelihood, our personal incomes depend on exports. Our present tax system must be altered to maintain our international competitiveness because our national economy depends on it.

On January 27 I rose and spoke in the House. If I may I would like to repeat a small part of what I said then. It was interesting that in a recent news article in the *Kimberley Bulletin* a headline read: “Cominco irked at city tax rate”. The complaint of the mining company was that the major industrial tax rate in Kimberley was 69 per cent higher than the tax rate in Cranbrook. In justifying the position of the city, the mayor of Kimberley argued that Cominco taxes were high but said that the tax rate was justified. He said that the mining company has had it easy on taxes because it did not start paying taxes until 1968 when Cominco was incorporated into the city limits. The mayor said: “That is when Cominco started shutting down plants and laying off people”.

I am not criticizing the mayor of Kimberley for his comments. I simply cite that quotation as an accurate representation of what

Supply

happens when an industry is taxed. The fact is that when taxes go up jobs in an industry decrease.

Capital for mining is fleeing Canada. The country of Chile is one of the greatest beneficiaries of this flight. It has an effective tax rate of 15 per cent. Countries like Mexico and Papua, New Guinea have a mining tax rate of 35 per cent. The Philippines and even the United States have a tax rate on mining companies of 38 per cent, whereas the mining companies in the province of British Columbia suffer a mining income tax rate of 50 per cent for hard rock mining. In coal mining, although it is hard to believe, in four years between 1987 and 1991 the B.C. coal industry paid \$454 million or almost half a billion in direct taxes while net returns to the industry were only \$8 million. I say taxes kill jobs.

(1250)

I am a member of the standing committee on the environment of the House of Commons. We are concerned, as we should be, about carbon dioxide emissions. The objective is to return CO₂ emissions to 1990 levels by the year 2000. I support that objective. However we must recognize doing that, particularly if we do it by taxation, will have a very detrimental effect on the electric power industry in Alberta.

I represent British Columbia and I have Canada's largest coal mine in my constituency. Therefore I am very concerned about the informal discussion there has been about green tax and about carbon tax. If we use taxation to alter behaviour then we kill our ability to be internationally competitive.

If we want to change behaviour I suggest we may choose to institute penalties. We may choose to institute levies. We may choose to institute fines but they should be considered to be as revenue neutral as possible. In other words taxation is for the purpose of raising revenue. If we manage through green taxes and carbon taxes to alter behaviour, having altered the behaviour we lose the revenue. It is totally contrary and totally counterproductive.

Most of my constituents and perhaps a lot of constituents of members of the House suffer from the same problem and the same concern about the overlapping of all the levies, the penalties, the fines and the permits.

I have a letter from a business in my constituency which was written to the Prime Minister, a company in the business of blacktop. In part it reads:

Over the past three years, we have kept a record of government permits, inspection and controls from different levels of bureaucracy. To everyone's astonishment, we were exposed to, hassled or intimidated by 35 different government officials all looking for their pound of flesh. Furthermore, if we don't take the time from our busy schedule to treat these people as “all important” we could face costly delays and problems.

Supply

Being in a smaller constituency businesses have to deal with many municipalities. When they do so they come up against city engineering which has material specifications, traffic control rules and regulations. They also have independent assessments with respect to fire department regulations and registration. They need a business licence and a municipal licence for registration of trucks. That is at the municipal level.

At the provincial level these firms have to deal with—and this is amazing—the pesticide branch for a permit, pollution control branch for a permit, gas inspection for inspection, electrical inspection, employment standard branch for an audit, gravel pit inspection, safety permit and bond. What is very interesting about the gravel pit inspection is that within the provincial jurisdiction they have to deal with the mines department and with workers' compensation. In certain situations with respect to the gravel pit they cannot comply with both sets of regulations. Within that single provincial jurisdiction they have to work with conflicting regulations: motor carrier inspection, dangerous goods inspection, safety inspection, weight restriction, over width permits, over height permits, provincial sales tax audit and licence, paving branch inspection and standards, material inspection branch, workers' compensation inspection, workers' compensation audit, pressure vessel inspection and permit, fire marshal inspection and regulation, and air use permit.

(1255)

I should mention what struck me as terribly weird was that they actually pay for the amount of air they consume. It just goes on and on: air use permit, traffic control permit, ICBC licensing and regulation, and capital tax.

Then there is the overlap of many of these regulations into the federal jurisdiction: Canada pension plan rules, regulations and audit; UIC rules, regulations and audit; and Revenue Canada income tax and corporate tax. Included in that would be remission of taxes collected from employees; GST rules, regulation and audit; radio licensing and regulations; Public Works Canada material supply inspection, electrical inspection, mechanical inspection; and finally more inspection and regulation under work hazard training.

This is indicative of what we are doing to the people of Canada. Whether we are talking about individuals or about businesses, fundamentally we are regulating these people out of existence. We are fining. We are getting permits. We are finding all sorts of ways at various government levels to get more and more money from people.

I suggest as I started that Canada is an exporting nation. Our livelihood, our personal incomes depend on exports. Our pres-

ent tax system must be altered to maintain our international competitiveness because our national economy depends on it.

Mr. Randy White (Fraser Valley West): Madam Speaker, I am pleased to rise to speak today about reforming the tax system. I want to talk today about the tax revolt which has started across the country. It has been going on for some years but it is becoming more predominant. I am going to cover why and how that is.

I want to talk a bit about why people are angry today about taxes, how we got here in the first place, what the government is doing about it, and the result which is the tax revolt itself.

We often hear people asking: "How do we own a small business in Canada today?" A lot of people respond by saying: "If you want to own a small business in Canada today, buy a large one and wait two tax years". While some find those words humorous they are quite discouraging. In fact they are very true in most cases.

Why are we angry? There are three fundamental reasons. First, there is little value in the tax dollar people are getting today. They see smaller disposable incomes and increasing costs. That is one of the reasons we are angry.

Second, people across the country see governments as fat cats spending inappropriately, spending well beyond their means. Quite frankly that is at all levels of government.

The third reason we are angry is that there is only one taxpayer. The trouble is that all three levels of government see only their perspective in raising taxes. It is like the infrastructure program of the federal government. It says it is spending only \$2 billion, but it is spending \$6 billion of taxpayers' money. It is \$2 billion provincial, \$2 billion municipal, and \$2 billion federal.

Taxpayers do not really give two hoots about who is sharing in the small packages of dollars. They care about the big package and how much it is costing us.

How did we get to where we are? This all started with a temporary tax measure to support the war spending in 1917. Since then all levels of government have the feeling that even though there is no war they can get into the pockets of the average citizen on virtually everything they can name.

(1300)

Also, we got here because of incompetence and mismanagement. We do not have to go very far to see the mismanagement and incompetent spending. I refer to a couple of items from "The Tales of the Tax Trough" by the National Citizens Coalition. It found that we spent \$37,363 to study the effects of colour in advertising. We also spent \$58,000 for an examination of what it is like to work for the Dominion grocery stores. We

spent \$21,566 to examine experimental studies of interactive gestures.

Those kinds of costs go on year after year after year and in the same year after year after year governments say they are going to make a change. However the taxpayers do not see that; they only see more government rhetoric.

Another way we got here is because Canadians are passive people. We tend to think that governments are going to pull us out of this crazy spending, but it never seems to happen.

The tax revolt is going to go on. It is going to get larger and larger. There are several formal tax revolt structures in place in this country. I am going to speak about those in just a second.

What has this government done? We have already seen that this government has tacked on about \$3 billion more in expenditures, but it has said that revenues should increase to offset that. Governments have played that trick on Canadian taxpayers for two generations now.

The government promised to spend about \$1.5 billion on child care, if the economy should rise about 3 per cent. But it says: "No, it is not \$1.5 billion. It is only \$750 million because the provinces have to contribute \$750 million". Well, their \$750 million and the federal government's \$750 million is \$1.5 billion to the taxpayer. That is what we have to get into our minds.

The government has closed some bases which was a little premature because they are into a one year study. I have said before it is like bailing out a sinking ship with a thimble. We owe \$40 billion. Getting \$750 million here and there or \$2 million and saving a few on perks and so on is not enough. We have to go deeper.

What is the result? We are into an underground economy the size of which nobody can estimate but we know it is big. The last election was part of the result. We saw a party virtually disappear off the face of the political map.

Then we have the revolt. A number of organizations are springing up across this country and I have talked to two of them. One is the Tax Revolt Network News run by Gerry Rogers in Halifax. He prints a monthly document and I will be quoting from it. There is also a gentleman by the name of Gebert from my home riding of Fraser Valley West who is well aware of Mr. Rogers' activities. By no means is this a limited list. There are all kinds of people out there.

I did get a call from a fellow by the name of George MacDonald in Calgary who is on a fixed income. He basically said: "Why not add the museum in the Prime Minister's riding to the cost of the inordinate expenditures, or the \$100,000 grant to study riddles", and so on and so forth. That just came from

Supply

Mr. MacDonald a few minutes ago. People out there are sick and tired of this.

Let me quote the Tax Revolt Network News: "Today nobody trusts governments will do what they say they will do, or say what they are planning to do without deceit". Gerry Rogers is a small businessman. He is not a politician. He is just ticked right off.

Other things in the Tax Revolt Network News: "The system is too complicated. A small business should be able to run and be accounted for by a person of average intelligence with a basic high school education. Please, governments, do not lend us money and do not give us grants. We are capable of governing ourselves. We need a more participatory form of government for the 21st century".

(1305)

Another quote: "Taxes can be lowered without law breaking. The secret in the control of politicians and their pathological need to tax and spend: Control the money. Take away their privilege of taxation and borrowing and they will become more reasonable to deal with". This is all over the place in this country.

Another fellow has formed a citizens tax coalition. One hon. member talked about banding together from time to time. These people are not just banding together; this is big stuff in this country. I quote: "The thing Mr. Rogers and I have in common is the contempt for the political system that ignores common sense in taxation. It is bound to result in chaos in our economy. The first casualty will be our system of government followed by the politicians who failed to represent the wishes of the people who elected them".

I have one more quote which is interesting. It goes back a little bit. The quote is this: "The national budget must be balanced. The public debt must be reduced. The arrogance of the authorities must be moderated and controlled. Payments to foreign governments must be reduced if the nation does not want to go bankrupt. People must again learn to work instead of living on public assistance". This is not my quote; it came from a senator of ancient Rome, Marcus Tullius Cicero speaking in 55 B.C. What has changed since 55 B.C. you ask. Not much in this country.

The Romans misread the mood of the people and the civilization went up in flames. We are in danger of that happening too and I think this Liberal government should take heed.

Mrs. Dianne Brushett (Cumberland—Colchester): Madam Speaker, I truly enjoyed the hon. member's remarks, particularly the humour. When there is humour and wit in a taxation debate it does make it a lot more enjoyable.

One comment is in terms of the Rogers report on taxation revolt out of Halifax. My riding of Cumberland—Colchester is in Nova Scotia, that beautiful province. Just yesterday I attended a ribbon cutting and sod turning ceremony at a factory. It

Supply

is a manufacturing plant of Intertape Polymer Group. This factory has been in existence in Truro for close to 20 years. About every five years it has been able to expand with a little bit of Atlantic Canada opportunities or ACOA funding.

Yesterday we presented it with a grant of \$1.5 million. Seventy per cent of that was federal funds and 30 per cent was a provincial co-operative sharing financial grant. The amount we presented as government of \$1.5 million was matched with \$9.8 million from the plant. This was to expand into new products that would go on the international marketplace. It already employs close to 400 people and will take on an additional 45 people. These are long term sustainable jobs.

The point I wish to make is that the manager of this plant had to compete with his other plants. One in Florida, one in North Carolina, one in Ontario, one in England, and the one in Nova Scotia: five manufacturing plants that manufacture a plastic tape that goes on the back of carpets, that makes polysacs for carrying all kinds of large bulk products. This fibre is made, competed with and sold internationally.

This plant in Truro was able to get the \$9.8 million from the conglomerate because we were able to assist a little bit with an ACOA grant in the Atlantic region.

That is the benefit of cost sharing, stimulating, promoting those jobs. As the hon. member will know, in our red book we did advocate jobs for this country. If he has read the recent reports the economy today is at the highest it has been in the past five years. It is growing. It is growing slowly but it is growing and he must agree that we have taken some appropriate measures by reducing those taxes, the 3 per cent in the UI premiums. That was a constructive, positive measure to increase jobs and to increase job potential for this country.

(1310)

I wanted to point out to the hon. member the fact that when we do cost share as a government, if the owner or manufacturer puts in a substantial amount and there are long term jobs, long term sustainability in manufacturing for the export market, I must remind him of the tremendous products, then it is a good investment and we are on the right track.

Mr. White (Fraser Valley West): Madam Speaker, good comments from the hon. member. I assure her it is not easy getting a laugh out of a tax revolt or a tax system in this country but one has to try once in awhile.

There is such a thing as government trying to assist business. I guess it is the perspective one has on how it is done. I can name time after time where government has put money into business and it has just gone out the back door. It has been a waste.

I spent some time down in Halifax not too long ago. Many people I talked to down there said: "Get rid of ACOA. It is just another tax bonus for those who can get into the trough".

I was in Anglemont up in the Shuswap in British Columbia this weekend. A fellow there said: "A friend of mine is going to start a business. He just got a \$17,000 grant to start a business". I know the name of the business but I will not say it here.

The fact is that perhaps his friend should have borrowed the money from a bank or a business somewhere. You cannot just go around this country handing out tax dollars from the people of British Columbia or Alberta to somebody in the territories who wants to start a business. That is what is ticking people off today. Their money is being given away to some businesses that are totally unproductive.

Westray mines in Nova Scotia is a good example. That mine kept a lot of people working but it was tax dollars being transferred right across this country. What was the end result? There never was money earned in that place and many people died in a very unfortunate accident.

I received a letter not too long ago from the Canadian Kennel Club after my criticism of its receiving a \$5,000 bilingualism grant. The club told me it had an income of \$4 million to \$5 million, yet it was getting a \$5,000 grant. What for? Let it spend its own money.

The Acting Speaker (Mrs. Maheu): I am sorry, the hon. member's time has expired.

[*Translation*]

Mr. Alfonso Gagliano (Saint-Léonard): Madam Speaker, I am pleased to rise during this opposition day to debate the motion tabled by the hon. member for Calgary Centre which reads: "That this House implore the government to initiate immediate consultations with Canadian taxpayers—"

I do not know if the hon. member remembers, but before tabling his budget, the Minister of Finance consulted Canadian taxpayers across the country. Thanks to modern technology, those who did not participate in these consultations were able to follow this exercise on TV. Consequently, the first point mentioned in the motion does not accurately reflect the situation.

Also, since the motion talks about initiating consultations, I thought that, especially in the case of the Reform Party, details would have been provided as to the kind of consultations to hold, because such a process costs money. What about expected results? I have not heard anything concrete on this since the debate began this morning.

The motion then refers to consultations with "provincial governments on the creation of a fair and integrated reform of the entire tax system—" I believe the hon. member is alluding to tax harmonization and I agree with the Reform Party on that. I

think that the Minister of Finance has already had meetings with his provincial counterparts, and it goes without saying that there is work to do. I also believe that, in its efforts to determine how to replace the GST, the finance committee is reviewing this whole issue.

(1315)

This government has taken concrete measures since it took office. The hon. member mentioned earlier that we grant subsidies to companies or institutions and that this was a bad investment. We did say during the election campaign, as well as in our red book, that subsidies to companies will be drastically reduced, and I believe we are doing that. So we are going in the right direction concerning this aspect of public finances.

In fact, we have taken several realistic measures to put some order in public finances. During the election campaign, we did not make unrealistic promises, as did the Conservatives and the Reformists who promised to totally eliminate the deficit in three or five years.

The federal administration also includes the vision of a society. This is why it is not as easy as the Reform Party would have you believe to make cuts to reduce the deficit.

We made a very logical and realistic proposal in our red book. We said that we were going to lower the deficit to 3 per cent of our gross national product, over a period of three years. And when he tabled the budget, the Minister of Finance showed how he was going to fulfill that promise.

This is what we managed to do in the six months since we took office. The results are starting to show.

Reform Party members are very critical of the infrastructure program, and this from a political party that believes in public consultation and local government. I have been a member of Parliament for ten years now, and every time I meet mayors of municipalities, members of municipal, provincial and regional councils and members of the Federation of Canadian municipalities, they always demand federal involvement in an infrastructure program, because that is our role as a government. The Reform Party has no vision. A government must have a vision of society. A modern society without a modern and adequate infrastructure cannot develop its economy, and our economy must be in good shape if we are going to reduce the deficit and the debt. And that is what we are doing.

We responded initially to a request from the municipalities and we put this request before the provinces, which agreed to share the cost three ways. We will not only create jobs needed in the short term to boost economic recovery but also respond to a real need for infrastructures in our regions, our communities, our towns and our villages. The infrastructure program will help

Supply

communities and existing entrepreneurs to expand and help new entrepreneurs get started.

It is not just a matter of dollars and cents. We must have an all-encompassing vision, which the Reform Party does not have when it insists on talking about a tax revolt.

To my knowledge, there have always been protest movements, and these are sometimes necessary because they make us think. As members we often sit in this House five days a week and do not always have time to go and listen to our constituents. However, we don't think we can say there is a revolt. Of course some people are angry, and a few may have good reason to be, but I think that today we should be more constructive and try to get together and deal with these problems with the government, and I think we should stress the positive aspects so that we can suggest how the government should deal with these problems. We did.

(1320)

Speaking of consultations, as part of our parliamentary reform at the beginning of this session, our first item was to ensure that members of the finance committee would be able to prepare the next budget with the Minister of Finance, something unheard of in the past. Until now, the contents of the budget were announced to members in this House at the same time as they were to Canadians watching on television, in other words, when the budget was brought down in Parliament.

Members of Parliament will be able to contribute. This system will enable us to submit proposals, make suggestions and express the people's concerns to the Minister of Finance. That is what we call real consultation!

The motion reads:

—implore the government to initiate immediate consultations with Canadian taxpayers—

That is what we have been doing since the opening of the session. In fact, that was one of the commitments we had taken during the election campaign.

We, members of Parliament, are here to represent the people of Canada. As such, we can let the Minister of Finance know what they think and the committee will be able to prepare a budget, together with the minister, and to tackle the problems facing the Canadian economy. This way, we will be prepared to face the problems of the 21st century, have a sound financial position and be able to compete in the modern economy.

On September 4, ten years ago, I was elected federal member of Parliament and I have spent at least six of the past ten years examining problems the small and medium-sized businesses are grappling with. In the budget speech, I was pleased and proud to notice that the Minister of Finance had tried to settle once and for all the question of small business deductions. Small business need tax deductions, but the Income Tax Act allowed large

Supply

corporations to take advantage of the system, up to \$200,000 worth in income. The Minister of Finance corrected the situation and he will certainly address small business.

In the budget also, large corporations like financial institutions were told that they would have to pay their fair share. Of course, complaints were received from the Restaurant Association because deductions for entertainment expenses were reduced from 80 to 50 per cent. The Minister of Finance's budget actually established equity, as requested in the motion before us, but this means everybody has to do his share. I must admit that the federal government was dragging behind in that respect. Measures to that effect had long been in place in Quebec, as well as in Ontario and in the United States. I am sure that restaurant owners will realize that their businesses will not suffer from these measures; the fact that people can only deduct 50 per cent of their expenses will not stop them from going to the restaurant.

It is therefore very important to pursue our efforts in that area. That is in fact the first thing we will do after receiving the finance committee's report on the GST. Consumption tax is a major element of our tax system. We are going to provide the Canadian people with a fair and equitable tax system. We will start by finding an equitable alternative to the GST and I hope that this time, the provinces will accept to harmonize their programs with ours and that we can have a tax system that everyone can understand.

(1325)

Madam Speaker, you and I come from Quebec. Today, someone who goes to a service station or a garage to get their car fixed would have trouble understanding their bill. As an accountant myself, I have difficulty understanding my bill.

Because there is a 4 per cent tax, a 7 per cent tax, a 9 or 8 per cent tax, and every tax kicks in after a certain amount. So the small entrepreneur who should be in his garage working as a mechanical specialist and serving his customers is busy with all this paperwork, and God knows what will happen in two or three years, when the auditor from the revenue department drops by his garage. Did he figure out the taxes properly?

Imagine how our small and medium-sized businesses feel who have to live with this GST system. I think this year we should make the effort to design a consumption tax system. Because with our financial situation, we cannot tell Canadians that we will abolish the GST and that there will be no consumption taxes.

The Right Hon. Prime Minister, whether in opposition or in government, has always been very clear: we will replace the GST. However, once we have dealt with this important part of the tax system, namely consumption taxes, we will move on to the other part of the system, income and capital taxes. What

system should we have? I think with the structure, reforms and regulations established in this House by our parliamentary committees, especially the finance committee, we will be able at this time next year, with the next budget, to really put our fiscal house in order and give hope to Canadians that we can have a fair, equitable and efficient tax system.

But it is only by working together and supporting the Minister of Finance—and I am confident that our finance minister will see it through to the end. Before becoming involved in politics, he was a businessman; he knows the problems, he listens to Canadians—and I am sure that together we will succeed.

I know that the hon. member for Gatineau—La Lièvre would like to participate in this debate so, Madam Speaker, with the consent of the House, I will sit down and allow him to speak his mind.

[English]

The Acting Speaker (Mrs. Maheu): On a point of order, the hon. member for Calgary Centre.

Mr. Silye: Madam Speaker, do we not get to ask some questions of the hon. member for Saint-Léonard?

The Acting Speaker (Mrs. Maheu): The member was asking if he finished early whether he could give a chance to the member for Gatineau—La Lièvre to make comments or ask questions.

Mr. Jim Silye (Calgary Centre): Madam Speaker, I would like to congratulate the member for Saint-Léonard for his contribution to today's debate. I am a little disappointed that he has just focused on the GST as a partial solution to our taxation problem. Perhaps he is too busy being the Liberal whip to put full concentration on this area of taxation.

He brought up a point about the cost of consultation and as a Reformer I feel I should address this particular issue. Current hearings are always held by most standing committees, especially the Standing Committee on Finance.

With the replacement tax for the GST provincial governments are certainly encouraged to look at the issue of harmonization and therefore the government and/or committees will be meeting with provincial finance people. When they are doing that and for the same cost at the same time the government can be bringing up other areas of taxation that provinces, individuals or witnesses may want to contribute toward an overhaul of the taxation system. In the next year and a half, at no extra cost, this extra review can be initiated with Canadians and provincial governments.

On the order of public finances the member indicates that he feels his government is bringing order to the public finances. I counter that position as a comment by saying that the government has increased overall spending by \$3.3 billion and is

concentrating on the revenue side to generate more revenue for the government.

By borrowing \$2 billion on the infrastructure all the government is going to get back at most is \$400 million in taxes with the extra jobs it creates if it creates them.

(1330)

That will be a net loss on the infrastructure program so it is headed the wrong way.

I compliment the hon. member for Saint-Léonard as party whip for handling the budget of the Board of Internal Economy. I do not know whether it is \$250 million or \$270 million, but he and his committee, and I believe it was through his efforts, came up with a \$5 million saving for this House and the taxpayers of Canada.

I wish that he would take his insight and his understanding of how cuts should really work and apply it to the Department of National Revenue. When the deputy minister of National Revenue and Taxation was asked to come up with some cuts, he came up with an amalgamation of two departments. Out of a budget of \$2.2 billion all that he could come up with, not that it is insignificant, was \$36 million.

On a proportionate and percentage basis, I would like to know if the hon. member would be willing to serve as the cabinet minister of National Revenue and Taxation. He knows how to cut.

Mr. Gagliano: Madam Speaker, maybe the member should speak to the Prime Minister.

I thank him for his congratulatory remarks. With the help of some of my colleagues, we realized the cuts that the member mentioned. The budget of the Internal Board of Economy for 295 members of Parliament and this House is between \$200 million and \$230 million a year. Five million dollars may be saved by the end of the year and we hope to save even more. This is not a big reduction but we have to start somewhere.

We have to start from the top. That was the aim of this government. The Prime Minister did it with cabinet. We collectively did it here in the House. We are giving a good signal to the public administration in all departments. I would not like to pick on only one department. The member mentioned national revenue. It should be all departments.

The Prime Minister is reminding every cabinet minister on a daily basis to make sure that they are responsible. We are going that way.

In terms of consultation, the member and I agree. The rules are already in place through the finance committee. The least expensive consultation that we can have is through the finance committee of this House. We are doing it on the GST. Once the GST is finished, I am sure that with the budgetary process that

Supply

we have in place this fall the finance committee will look at all the other tax expenditures and we will make progress.

Like I said, we all have to participate. I could quote letters. It is incredible how such a thing could happen. We are trying to serve almost 27 million people. We have a system, but it is a complicated system. If all of us sincerely want to help we can do our own little thing for which we are responsible as a member of Parliament. We can go a long way.

I hope that in this 35th Parliament this new spirit of co-operation and so on that we have shown in the past four months will continue. I am convinced that in the end we can achieve a greater result and Canadians will be better off. We run for office and get elected so that we can help Canadians feel good about this country. We want them to be better off. They can compete and look for a bright future.

I thank the member for his congratulations. Our difference is not that far apart. Sometimes we have to look at more than just dollars and cents. The hon. member said that through taxes we may get only \$100 million back from our \$2 billion. I do not want to dispute those figures. I did not do the calculation.

(1335)

We also have to look at the wealth and the infrastructure that we put into our communities that will help to create a better business structure, a better lifestyle which in general helps people to feel better and feel more secure in our communities and therefore be more productive and more active.

That is the problem in our society. If we make sure that all Canadians are active, I think we will reduce the deficit and the debt and we will have a better society.

[Translation]

Mr. Gérard Asselin (Charlevoix): Madam Speaker, I am pleased to address the House this afternoon on the subject of the government's tax system. Since the Bloc Québécois was elected last October 25, it has tabled a motion calling on the government of Canada to strike a committee to review all government spending.

For many months now, the Bloc Québécois has been demanding an in-depth review of the tax system, the aim being the elimination of tax inequities. Having brought down a \$164.7 billion budget providing for a spending increase of \$4 billion for 1994, the Liberal government should review its spending practices because it has chosen the easiest course of action, which is to raise taxes.

Finance minister Paul Martin's recent budget sets a second record in this House, what with a deficit of \$9.7 billion and \$110 million in interest charges per day. Given the current state of the economy and the high levels of unemployment and poverty in Quebec and in Canada, the \$110 million in interest charges which the federal government pays to financial institutions could surely have been put to some other use. It could have been

Supply

invested in a variety of other areas such as social housing or in business recovery programs aimed at job creation.

There is an urgent need for the government to review the entire tax system. Furthermore, as I stated earlier, it is also very important that the government agree to the motion presented in this House by the Bloc Québécois which calls for a committee to be established to review government spending item by item and to give the government some control mechanisms.

When the Minister of Finance appeared before the Standing Committee on Finance, of which I am a member, I asked him whether it was the public servants who were mismanaging programs, or the politicians who were spending too much. Of course, since the minister wanted to protect some public servants and deputy ministers, he had to take full responsibility and reply that it was the politicians who were spending too much.

I believe that politicians should give themselves monitoring tools, because they are the ones who must take responsibility when the government tables a budget and has a deficit. Every four years, political parties have to go before the best judges of their actions: Canadians and Quebecers. We cannot afford a budget like this one, with a deficit of \$39.7 billion. The government is trying to eliminate a deficit by creating another one.

You will remember that when the Conservatives tabled a budget with a deficit of \$32 billion, the largest ever at the time, it caused an uproar. The Liberals just hit the roof. This was unprecedented. But this was just rhetoric on their part to get elected. Indeed, the Liberals' recent budget is proof that they are no better managers than the Conservatives of the time.

(1340)

It is important that the government implement all the Auditor General's recommendations. His services are costly. In fact, it costs the government \$60 million over three years for this audit of its books, a job which the Auditor General has always done well and will continue to do well. We are not asking for cuts affecting social programs, low-income and single-parent families, or social housing. We are asking the government to make cuts in its own fat. It is the Auditor's mandate to find out where that fat is, and he does a very good job at that.

The Bloc Québécois is also asking that a committee be set up to review all government expenditures. The Reform Party agrees with us on this score. This committee would include members of all political parties, mainly the government, the Bloc Québécois and the Reform Party, who, along with the Minister of Finance and the Minister of National Revenue, would take a look at all expenditures which are not essential to the operations of this House.

It is important that the government give itself means to control each department. And if in its budget, the government approves the budget for the Department of Transport, and if the Minister of Finance includes in his budget a budget for health programs for the Department of National Health and Welfare, the officials who run this program must be responsible for its administration, and the ministers responsible for their respective departments must be accountable for those departments.

A minister who is there just for the prestige is pretty useless. I think ministers should be responsible for their individual departments and for the programs in those departments. If the minister does not do his job or if the official doesn't do his job, in that case, let us get someone else. However, we cannot afford to approve a budget with a \$39.7 billion deficit, knowing full well that in the end, if the economy or employment recovery is not up to expectations, we may end up with a deficit of \$45 billion or even \$50 billion.

Public servants and the ministers in their respective departments must be aware of their responsibilities and administer the programs and budgets they have been given to administer by the government.

I have been sitting on the finance committee for about two months, and we heard many witnesses for the municipalities, Chambers of Commerce, unions of municipalities, restaurant owners, and so forth, and everyone is trying to find ways for the government to raise revenue without affecting the consumer. I think the government should stop worrying about how to raise revenue, because workers and consumers are already paying far too much.

What the government should worry about is how to cut its spending, and it doesn't take very long to find out how to do that. What it takes is a good committee that looks at departmental budgets item by item. Its work would be cut out for it. For a start, we should act on all the recommendations made by the Auditor General. We pay too many taxes and too much income tax, and we should try to eliminate monumental mistakes like the contract at Pearson Airport in Toronto. This is the only federal airport in Canada that makes a profit, that generates a total of \$50 million annually, and the previous government decided to privatize it.

Did the government decide to reward indirectly those who had contributed to the election campaign? The Bloc Québécois is asking for a public inquiry to prove that the present government did not enjoy certain advantages as result of actions taken by the previous government, actions which have penalized taxpayers in Quebec and Canada. Quebecers and Canadians pay too much tax, and people are wondering whether they are getting their money's worth.

(1345)

We pay taxes to the federal government and to Quebec. We turn over \$28 billion per year in taxes to the federal government, in addition to paying provincial taxes, the GST, the TVQ, municipal taxes and school taxes.

Quebecers are prepared to pay a single harmonized tax, one that would give the provincial government control of all tax dollars and combine the GST and the TVQ into a single tax for a single country. This will come to pass when Quebec achieves independence.

As I was saying, workers and consumers are the ones left to pick up the tab. From the moment he is born, a Canadian child owes \$20,000 to the federal government. And this same child will be paying until the day he dies.

Allow me to explain myself, Madam Speaker. As I was saying, when a child is born, he inherits a \$20,000 share of the deficit. From the time they are old enough to attend grade school and high school, CEGEP or university, students pay taxes on books, goods and services and computers, etc. In short, even their education is taxed.

For parents who must incur a number of expenses related to their children's education, the process can be quite costly. Not every municipality or region in Quebec or in Canada has a CEGEP or a university. There is a CEGEP in the Charlevoix region. However, when students wish to go to university, they must travel outside the region and this can be very expensive.

A student from Baie-Comeau who decides to further his education in Montreal or in Quebec City will probably have to pay anywhere from \$8,000 to \$10,000 per year. Quite often, his father or mother, or sometimes both, end up unemployed, or even on welfare because a plant was forced to close, jobs were cut or a contract terminated.

If the student wishes to stay in school, he is forced to rely on loans and bursaries. When they graduate from university three or four years later, students find themselves \$20,000 to \$25,000 in debt and this, without any guarantee of finding work when they get out of school.

Naturally, these parents cannot afford to pay the required \$8,000 to \$10,000 a year and the child, having taken out loans, often must abandon his studies, for lack of funds.

There should be a tax deduction form for parents, to help children who study away from home. Let me explain. At present, when a couple divorces and the father is ordered to pay alimony to his ex-wife, the portion of his income which is paid in alimony is tax deductible. On the other hand, the same parent, if he is a good father and puts one, two and sometimes as many as three children through university, incurs very high expenses, but the money invested by parents in the education of children

Supply

attending university is not tax deductible. The government should come up with programs to help, through the tax system, working taxpayers who pay to send their children away to get an education. These young people are our future. I also think that it would help prevent dropping out.

(1350)

It is also urgent, both at the federal and the provincial level, that vocational schools be reopened. There will always be intellectuals with the skills and financial means to enter university, but there are also young people who do not have the skills or the financial means to go to university. There is an intermediate level that used to exist in the seventies—I am talking about vocational training.

You know that these jobs are increasingly occupied by women. Equal pay for equal work! These would be much sought-after trades because in construction, we will always need plumbers, electricians, carpenters, mechanics and the likes. There are only two classes: labourers, almost like welfare recipients, and professionals. But the construction market will always exist and I think governments should re-open vocational training centres to help those who lack the skills to go on to university.

The government tried to compensate for taxes by promising "jobs, jobs, jobs" in its red book. They will have to take action. Six months after the Liberal Party was elected, 23,000 more people live on social assistance in Quebec. They have exhausted their unemployment insurance benefits and are now on welfare. As I said last week when the Prime Minister declared that the unemployment rate was down 2 per cent in Quebec, it is because social assistance has gone up by 2 per cent.

The only reasonable thing in the Liberal Party's platform is the infrastructure program. Of course, this program will help small municipalities and some regional county municipalities. But \$2 billion for the infrastructure program is not enough. The Federation of Canadian Municipalities recommended that the government should invest at least \$15 billion in the program. The infrastructure program will not cure the unemployment cancer. Part of the problem in Quebec and Canada can be solved by a \$2 billion infrastructure program, but not all of it.

One does not treat a broken leg with a Band-Aid or a general cancer with aspirin. The government must inject more money into this program to create jobs and help municipalities; this, in my opinion, would turn a good program into an excellent program. Again, what ratepayers do not have to borrow, they do not have to pay. I will be happy to resume my comments after question period.

Mr. Mark Assad (Gatineau—La Lièvre): Madam Speaker, after listening to the member for Charlevoix who dealt with many subjects, I will come back to the issue of taxation, because that is what we were discussing this morning.

S. O. 31

(1355)

He talked about the need to reform the tax system. Of course many people have called for that. The hon. member is on the finance committee. Last night, I had the opportunity, as a member of Parliament, to testify before that committee and talk about the need for tax reform. In the brief I presented, I spoke of the need to reform the tax system.

There is something we can refer to. Twenty-five years ago, maybe more, there was a well-known royal commission of inquiry on the tax system, the Carter Commission. Twenty-five years later, the Carter Commission's recommendations are still valid today. The tax system must be improved to make it fairer and more equitable. We need consider only a few figures to realize that in the past 15 or 20 years, the tax system has worked against the welfare and interests of the middle class, which for all practical purposes is the backbone of any modern economy.

Of course, in a society like ours, when the middle class has disposable income, the economy is moving. But as the years go by and taxes are so high that incomes go down, we see the problems that we have in Canada now. These are only some indications of the reform that must be made to our whole tax system, including the GST, of course, which was a disastrous error for the country.

I would like to draw your attention to some figures and show you how unbalanced our system is. Back in 1980, the richest 1 per cent of Canadians at that time held 16 per cent of all the wealth and income in the country. That is just to give you an idea. Ten years later, only ten years, which is not much in the history of a country, in 1990, the same top 1 per cent held 26 per cent of all the income and wealth in our country.

Did those people invest? Did they make wonderful investments in the country? Not at all. They used the tax system to their advantage. Please note that everything they did was not illegal, far from it; it was legal, they were protecting their own interests. They used the tax system; they found loopholes in the act to protect as much as possible their wealth and revenue. This gives you an idea of the imbalance which prevails.

Another figure also shows that problems exist. Everyone agrees that the accumulated deficit is enormous, but 44 per cent of that deficit is due to compound interest. This means that 44 per cent of our accumulated deficit is not due to any actual spending. That part of the deficit is the result of compound interest. As you know, interest rates were very high for a period of 12 years. Even our interest rate was one third higher than the American average for 12 consecutive years. You can see the damage caused by that situation to an economy.

Is my time up, Mr. Speaker?

The Speaker: No, not yet. The hon. member has about six minutes left. He can resume after Question Period, that is after the vote which will take place this afternoon. I remind the hon. member that he must always speak to the Chair.

It being two o'clock, pursuant to Standing Order 30(5), the House will now proceed to Statements by Members, pursuant to Standing Order 31.

STATEMENTS BY MEMBERS

[English]

RIGHTS OF THE FAMILY

Ms. Roseanne Skoke (Central Nova): Mr. Speaker, in recognition of International Year of the Family my statement is prepared in defence of the family.

The conventional terms of debate in matters of political, economic and legal issues tend to focus on individual rights and the rights of state, not the rights of the family.

This is unfortunate and must change, for the family is the most important reality in our lives. To redefine the family to include homosexual and lesbian relationships is immoral, unjust and a violation of the rights of the family which are well founded in both Canadian and natural law.

The family unit is the basic institution of life and the solid foundation on which our forefathers built this great nation. The protection of families, family life and family values must be a priority with this government.

* * *

[Translation]

MULTICULTURALISM

Mrs. Christiane Gagnon (Quebec): Mr. Speaker, yesterday, the member for Saint-Léonard said that the future government of Quebec will reject multiculturalism and will not uphold its commitments to cultural communities.

The member's statement is a perfect example of the kind of disinformation which is being spread around by advocates of a Trudeau-like multiculturalism, an archaic concept whose noble and bold principles no longer ring true in Quebec.

Quebec sovereignists are resolutely forward-looking. They are actively promoting, both in Quebec and in this House, a free society where social, political and economic policies make room for everybody, no matter their origins.

For us, Bloc members, as for the members of the Parti Québécois, there can be no doubt: a sovereign Quebec will respect the rights of its communities in a free, democratic and French society. That is the truth.

* * *

[English]

AYRTON SENNA

Mr. Grant Hill (MacLeod): Mr. Speaker, the auto racing fraternity was saddened by the death of Ayrton Senna in a racing accident Sunday during the Grand Prix at Imola. Senna, three time world champion and a hero in his home country of Brazil, died doing what he did best. He was the acknowledged master of his craft and surely he seemed immortal.

His death is very similar to the untimely end of Canada's equally talented driver, Gilles Villeneuve.

To Ayrton Senna's family, his country and to all his close friends I extend my sympathy and my support in this sorrowful time.

* * *

JUSTICE

Mr. Rex Crawford (Kent): Get tough with criminals is the message I am hearing in my riding, Mr. Speaker. Chatham, Ontario, with a population of only 43,000, is still reeling in shock and horror at the brutal murder last week of seven-year old Daniel Miller at the hands of a teenager.

Some residents are calling for vigilante justice and curfews. Mothers with kids in elementary school are calling me. Their children are afraid to go to school.

Let us beef up our justice system so Canadians feel secure that criminals are punished with more than a slap on the wrist. Calm and level heads must prevail. With sinister events recently in Chatham and Hull shaking our faith, I encourage and support the Minister of Justice as he reviews the Young Offenders Act.

The nation is waiting for the minister to act.

* * *

GENERAL MOTORS

Mr. Ivan Grose (Oshawa): Mr. Speaker, today I address you to correct an impression that was left with this House last Thursday.

It was suggested that the largest, most efficient, highest quality General Motors plant in the world was in the federal riding of Durham. That is incorrect. Since this happened a letter and a telephone call have come to me. I therefore want to set the matter straight.

The aforementioned General Motors plant is located in the federal riding of Oshawa. The citizens of Oshawa have honoured me by sending me to this Chamber to defend their honour and

S. O. 31

pride against all those who would deign to move the best corporate citizen in this land into an adjoining riding.

I promise my constituents to be ever vigilant and never allow this type of hijacking of any of our assets.

* * *

MEDIC ALERT

Mr. Andy Scott (Fredericton—York—Sunbury): Mr. Speaker, it is my pleasure to remind the House that May is Medic Alert month. Medic Alert is an emergency medical information network accessible around the world. Over three-quarters of a million Canadians rely on Medic Alert bracelets and necklets to ensure emergency medical personnel are aware of their specific needs, whatever they may be.

Life Underwriters Association also holds an awareness campaign each May to promote the benefits of Medic Alert to Canadians.

(1405)

Medic Alert identification can help save the lives of people suffering from diabetes, epilepsy, asthma, food and drug allergies and any hidden condition.

Please join me in congratulating the Medic Alert Foundation and the Life Underwriters Association for their excellent contribution to the health of Canadians.

* * *

[Translation]

LA SAINT-JEAN

Mrs. Madeleine Dalphond-Guiral (Laval Centre): Mr. Speaker, Quebec's national holiday, *la Saint-Jean*, is a very special moment when all Quebecers have the opportunity to renew their commitment to their native land. Last year, over 200,000 people took part in the march down Sherbrooke street, and close to one million viewers watched the parade and the show on TV.

This year, several corporate partners from the business and communication sectors will help finance the festivities. Moreover, all Quebecers will be able to chip in by purchasing one of the 500,000 tickets which will be sold across Quebec at 5,500 different outlets.

The Bloc Québécois strongly urges all Quebecers to give a hand to the National Holiday Committee so that, this year, the celebrations are once again a magical time of solidarity for all Quebecers.

* * *

[English]

CANADIAN NAVY

Mr. Jim Hart (Okanagan—Similkameen—Merritt): Mr. Speaker, last Sunday Canadians remembered the Battle of the Atlantic. Canadians have enjoyed 50 years of peace and security

S. O. 31

in large part due to the contribution of the courageous sailors of the Canadian navy.

Today the navy has as its mission the continued assurance of this peace. Canada has the world's longest coastline and is a major trading nation with busy seaports on both coasts. Her maritime interests are undeniable, particularly the fisheries.

Our navy plays a significant international role in NATO and made no small contribution to bringing about the end of the cold war. In peacekeeping operations the professionalism of our navy is respected around the world.

Today almost 1,000 Canadian sailors and airmen are off the coast of Haiti and Yugoslavia doing their part to support UN operations.

As we remember those sailors of World War II, I call on all Canadians to also remember the men and women of the Canadian navy who serve us so well today.

* * *

KILLER CARDS

Ms. Colleen Beaumier (Brampton): Mr. Speaker, serial killer cards have an adverse effect on our youth by glorifying the deeds of violent murderers. I encourage all members of the House to support the ban on their production and distribution.

Over the past six weeks I have received letters from high school students in my riding telling me that they fear growing up in a society in which violent murderers are rewarded with the production of commemorative trading cards. They tell me they fear that peers who collect these cards will come to look at violent murders as a quick and easy way to achieve fame rather than seeing murder for what it really is: a cruel end to many lives beginning with the victim and ending with their family and friends.

Youth in Brampton are demanding an end to the production and distribution of these cards.

For the well-being of our children and for the well-being of the type of society this generation hands down to them, I again ask all parliamentarians to support a ban on the production and distribution of serial killer cards.

* * *

CANADIAN FORESTS

Mr. Derek Wells (South Shore): Mr. Speaker, it is National Forest Week and I would like to acknowledge the contribution that forests make to my riding and to all of Canada's social, environmental and economic well-being. Next to the fishery the forestry sector is one of the largest employers in South Shore, with 270 companies employing over 5,000 people with exports valued at \$150 million a year.

The designation of Lunenburg county by the Canadian Forestry Association as the forestry capital of Canada for 1996 and the previous designation of Queens county in 1987 indicate just how significant this resource sector is. Forests are a part of the natural beauty of South Shore and serve to make it a popular tourist destination.

Most important, forests are a key component of our natural environment. They moderate the climate, prevent erosion, improve air quality and provide wildlife habitat.

This week we should not only be thinking about what our forests provide for us but what we can do to provide for them.

* * *

KILLER CARDS

Mrs. Sue Barnes (London West): Mr. Speaker, I rise today to express my concern and that of my constituents about the importation of serial killer cards and serial board games into Canada.

We do not need products that exploit violence and cruelty. It is appalling that in the midst of the recent senseless shootings and the flare-up of violent crime some would go to any length to promote and commercialize serial killer cards and serial board games.

(1410)

I am heartened that the Minister of Justice tabled in this House on April 20 draft amendments to the Criminal Code and the custom tariff. These draft amendments would prohibit the sale or distribution of offensive material such as serial killer cards and serial board games to children under the age of 18.

Let there be no doubt that I along with my colleagues in this House will do my utmost to effectively deal with the commercialization of crime and still work within the Charter of Rights and Freedoms of our country.

* * *

[Translation]

AGRICULTURE

Mr. Paul Crête (Kamouraska—Rivière-du-Loup): Mr. Speaker, the agri-food sector is presently faced with an upheaval the like of which we have not seen in thirty years. During the States-General of the rural world and the Trois-Rivières Summit, Quebec took the lead and agreed on principles which will govern the agriculture of tomorrow. The challenges of globalization are enormous and Quebec committed itself to developing a competitive agricultural sector which would build on the social and economic strengths of the regions.

The future depends on the decentralization of powers towards regional decision-making units better in touch with reality. Unfortunately, shared jurisdiction in the area of agriculture and

very different interests in the main agricultural areas of Canada, is not really helping the initiatives of Quebec farmers.

In this context, Quebec sovereignty is the necessary tool which will allow Quebec farmers to stay in the game.

* * *

[English]

REFERENDUM '94

Mr. Ted White (North Vancouver): Mr. Speaker, at a news conference this morning Referendum '94 on proposed amendments to the Young Offenders Act was officially launched.

Referendum '94 is believed to be the world's first ever electronic referendum. In the next few weeks every registered voter in North Vancouver will be receiving a confidential PIN number which will allow them to vote by dialling a 1-900 number, using their touch tone telephone to enter PIN identification and then voting yes or no to the questions on the electronic ballot.

North Vancouver high school students 15 years and older will also take part in the vote using a special series of PIN numbers that separates their vote from the vote of the registered voters.

A Canada wide 1-900 access will permit all Canadians to be part of an opinion poll on the same three questions that will be asked to the voters of North Vancouver in Referendum '94.

* * *

BANGLADESH

Mr. Walt Lastewka (St. Catharines): Mr. Speaker, in the wake of the severe cyclone which battered the Bangladesh coast and offshore islands yesterday I would like to extend sincere condolences to the people of Bangladesh.

Winds of over 200 kilometres per hour and heavy rains swept over the area bringing widespread damage to crops and property. The Canadian High Commission in Bangladesh has confirmed that there have been many casualties from this storm.

I know all members of the House join me in mourning this terrible loss of life and property.

Our condolences are also extended to the members of the Bangladesh community in Canada. We join with them in mourning the passing of their friends and loved ones.

* * *

FISHERY OBSERVER CONTRACT

Mrs. Elsie Wayne (Saint John): Mr. Speaker, it has been brought to my attention that there are severe problems with the recent awarding of the fishery observer contract to Biorex.

Oral Questions

This year the contract was up for renewal and the government went with the lowest bidder, Biorex, to save money. This saving is being consumed by the fact that the government has decided to train these inexperienced observers from Biorex under funding from CEIC. It is clear that by paying for this training the government is spending the same if not more by awarding the contract to Biorex when the government could have awarded the contract to the Scotia Fundy observers who are already trained and experienced.

How can the government justify spending \$1.9 billion on a fisheries aid package while at the same time put 50 experienced and trained observers from Scotia Fundy out on the street?

* * *

BOSNIA

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, I rise today to bring to the attention of the House the plight facing children in war torn regions across the world, specifically in Bosnia.

Last week I attended an international conference on genocide in Bosnia-Herzegovina. One of the impressions from this meeting is how much some European nations are doing for the children and some women at risk, and how comparatively little Canada is doing. The most recent numbers I have been able to obtain indicate that Canada is only taking a mere few dozen children for temporary safe haven. For a society as generous and caring as ours I find it hard to believe that we have not done more.

(1415)

As well, I want to invite all concerned members of this House to speak up on this issue and to consider forming a coalition to find ways of bringing together federal and provincial governments, private corporations and community groups in a joint effort to do what is right.

History will judge us harshly if we stand aside and allow an entire generation to be sacrificed.

ORAL QUESTION PERIOD

[Translation]

MOHAWKS FROM KANESATAKE

Mr. Michel Gauthier (Roberval): Mr. Speaker, yesterday, three human rights organizations jointly condemned the intimidation and acts of violence suffered by Mohawks from Kanestake. The Native Women's Association of Quebec, the Civil Liberties Union and the Canadian Action Committee on the Status of Women ask Quebec and Ottawa to intervene in order to guarantee respect for the rights of all those who live on this territory. These organizations are joining their efforts to those of

Oral Questions

local organizations that today met with the minister for the same reason.

My question is directed to the Prime Minister. Does the government intend to act on this request by three human rights organizations, especially considering that band leader Jerry Peltier did not even bother to consider meeting with these three organizations?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, the reports are disturbing but these particular incidents are a matter for provincial jurisdiction. The Kanesatake area is not an Indian reserve and, as I said, these incidents are a matter for the province and should be brought to the attention of the Sûreté du Québec or the Government of Quebec.

Mr. Michel Gauthier (Roberval): Mr. Speaker, considering that several Mohawks have suffered intimidation, especially women whose Indian status had been newly restored, and considering the major role played by the federal government in maintaining law and order through the Royal Canadian Mounted Police, does the government intend to intervene and act on this distress call?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, as I just said, maintaining law and order comes under the provincial government, and the RCMP has no role to play in this kind of situation.

Mr. Michel Gauthier (Roberval): Mr. Speaker, Michèle Rouleau, ex-president of the Native Women's Association of Quebec, said according to certain newspapers that if what happened in Kanesatake had happened anywhere else, criminal charges would have been laid.

Will the Prime Minister promise to intervene in this matter, since he has said repeatedly that the law should apply equally to everyone in Canada?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, the administration of justice is a provincial matter, and complaints, if these matters come under the Criminal Code, are handled by the Attorney General for the Province of Quebec.

[English]

If the hon. member is talking about possible breaches of the Criminal Code then this is a matter strictly for the Attorney General of the province of Quebec and I would be happy to draw his attention to the concerns that have been reported in the press.

[Translation]

CHILD SUPPORT PAYMENTS

Mr. Pierre Brien (Témiscamingue): Mr. Speaker, a decision handed down by the Federal Court—Appeal Division today confirms that the custodial parent should not have to pay tax on support payments and that the federal government has apparently wrongly collected several millions of dollars in taxes.

Can the Minister of Revenue tell us whether he will act upon this decision or appeal it before the Supreme Court?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, this is a matter of great interest to us. As the hon. member must know, in the budget tabled on February 22, reference was made to the federal-provincial family law committee which is expected to report to us on a number of issues relating to children and family and indeed more specifically, on the one raised by the court in the decision rendered today.

(1420)

Our biggest concern, I must say, is first and foremost financial support for children and second, tax fairness. I can assure you that we will take into consideration the court's decision as well as the report of the federal-provincial family law committee.

Mr. Pierre Brien (Témiscamingue): Mr. Speaker, more specifically, are we to understand that the Minister of Finance intends to implement the court's decision or that he will appeal it? Furthermore, how substantial are the amounts involved?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, the hon. member has to understand that the court just handed down its decision late this morning. We have received a copy of the decision, but have only had the chance to glance at it. We will now have discussions with the Minister of National Revenue, the Minister of Justice and certainly officials from our respective departments.

After that, we will be in a position to provide you with the answer you are looking for, but as I just said, our biggest concern is financial support for children and tax fairness.

The Speaker: I would remind the hon. minister that the hon. members must always address the Chair.

*Oral Questions**[English]***TAXATION**

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, my question is for the Prime Minister.

Yesterday the Prime Minister in response to a question from the member for Calgary Centre said that Canadians cannot expect any tax relief “until all Canadians who want to work find jobs”. This statement surprises and alarms business people, investors and unemployed Canadians who believe that tax relief is necessary to create jobs.

They feel that the Prime Minister has put the cart before the horse. My question to the Prime Minister is this. Does he or does he not believe that tax relief is necessary to create jobs and reduce unemployment?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, we have an economic policy that was enunciated in the budget and we said that the priority of this government was to create jobs.

Some hon. members: Hear, hear.

Mr. Chrétien (Saint-Maurice): It is still the same.

We would like to be able to reduce taxes at this moment but it would increase the deficit. If the hon. leader of the Reform Party is telling us to increase the deficit, fine, we will consider that.

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, you can reduce taxes without increasing the deficit if you reduce spending.

What we are trying to get at is the connection between tax relief and job creation. Let me put my question another way. Yesterday one of Asia’s top bankers, Mr. David Li, told a conference that Canada was an unattractive place to invest Asian capital because of high taxes, public debt and unnecessary government regulations.

In other words, Mr. Li and his clients are reluctant to invest more in job creating activity in Canada because of our high tax and spending level.

My question to the Prime Minister is this. What does he have to say to Mr. Li and thousands of other investors like him who refuse to invest more in job creating activity in Canada until they see lower taxation and spending levels?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, the leader of the Reform Party is absolutely right when he says—

Some hon. members: Hear, hear.

Mr. Martin (LaSalle—Émard): I do not blame members for clapping. They do not have much chance.

Some hon. members: Hear, hear.

Mr. Martin (LaSalle—Émard): I’m sorry, Mr. Speaker, you can clap too. I take it back, Mr. Speaker. I withdraw.

(1425)

The Speaker: I do not want the hon. minister to withdraw. I want him to get on with it.

Mr. Martin (LaSalle—Émard): Suitably admonished, Mr. Speaker.

It is for that reason that in the most recent budget we did not increase taxes. We recognize the burden that Canadian taxpayers face. At the same time it is the reason that one of the essences of the unemployment insurance reform being undertaken by the Minister of Human Resources Development was in fact not only a freeze of the anticipated increase in unemployment insurance premiums brought in by the previous government but an actual rollback next January 1.

The leader of the Reform Party referred to an intervention by a Hong Kong banker. May I just say that the International Monetary Fund last week said that Canada was going to lead all of the G-7 countries, either be number one or number two, in terms of growth and employment and it was going to be leading in low inflation. The fact is that the International Monetary Fund said that this country is creating jobs at a rate that it has not seen in a long, long time.

Mr. Preston Manning (Calgary Southwest): Mr. Speaker, contrary to what the Prime Minister said yesterday, it was the Minister of Finance who said a while back in this House that taxes are a cancer on job creation.

Millions of hard pressed Canadians are looking for a light at the end of the tunnel. They are looking for tax relief before they will spend more or invest more in job creating activities.

My question for the government is this. The government professes to have a target for deficit reduction. Does the government have a target for tax relief? Can the Prime Minister or the finance minister tell Canadians when they can expect real tax relief from this government?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, the exact quote was that payroll taxes are a cancer on job creation and our target is next January 1.

* * *

[Translation]

PURCHASE OF PROPERTIES AT OKA

Mr. Maurice Dumas (Argenteuil—Papineau): Mr. Speaker, my question is for the Minister of Indian Affairs and Northern Development. In a letter sent on December 20, 1993 to owners of houses located south of highway 344 in Oka, the minister wrote: “I can assure you that I am paying particular attention to this very complex issue.” Five months later, these families are

Oral Questions

still waiting for concrete action from the government, since the evaluation of these houses was completed on December 15, 1993.

My question is this: How can the Minister of Indian Affairs explain such a delay in buying the properties located south of highway 344, when he has had all the information needed to settle the issue since December 15?

[*English*]

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, I had what I thought was a very fruitful meeting with the APIK members. I just came from it. I have a statement that they have agreed to.

[*Translation*]

I promise to meet as soon as possible with Mr. Christos Sirros and APIK representatives to solve the problems of the properties located south of highway 344 and four enclaves and the security of that territory.

[*English*]

I hope that satisfies the hon. member.

[*Translation*]

Mr. Maurice Dumas (Argenteuil—Papineau): Mr. Speaker, five months later, still nothing, despite the special attention that the minister says he is giving these desperate people.

Why does the minister not solve the problem of these 25 families right now?

[*English*]

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, I think the hon. member knows that the former government purchased approximately 90 pieces of property which the Mohawks still have not taken over. Notwithstanding that, we allocated money for renovations and allocated money for a housing committee.

I dropped the precondition to negotiations that we would have to solve north of 344 before I would be prepared to bring a recommendation to cabinet. The meeting today was along those lines. Its progress is moving in the right direction.

I am very sympathetic to the problems that people south of 344 are facing. There is gunfire. I am not talking about a bit of gunfire. I am talking about thousands of rounds going off as early as last Saturday night. It is not a problem that they created. It is a problem that exists and a problem that we are prepared to solve.

(1430)

I am glad the hon. member is inviting the federal government to go into Quebec and solve problems.

* * *

CANADA HEALTH ACT

Mr. Grant Hill (Macleod): Mr. Speaker, “the Canada Health Act is the law of the land”, to quote the health minister. My question is for the Prime Minister. Should the law of the land be applied equally to all Canadians?

[*Translation*]

Right Hon. Jean Chrétien (Prime Minister): Yes, Mr. Speaker.

[*English*]

Mr. Grant Hill (Macleod): Mr. Speaker, Ontario is ignoring a principle of the Canada Health Act by refusing to reimburse Canadians fairly if they get sick in the U.S.

The Speaker: Would the member please put his question.

Mr. Hill (Macleod): This is specifically forbidden in the act. The Canada Health Act is unravelling.

Will the Prime Minister review the act, not to punish the provinces but to provide good health care for all Canadians?

Right Hon. Jean Chrétien (Prime Minister): Mr. Speaker, there will be a meeting in June of all representatives of the provincial governments, the federal government and other people involved in health care services in Canada. This meeting will be presided over by the Prime Minister.

* * *

[*Translation*]

FISHERIES

Mrs. Francine Lalonde (Mercier): Mr. Speaker, my question is for the Minister of Human Resources Development.

Yesterday, this minister clearly indicated to this House that the Atlantic fishery workers unions had been consulted about the individual contracts that workers must sign, thus committing themselves to undergo training or do community work in order to receive their benefits. We checked and the unions were never consulted on this.

How can the minister reconcile the statement he made yesterday in the House with the confirmation that was given to me afterwards by the head of the fishery workers union, who said he had never been consulted on the issue of the individual contracts?

*Oral Questions**[English]*

Hon. Brian Tobin (Minister of Fisheries and Oceans): Mr. Speaker, I look forward to the opportunity to answer the member's question and in the process to set the record straight. I know the member is much interested in having the record set straight.

The straight facts are that all major unions associated with the Harvesters Council of Canada, all provinces of Atlantic Canada and the province of Quebec, all stakeholders on the private side, and literally everybody who moves, walks, talks, breathes and has any interest in the fishery, have been more broadly consulted by the Minister of Human Resources Development about this policy—and I might add by the Minister of Fisheries and Oceans—than on any other policy heretofore introduced by a government anywhere on the planet earth.

Yes, this is one of the matters that was discussed.

[Translation]

Mrs. Francine Lalonde (Mercier): Mr. Speaker, no consultations were ever held on the individual contracts. Despite what the minister said yesterday and today, this is an extremely important issue as workers must sign contracts committing them to do certain things in order to receive benefits. This question was never looked at and the unions were not consulted on it.

Can the minister now promise to meet with them to discuss this issue before putting this system in place?

[English]

Hon. Brian Tobin (Minister of Fisheries and Oceans): Mr. Speaker, the question is a bit late because the Minister of Human Resources Development and the Minister of Fisheries and Oceans committed months ago, not only to the dozens of meetings we have already held but to the many more meetings that are to be held to ensure that the program is properly implemented.

(1435)

Despite the very difficult and real circumstances, despite the impact on people's lives, from which none of us gets any joy or seeks any advantage, may I say that one of the reasons this has gone superbly well has been the completely open attitude, the flexible attitude, the caring attitude and the consulting manner of the Minister of Human Resources Development, and that will continue.

* * *

INDIAN AFFAIRS

Mr. David Chatters (Athabasca): Mr. Speaker, my question is for the Minister of Indian Affairs and Northern Development.

Can the minister tell us: Do rank and file aboriginal peoples in Manitoba really want self-government at this time?

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, the question is: Do rank and file aboriginal people of Manitoba want self-government at this time? The response would be yes.

Mr. David Chatters (Athabasca): Mr. Speaker, I have a supplementary question.

In the last six months I have received over 60 examples from Manitoba describing instances of misappropriation and fraudulent use of band funds, mismanagement of band funds for unauthorized purposes, interference of band leaders in the deliveries of programs, and fear and intimidation tactics including assault and band memberships being forcibly removed from the reserves.

In the self-government agreement being negotiated—

The Speaker: Order. I would ask the hon. member to please put his question.

Mr. Chatters: How will the minister assure the protection of individual rights and how will aboriginal leaders be held accountable to rank and file aboriginal people?

Hon. Ron Irwin (Minister of Indian Affairs and Northern Development): Mr. Speaker, the premise of the hon. member's question is that we cannot trust these people because they cannot handle their affairs. I do not accept that premise.

What I see out there are honourable chiefs, honourable members, 400 of whom met at The Pas and unanimously said: "The time is now. We like your policy. We are prepared to work with you", and I intend to work with these people.

* * *

*[Translation]***PUBLISHING INDUSTRY**

Mrs. Suzanne Tremblay (Rimouski—Témiscouata): Mr. Speaker, my question is for the Minister of Canadian Heritage. According to this morning's *Toronto Star* issue a secret memo, addressed to all members of the cabinet, told them what strategy to use when dealing with Ginn Publishing. They were advised not to make any statement on the sale of this company, and also to dismiss all possibilities of inquiry on the matter by a parliamentary committee.

Could the Minister of Canadian Heritage confirm the existence of such a secret memo and tell us if this is the reason why an inquiry on this sale has been rejected by the cabinet and by the Parliamentary Committee on Canadian Heritage?

[English]

Hon. John Manley (Minister of Industry): Mr. Speaker, the secret memo the member refers to is so secret that none of the ministers involved had seen it or heard of it in fact until this morning; but I am told there was some advice contained in a

Oral Questions

communications memo prepared although I am not sure by whom.

They tell me that it said among other things: "Be boring and dull". I can assure the hon. member I have been doing my best to fulfil that qualification. It has worked so far, has it not?

An hon. member: Some things come naturally.

[*Translation*]

Mrs. Suzanne Tremblay (Rimouski—Témiscouata): Mr. Speaker, I am outraged at seeing the government turn into a farce a question dealing with Canadian Heritage.

(1440)

How can the Minister of Canadian Heritage still pretend he is defending the Canadian Heritage when his only concerns are to give answers that leave no trace since they are strictly oral and to blindly follow this memo instead of trying to shed light on this sale to American interests?

[*English*]

Hon. John Manley (Minister of Industry): Mr. Speaker, as I was about to say a moment ago, the important thing that was also contained in this memo was to grind down the questioner with facts.

Unfortunately the facts have not been of great interest to the hon. member who has put a number of questions on this file; but the facts include the fact that when Investment Canada approved the acquisition of Maxwell Macmillan limited by Prentice-Hall, it approved the acquisition of a company which was in receivership.

The result of the acquisition was the preservation of about 100 jobs in Canada, as well as the acquisition of a series of undertakings given by Prentice-Hall and its owner, Paramount, with respect to the distribution of publications within Canada, as well as the continuation of as many employees as possible.

There is a series of undertakings there. We received undertakings which we think are meaningful and which made this a good deal for Canada.

The facts are not of a lot of interest around here a lot of the time, but it is time members started to take recognition of the fact that in this case we got a good deal for Canada.

* * *

INCOME TAX ACT

Mrs. Beryl Gaffney (Nepean): Mr. Speaker, my question is supplemental to the one previously asked in the House with regard to today's Federal Court of Appeal decision on child support payments and is for the finance minister.

In recent weeks many members on all sides of the House have spoken in support of changes to the Income Tax Act with regard to how child support payments are taxed.

Will the minister please take into consideration those members' views before making any decision on the approach the government will take?

Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec): Mr. Speaker, it is particularly appropriate that this question would be put to me today by the member for Nepean who has shown such a consistent interest in this subject and in fact has her own bill before the House.

As the member knows and as a number of members in the House know, prior to the last budget there was extensive consultation. It was as a result of suggestions made by members in the House, and particularly in this caucus, that in the last budget we made reference to the potential disparities that might exist and our intention to await the decisions of a federal-provincial family law commission dealing with this subject among many others.

I can assure the member that we will take her advice and the advice of other members in the House into account. Our major concern is that the financial support for these children be as good as it can possibly be and that tax equity be maintained.

* * *

IMMIGRATION

Mr. Art Hanger (Calgary Northeast): Mr. Speaker, my question is for the Minister of Citizenship and Immigration.

The minister had the opportunity for some tough talk over the weekend. He promised to get tough and to close loopholes for deportable criminals.

Last week the immigration and refugee board gave refugee status to a man convicted in Canada of raping an 18-month old child.

In light of this fact could the minister tell the House exactly what concrete measures have been taken during his tenure to toughen up and to protect Canadians from criminals his department allows to stay in Canada?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, I said last week and I repeat that in the large number of cases of individuals who appeal to the immigration appeal division my department is not in favour of staying or overturning those deportations.

The member ought to use his words very carefully because it is not true when he characterizes my department as being against the individual's deportation.

Second, I think the member owes it to the immigration file not to suggest somehow that the entire situation is out of whack. The

member should not consider immigration in the way we sometimes consider airplanes, by the ones that do not land, because 99 per cent of the airplanes land at our airports seven days a week, 24 hours a day.

(1445)

It is the same for immigration. Of the 1,100 cases appealed last year only 16 in terms of criminality were overturned. I admit that some cases ought not to have been overturned and I was very honest and candid with one case last week.

Before last week I said it is not incompatible to have a fair and progressive immigration policy which also means being tough in applying the law to those who seek to break or abuse it. We are not backtracking on that. We will be bringing those amendments to this Chamber so that we can target those individuals who by their actions give all immigrants a black mark.

Mr. Art Hanger (Calgary Northeast): Mr. Speaker, it is that one plane crash that causes horror and devastation. That is the one we are talking about today.

Here is a fact. Just two short weeks ago this minister disbanded the permanent residents unit which tracks down and apprehends the most dangerous deportable criminals in Canada. This is the sort of criminal this minister's appeal division and refugee board seem to enjoy putting on Canadian streets.

My question for the minister—

The Speaker: Order, order. I am sure the hon. member is going to put his question. I encourage the hon. member to not in any way impute motive to any other member in the House. It makes things that much more difficult. I am sure that if the hon. member would want to withdraw any imputation of motive to the hon. minister, I would invite him to do that before he continues his question.

Mr. Hanger: Mr. Speaker, if I have said something that offends this minister, then I withdraw it. However, I am talking about his department.

My question to the minister is this: How can this minister in good conscience continue to preach about getting tough and at the very same time disband that unit which provides Canadian families the most protection from dangerous deportable criminals?

Hon. Sergio Marchi (Minister of Citizenship and Immigration): Mr. Speaker, I said last week that this member does not have a monopoly on virtue or concern and that I do not take any pleasure whatsoever in seeing those individuals who do not merit our consideration walking our streets. The member should do justice to how all members feel about a number of cases.

In answering the question I am going to ask the member to get his facts right and perhaps he could listen. For example, in Ontario since 1992 there has been a reduction of general immigration staff from 1,560 to 1,040. In the meantime, in

Oral Questions

Ontario, in terms of investigative enforcement officers, the staff has increased from 50 to 60. Five of the six individuals who were reduced in Toronto at the behest of this minister, those individuals have not been reassigned. They are still there.

Also, the unit was not—

The Speaker: Order. The hon. member for Joliette.

* * *

[Translation]

PUBLISHING INDUSTRY

Mr. René Laurin (Joliette): Mr. Speaker, in the week-end issue of *The Ottawa Citizen*, it was reported that the cabinet had turned down a strategy preventing foreign take-overs of our cultural industries.

My question is for the Minister of Canadian Heritage. Can the minister confirm this information and could he shed some light on the reason why he refuses to put in place measures to protect Canadian cultural industries so as to avoid another fiasco like the Ginn Publishing disaster?

(1450)

This time, I hope that the real Minister of Canadian Heritage is going to rise and answer my question.

Hon. Michel Dupuy (Minister of Canadian Heritage): Mr. Speaker, to this day, I have not presented the cabinet with an overall policy concerning the protection of Canadian cultural industries. Therefore, the cabinet has not taken it into consideration nor made a decision in this regard.

Mr. René Laurin (Joliette): Mr. Speaker, I did not say policy; I said strategy.

I have a supplementary. In view of the fact that 80 p. 100 of school books in Canada are sold by foreign-controlled companies, can the Minister of Canadian Heritage, the real one, tell us when he intends to present a policy to prevent what is left of our publishing industry from falling into foreign hands?

The Speaker: I would remind all hon. members that when they are addressing a minister, it is the real minister they are talking to. So, there is no need to mention it, please.

Hon. Michel Dupuy (Minister of Canadian Heritage): Mr. Speaker, there is already a policy and I intend to give it some more teeth.

* * *

[English]

APPLE INDUSTRY

Mr. Werner Schmidt (Okanagan Centre): Mr. Speaker, my question is for the Minister of National Revenue.

Oral Questions

Next Monday, May 9, there will be a large protest at the Osoyoos border crossing in south central British Columbia. The protest is being staged by B.C. fruit growers angry at the inaction by this government on the issue of dumping of Washington apples into Canada.

According to figures supplied by the growers, the industry has lost \$1.6 million after only eight weeks of dumping. By the time the Canadian International Trade Tribunal gets around to hearing the complaint, the industry estimates that \$25 million could well be lost before the dumping is halted.

Yesterday the minister said he needs proof of damage from the industry. Will the minister acknowledge that industry has supplied the proof and undertake self-initiated action before the Canadian International Trade Tribunal now, before any more growers are hurt by this inaction?

Hon. David Anderson (Minister of National Revenue): Mr. Speaker, as I said yesterday, this problem arose because the Canadian International Trade Tribunal, a Canadian body, ruled against the Canadian apple growers.

It is therefore imperative if we are to win in a subsequent appeal to that body which would follow a national revenue ruling, that we have the clear evidence to make sure that its previous decision is overturned.

The dilemma the hon. member and I have in this instance is that very much the same evidence was provided in the initial hearing of potential damage and was rejected. It is therefore imperative before we go before the Canadian International Trade Tribunal for a second time that we have what I would describe as an airtight case in this regard.

As I said yesterday and will repeat today, the consequences to the Canadian apple industry of a second defeat probably would be catastrophic.

Mr. Werner Schmidt (Okanagan Centre): Mr. Speaker, indeed I agree with the minister that we need to have good factual information. He is quite right in that. I believe the B.C. fruit growers are fully aware of the difficulty that is there. They believe these numbers are correct.

I challenge the minister to recognize that we are dealing with perishable fruit that cannot wait five or six months. Will the minister act now to speed up the process involved and have the complaints heard by the Canadian International Trade Tribunal so that others will not suffer in the same way in the future, that is, the next crop that is coming up.

Hon. David Anderson (Minister of National Revenue): Mr. Speaker, certainly I agree with the hon. member that it is particularly important to make sure this damage to the industry which I believe is taking place does not continue in the future, particularly into the next crop year.

(1455)

It is important to note this is a fairly technical area. We have to have information on costing. We have to have information on import pricing. We have to have information on injury.

I will be quite willing on the representations of the hon. member and indeed the hon. member who questioned me yesterday in this regard to review once again with my officials the information made available to us from the apple growers. We will check with legal counsel once again to see whether at this point we have evidence which can guarantee a win.

Let me repeat that it would be thoroughly irresponsible for me or any other minister to—

The Speaker: The hon. member for Glengarry—Prescott—Russell.

* * *

*[Translation]***ADVERTISING CONTRACTS**

Mr. Don Boudria (Glengarry—Prescott—Russell): Mr. Speaker, my question is for the Parliamentary Secretary to the Minister of Public Works. Following a statement by the Prime Minister on November 4, the government announced its plans to review its policies with respect to the awarding of advertising, polling and communications contracts. Is the Parliamentary Secretary now in a position to inform the House of the corrective action the government intends to take to clean up the mess inherited from the previous government?

[English]

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Mr. Speaker, it was on November 4 that the Prime Minister made a clear and unequivocal statement to Canadians that the former government policies with respect to polling, advertising and communications would be reviewed.

This review is now complete. There will be new guidelines announced in the very near future. They will respect the principles of accountability, fairness, openness and transparency.

It is because of efforts such as those undertaken by the Prime Minister and the Minister of Public Works and Government Services who have spearheaded the charge for change in this area that this government will return integrity to government and will return integrity for Canadians.

*Oral Questions**[Translation]*

I am very pleased to announce that new guidelines will be adopted. These will show that our policies are equitable, fair, open and transparent for everyone.

* * *

CORRECTIONAL SERVICE

Mr. Michel Bellehumeur (Berthier—Montcalm): Mr. Speaker, my question is directed to the Solicitor General. The weekend newspapers reported that the RCMP was currently investigating an alleged case of influence peddling within the Correctional Service of Canada and the National Parole Board and that certain charges could be laid very shortly against employees.

Can the Minister confirm that an investigation is indeed under way into allegations of influence peddling within these agencies and that charges could be laid against certain commissioners?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, I can confirm that an investigation is under way, but I cannot provide the House with any additional information at this time.

Mr. Michel Bellehumeur (Berthier—Montcalm): Mr. Speaker, in light of his response, can the minister tell us whether the allegations of influence peddling involve any persons other than those mentioned in the weekend newspapers?

Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada): Mr. Speaker, the RCMP and the Correctional Service of Canada are currently investigating this matter very thoroughly. When additional information becomes available, I will be happy to convey it to the hon. member.

* * *

*[English]***CHILD SUPPORT PAYMENTS**

Mrs. Jan Brown (Calgary Southeast): Mr. Speaker, my question is for the Minister of Justice. It is on a matter that has been discussed earlier today.

As we heard, a landmark decision was rendered today by the Federal Court of Appeal that will fundamentally change the approach to child support payments in this country. Justice Hugessen ruled that Suzanne Thibodeau was discriminated against on the grounds that the inequity, the inequality created for separated custodial parents is discriminatory and imposes a burden on them not imposed on others.

The Federal Court has taken the lead in recognizing the importance of stabilizing the family unit, whether you are together or apart. Will the minister follow suit and do the same?

Hon. Allan Rock (Minister of Justice and Attorney General of Canada): Mr. Speaker, may I take the hon. member's question to relate to the issue of appeal.

If the hon. member is asking whether we are going to appeal the judgment, may I first of all say that although I have received the reasons over the lunch hour, I have not yet had the advantage of reading them. I know there is a dissenting judgment. I will be reading them with care and interest. It is a very important judgment. Once I have had an opportunity to consider the judgment I will be speaking with the client ministry to determine from a policy perspective what the minister would like to do and to make my recommendation.

(1500)

Let me say that once I have read the judgment I will be happy to discuss the matter further with the hon. member. However, I take it her question related to appeal and that is my response if that was the point she wanted to raise.

Mrs. Jan Brown (Calgary Southeast): Mr. Speaker, having heard the hon. minister I have no supplementary question. I thank him for his answer.

* * *

YOUNG OFFENDERS ACT

Mr. John Nunziata (York South—Weston): Mr. Speaker, my question is for the Minister of Justice.

The tragedy of youth crime is a ticking time bomb in this country, yet the minister has said that he does not expect a bill to be passed by this Parliament until late this year, possibly next.

These delays are simply not acceptable. In light of the urgent need for changes to the Young Offenders Act will the minister fast-track his agenda and will he give his undertaking to this House that a bill will be passed before this House adjourns for the summer holidays?

Hon. Allan Rock (Minister of Justice and Attorney General of Canada): Mr. Speaker, any such undertaking would require a degree of control by a member of Parliament over the process of government that I am not sure any of us possess.

However, let me respond directly to the hon. member's question. I respect and to a large degree share the hon. member's sense of urgency in this issue. As I have said in the past, as recently as yesterday, I expect that within weeks I am going to introduce legislation in this House with respect to changes to the Young Offenders Act that we think are in the public interest.

Let me also emphasize to the hon. member that while we are concerned about crime in this country, it is not the enactment of a change to a statute, it is not the introduction of new legislation that is going to come to grips with the underlying problem we face. Quite apart from the criminal justice system we have to

Government Orders

take a wide ranging, holistic approach to crime in this country if we are going to make real progress.

Yes, there will be changes to the Young Offenders Act but I hope the hon. member realizes that is one of a variety of responses that we must muster to this social issue.

* * *

BILL C-91

Mr. John Solomon (Regina—Lumsden): Mr. Speaker, my question is to the Minister of Industry. It concerns Bill C-91, the drug patent legislation.

Since this bill passed in the last Parliament drug prices have skyrocketed and Canadian consumers are being gouged with high prices for prescription drugs.

The minister knows this to be true because he has stated he will be reviewing Bill C-91 soon. The minister is also aware that the Leader of the Opposition supports the wishes of multinational drug companies in Quebec.

To the minister, is the government going to continue to play politics with people's health by waiting until after the Quebec election to make any changes to this bill or is he going to repeal this disastrous legislation now to protect all Canadian consumers?

Hon. John Manley (Minister of Industry): Mr. Speaker, certainly the member's position is clear on the issue. I thank him for that.

As the Prime Minister said in the House last week, the review that was promised during the election campaign is one which is ongoing. We are looking at the question of prices. We are also conscious of our international commitments under the Uruguay round. Likewise we are conscious of the fact that the present legislation, Bill C-91, contains within it a statutory review mechanism which will occur prior to the completion of this Parliament.

* * *

POINTS OF ORDER

COMMENTS DURING QUESTION PERIOD

Mr. David Chatters (Athabasca): Mr. Speaker, during my supplementary to the minister of Indian affairs, the member for Hamilton East shouted "racist" at me and I find the remark very offensive and insulting. I would ask the Speaker to ask the member to withdraw that.

The Speaker: I will review the blues and if it is stated in there I will take whatever action is necessary. If it is necessary I will come back to the House.

GOVERNMENT ORDERS

[English]

PEARSON INTERNATIONAL AIRPORT AGREEMENTS ACT

The House resumed from May 2 consideration of the motion that Bill C-22, an act to respecting certain agreements concerning the redevelopment and operation of terminals 1 and 2 at Lester B. Pearson International Airport, be read the second time and referred to a committee; of the amendment; and of the amendment to the amendment.

The Speaker: It being 3 p.m., pursuant to Standing Order 45(5)(a), the House will now proceed to the taking of the deferred division on the subamendment to the motion for second reading stage of Bill C-22.

(1505)

Call in the members.

(The House divided on the amendment to the amendment which was negated on the following division:)

(Division No. 37)

YEAS

Members

Abbott	Ablonczy
Asselin	Bachand
Bellehumeur	Benoit
Bergeron	Breitkreuz (Yellowhead)
Bridgman	Brien
Brown (Calgary Southeast)	Bélisle
Canuel	Caron
Chatters	Chrétien (Frontenac)
Crête	Dalphon-D-Guiral
Daviault	de Savoye
Deshaies	Dubé
Duception	Dumas
Epp	Fillion
Forseth	Frazer
Gagnon (Québec)	Gauthier (Roberval)
Godin	Gouk
Grey (Beaver River)	Grubel
Guay	Guimond
Hanger	Harper (Calgary West)
Harper (Simcoe Centre)	Hart
Hermanson	Hill (MacLeod)
Hill (Prince George—Peace River)	Hoepfner
Jacob	Johnston
Lalonde	Landry
Langlois	Laurin
Lavigne (Beauharnois—Salaberry)	Lebel
Lefebvre	Leroux (Richmond—Wolfe)
Leroux (Shefford)	Loubier
Manning	Marchand
Martin (Esquimalt—Juan de Fuca)	Mayfield
McClelland (Edmonton Southwest)	Mercier
Meredith	Mills (Red Deer)
Morrison	Ménard
Nunez	Paré
Penson	Picard (Drummond)
Plamondon	Pomerleau
Péloquin	Ramsay
Ringma	Rocheleau
Sauvageau	Schmidt
Scott (Skeena)	Silye
Solberg	Speaker
St-Laurent	Stinson
Strahl	Thompson
Tremblay (Rimouski—Témiscouata)	Tremblay (Rosemont)

White (Fraser Valley West)
Williams—91

White (North Vancouver)

NAYS

Members

Adams
Allmand
Anderson
Augustine
Bakopanos
Beaumier
Bernier (Beauce)
Bethel
Blaikie
Bonin
Brown (Oakville—Milton)
Bryden
Calder
Cannis
Chamberlain
Cohen
Collins
Copp
Crawford
DeVillers
Dromisky
Dupuy
Eggleton
Fewchuk
Flis
Gaffney
Galloway
Gerrard
Graham
Grose
Harvard
Hubbard
Iftody
Jordan
Kirkby
Kraft Sloan
LeBlanc (Cape Breton Highlands—Canso)
Lincoln
MacAulay
MacLaren (Etobicoke North)
Maheu
Maloney
Martin (LaSalle—Émard)
McGuire
McWhinney
Milliken
Minna
Murray
Nunziata
O'Reilly
Pagtakhan
Patry
Peric
Phinney
Proud
Regan
Rideout
Ringuette—Maltais
Rock
Shepherd
Skoke
Speller
Steckle
Szabo
Thalheimer
Torsney
Valeri
Verran
Walker
Wells
Wood
Zed—143

Alcock
Althouse
Assadourian
Axworthy (Winnipeg South Centre)
Barnes
Bellemare
Bertrand
Bhaduria
Bodnar
Boudria
Brushett
Bélair
Campbell
Catterall
Clancy
Collenette
Comuzzi
Cowling
Culbert
Discepola
Duhamel
Easter
English
Finlay
Fontana
Gagliano
Gauthier (Ottawa—Vanier)
Godfrey
Gray (Windsor West)
Guarnieri
Hickey
Ianno
Irwin
Keyes
Knutson
Lastewka
Lee
Loney
MacDonald
MacLellan (Cape Breton—The Sydneys)
Malhi
Marchi
Massé
McKinnon
Mifflin
Mills (Broadview—Greenwood)
Mitchell
Nault
O'Brien
Ouellet
Parrish
Payne
Peters
Pillitteri
Reed
Richardson
Riis
Robichaud
Serré
Simmons
Solomon
St. Denis
Stewart (Brant)
Telegdi
Tobin
Ur
Vanclief
Volpe
Wappel
Whelan
Young

Supply

PAIRED—MEMBERS

Bernier (Gaspé)
Bouchard
Debien
Goodale

Bernier (Mégantic—Compton—Stanstead)
Chan
Dingwall
Stewart (Northumberland)

(1520)

The Speaker: I declare the amendment to the amendment lost.

GOVERNMENT ORDERS

(1525)

[Translation]

SUPPLY

ALLOTTED DAY—TAX SYSTEM REFORM

The House resumed consideration of the motion.

Mr. Gérard Asselin (Charlevoix): Mr. Speaker, I appreciate being able to continue after Oral Question Period. Earlier, when I rose, I was followed by a parliamentary secretary who made a comment. When the time comes to vote on the Bloc Québécois motion for the creation of a committee to review public finance management, I hope that the parliamentary secretary, who is a Liberal member, will make good on his comments and support our motion.

I explained that a child is burdened with a \$20,000 debt the minute he is born. I also talked about students and workers, and I would like to follow up by telling you about the elderly. Our seniors are overtaxed. These people have paid school, municipal, provincial and federal taxes throughout their life. Many of these people raised large families but managed to save a bit of money in RRSPs to enjoy a more comfortable retirement. Unfortunately, the government is still going after these people by forcing them to pay tax when they cash in their RRSPs.

Indeed, in his recent budget, the Minister of Finance decided to tax all seniors with a revenue of \$26,500 and up. School and municipal taxes still have to be paid by those who keep their home. Retired seniors with a low income still pay the provincial sales tax as well as the GST. Many people who have reached the age of 65 continue to work because they do not have the means to enjoy a comfortable retirement. Seniors should benefit from major exemptions, so that people can retire no later than when they turn 60, or even 55 if possible.

(1530)

That would open up new jobs for our young people, for those who graduate from university and wait for the government to create jobs.

Supply

The government will tax seniors till the very end, that is until their funerals. Undertaking and burial services are taxed. The GST applies to those services as well as to the cost of a coffin. We will have paid all of our lives and until our death.

The government is racking its brains to find new sources of revenues, but it will choose the easiest solution and increase taxes. The government urgently needs to set up a committee to review the reduction of government expenditures. In its red book, the Liberal government said it wanted to get rid of the GST. Of course, the government wants a hidden tax, that would increase from 7 to 12 per cent. It also wants to tax food, education, books, computers, all basic education needs, prescription drugs and health care.

The Bloc Québécois will strongly oppose any effort by the government to tax prescription drugs and health care among other things, since poverty is rampant in Quebec and in Canada. A lot of people cannot even afford bread and butter.

I think the most urgent thing is to set up this committee. We are going through harsh economic times, and the cost of living is still very high for low-income and very poor families. More and more, wages are being frozen and people are working at the minimum wage. We have to deal with high levels of unemployment and welfare, smuggling, the underground economy, a rise in criminal activity and the fact that our prisons, in Quebec and in Canada, are more and more packed-full. Who pays for all of this? It is our society and our workers.

Under the Conservative government, we were told that the GST was supposed to reduce the deficit, but the deficit has grown ever since. Despite GST revenues of \$14 billion, the deficit has tripled during the last nine years the Conservatives were in office.

Finally, I hope the government will set up a committee made up of course of government members who are responsible for running this country. In the latest budget, the Liberal government showed its inability to efficiently manage the public finances. If that committee is to be increasingly efficient, the government should add to its team a group of Bloc Québécois members because they really want the government to lower taxes or at least freeze them for years to come.

They will have to review all the overlapping and duplication occurring in this government. In Quebec, we do not need the federal government to manage our health program, nor do we need the federal government to manage our education and occupational training, our manpower or our social programs.

It is urgent to cut on travelling expenses for ministers, senators, members of committees and parliamentary associations. Last week I attended a on Public Works meeting and asked the Minister of Public Works if he was ready to say in front of

the committee that he would issue a public call for tenders in the papers to give those who wanted to bid the chance to do so; I also asked him if he would accept the lowest bid coming from a compliant bidder. He answered no, that he could not commit himself to that. The government must manage public funds; if businesses were managed like the government, they would all go bankrupt a few weeks after opening. Not a single business is managed like the government.

(1535)

As a member of the finance committee, if the Liberal Party government invites me to do so, I will be happy to assist and work hard to find places where we can cut out the fat from government operations, items that could bring the budget down.

In conclusion, I would like to congratulate the members of the Bloc Québécois and of the Reform Party who are concerned and worried because of the increase in the last budget.

Mr. René Canuel (Matapédia—Matane): Mr. Speaker, the hon. member is to be commended for his tremendous understanding of senior citizens. Like me, the hon. member represents a rural riding. When we are in a rural area, we realize that the problems may not be as obvious to the government as the problems of our big cities. I have tried to listen carefully to what the hon. member had to say.

In our area, there are seniors who worked all their lives to save a few dollars, and it certainly was not easy. These people worked in factories. They worked in the fisheries. They worked on farms, and I am referring to my own constituency. And, the government is going to take some of those hard-earned savings away from them. When we consider the multinationals which pay practically no taxes and family trusts which are not taxed at all, I say there is some incredible injustice in this country, and especially in rural communities.

I have a brief question for the hon. member. He said, and perhaps he would like to repeat what he said or rephrase it: Is there not another way to let senior citizens take advantage of the few years they have left, people who worked from the age of 7 until 65, at one, two or three jobs, and who worked for as long as 18 hours a day?

I speak on behalf of these people in rural areas and also on behalf of people in the cities, because they worked very hard as well. Is there no other way to get more taxes from the big corporations? He commented on that, and I wish he would expand a little on family trusts and duplication.

There is also the forestry sector. A lot is being done, both provincially and federally. One example is the so-called sociétés de la Vallée, which have a staff of engineers and technicians. What often happens is that two technicians from different associations turn up at the same place, so would it not be a good idea to have only one technician visit the landowner and be able

Supply

to offer the whole range of services instead of having two technicians going separately, each with his own proposals? I would like to ask the hon. member whether he could expand a little on this.

Mr. Asselin: Mr. Speaker, first of all, I must admit that the hon. member for Matapédia—Matane did listen very carefully to my comments about seniors.

As I said earlier, seniors pay taxes from the day they are born until they retire. Even after they retire, the government still finds a way to claw back by taxing any income of \$26,500 or more they derive from their pension funds, their RRSPs and other financial resources they managed to set aside while raising their families.

(1540)

Today's families are a little smaller than they used to be; families with 9, 10 or 12 children were not uncommon when I was growing up. Today, they are not as common but it was hard for the man who was the sole income-earner in his family to support his family and save some money for retirement at the same time.

I also said, and I am sure that in my riding of Charlevoix, from Petite-Rivière-Saint-François to Baie-Comeau, some seniors have enough money to survive, but many more were farmers, worked for minimum wage, or had to leave the region, while the mother had to raise the children on her own.

Of course, as the hon. member for Matane said, the committee we want to set up could look at family trusts, for instance, and also look at the additional corporate revenues the government does not want to tax, preferring to tax capital.

We have our work cut out for us. We have been elected for the next four years and I think we in the Bloc Québécois must not be prevented from doing our job. Liberal members opposite often accuse us of criticizing government actions. I hope they do not want to prevent us from doing our job.

I am convinced that the silent majority is not here in this House but in people's living rooms; they may be watching us on TV and when they see us on the street, in stores or in other places, they congratulate us and tell us they agree with our comments in this House.

I did not complete extensive studies in accounting and I am not a tax expert either. I am a construction worker like most people in my riding and that of Matane. I am pleased to represent them and be able to address them as equals.

So, Mr. Speaker, I think I have taken enough time to respond to my colleague from Matane—Matapédia and I will let others take part in the debate.

[English]

Hon. David Anderson (Minister of National Revenue): Mr. Speaker, I am pleased to have this opportunity to speak to hon. members on a subject that is close if not always dear to the hearts of Canadians.

[Translation]

Taxes mean jobs for the unemployed, hospital beds for the sick, better schools for our children. They affect the quality of life of our seniors and the protection and support of Canadians in need.

They affect modern transportation and communication systems, investment and competition. They concern workers' compensation, pension plans, health and safety, environmental and labour standards.

[English]

Taxation gives governments the resources needed to provide Canadians with the social and economic programs that they need and demand. Ultimately, the discussion of taxation is a discussion about our prosperity as a society.

Taxation has traditionally been a contract between citizens and governments to deliver these programs in exchange for the moneys that Canadians give as a result of their hard work and based on their financial ability.

In recent years we have seen the viability of that contract renegotiated as reflected in the phenomenon of the underground economy and also in smuggling. Faith in that contract and the trust that is needed to maintain it will dissolve unless governments give Canadians the best possible value for their tax dollars.

[Translation]

The government is determined to act in such way that Canadians again trust their government. Without that trust, we will be unable to provide the necessary programs, to reduce the deficit and eventually to lower the tax burden of Canadians.

(1545)

[English]

We must let the public know what is going on, what the choices are, and why we are making those choices.

As revenue minister my commitment is to ensure at all times the integrity of our voluntary tax system. I recognize public confidence in our tax system is something that we have to earn. I and all members of the Department of National Revenue work every day to do just that.

We are working to reduce the burden of compliance, to ensure Canadians get real value from the revenue administration, and to guarantee fairness throughout the tax system.

Revenue Canada has come a long way in its efforts to improve administration.

*Supply**[Translation]*

We believe that we must be attentive to the needs of individuals and companies. We must adapt to a constantly changing society and to the business community.

[English]

We must be fair and equitable and I believe we are. We must be transparent and we are. We must listen to Canadians and we do.

Specifically we have a problem resolution program to help find solutions for taxpayers with difficulties. We have a voluntary disclosure policy for those with special problems, particularly problems of non-compliance. We have a declaration of taxpayers' rights to ensure equity in the system.

We listen on an ongoing basis and we consult with the provinces, the small business advisory committee, the large business advisory committee, the charities consultative committee, the seniors advisory committee, and the members of Parliament who act quite properly on behalf of their constituents in bringing problems or difficulties to my attention.

Tomorrow marks six months, the half-year of my time as Minister of National Revenue. In that period 1,165 letters have come to me from elected officials. Virtually they have been exclusively from members of the House and senators, although occasionally I get letters from members of provincial legislatures, mayors and city councillors.

I repeat that it is quite right and proper for representations to be made to the Minister of National Revenue by members of Parliament. I assure members of the House in all parties, all of which have sent me correspondence about concerns of their constituents, that all such letters are treated by us as fast as we can and as thoroughly as we can. The reviews we give to the cases are as fair as possible. I should add that in every case the decision ultimately rendered is entirely in accordance with taxation laws.

We have introduced in Revenue Canada a very successful E-file program that processes returns more quickly and gets the money owed to Canadians back to them faster than ever before. At the present time returns or refund cheques on E-file run about 11, 12 or 13 days. Of course that is an average. In some cases we get cheques out to people within the week.

Through the administrative consolidation of customs and excise and taxation we have created opportunities for significant administrative savings for taxpayers. This one measure alone, Bill C-2, the first substantive bill introduced in the House after the new government took office, has already resulted in a saving of approximately \$30 million through improved administration.

[Translation]

We are working with the provinces to tackle the underground economy through co-operation and increased exchange of information. I must add that Quebec was the first province to conclude an agreement with the federal government on this subject.

(1550)

[English]

The solutions of today require co-operation among all Canadians, individuals, businesses and governments, because the totality of the three levels of government represents the real tax burden on Canadians. There may be three levels of government, but it is certainly true there is only one level of taxpayer.

Federal, provincial and local governments must adopt a harmonized approach to ensure a fair and integrated tax system based on the principles of equity, efficiency and effectiveness, words that are in this motion.

If all three levels of government work together—and that has certainly been the cry of witness after witness before the finance committee—we can have in the future the possibility of reducing the tax burden on Canadians.

[Translation]

The department and I as revenue minister regularly meet with representatives of the provinces and we will continue to do so in order to obtain tax administration improvements quickly.

Canadians want solutions to tax problems when these arise. Canadians want reform but not disruption.

[English]

That is what we are doing. We are implementing reforms on a constant, ongoing basis, always with a strong sense that Canadians whether as individuals or in their businesses have invested a great deal of time and effort in understanding the existing tax system.

When we reform various elements of the system we need to give everyone the time to understand and accommodate the changes, the time to build on the knowledge they already have, rather than throw everything out and start again.

The motion we are debating today seeks equity, efficiency and effectiveness in the tax system. The government, the Minister of Finance and myself in particular are seeking to give substance to those principles with a pragmatic approach in which the benefits of change are constantly being weighed against the cost of disruption. We are also trying to do so with a high degree of sensitivity to the reality that these principles must be balanced.

Supply

Equity sometimes comes at a cost in terms of efficiency, for example. It is fine to pursue lofty goals, but when the lofty goals conflict one has to recognize there is a need for compromise and understanding. That spirit has motivated our approach to reform in taxation so far. However I should add we are under no illusion that balancing these forces and these reforms certainly does not preclude action.

Let me just read the titles of some bills which we have had in the House since Parliament began in January of this year. The first bill, Bill C-2, an act to amend the Department of National Revenue. It is the one I mentioned earlier. It is the consolidation of the administration of customs, excise and taxation in one department.

Bill C-5, an act to amend the customs tariff, to which royal assent was given on March 24 of this year. This extended the general preferential tariff for certain countries to June 30, 2004 unless an earlier date is fixed by order in council.

Bill C-9, an act to amend the Income Tax Act. Bill C-11, an act to amend the Excise Act, the Customs Act and the Tobacco Sales to Young Persons Act. Bill C-13, an act to amend the Excise Tax Act. Bill C-15, an act to amend certain income tax law amendments.

These are the acts relating to improving revenue administration in Canada which have been introduced in the House since January. We all know the number of acts that have been introduced is not extensive. We are relatively new in this Parliament but let us think about how many acts have related to the revenue portfolio and to the concept of improving and refining the tax system. We have had a veritable torrent of bills that all have as their objective improving the tax system.

(1555)

I believe the record of reform the motion seeks is already here. I can promise the House and members who have spoken that there will be more. However as we do it, I wish to add, we will continue to be very sensitive because in our view there is a baby in this particular bath that we need to take care of very carefully. The reason I cannot support the motion is that in essence it would throw out the baby with the bath water, would throw out the bathtub and in essence gut the House as well.

The approach of the motion would not achieve the equity, efficiency and effectiveness that I believe we all seek. It would only serve to create confusion, resentment, fear and costs, all of which we in government—and I am sure members of the opposition—should seek to avoid in the tax system.

Canadians are sensible people. They do not want change just for the sake of change. They want improvements with the minimum disruption that can be had to achieve those improvements. That message is coming through loud and clear in the hearings of the finance committee dealing with replacement of the goods and services tax.

We in government have heard that message. We heard it before the election. We heard it from our constituents after the election and specifically in the finance committee on the GST, again an area of reform of the tax system I did not mention in my listing of the bills. We have heard it there time after time after time.

The government will continue to change the tax system in areas where the benefit clearly outweighs the cost. We will continue to seek to improve the operation of the tax system and the efficiency of the department that administers it, namely the Department of National Revenue. We will continue to consult and discuss with other governments, with individuals, with experts, with academics, and with businesses. We will continue to enforce the law as it is written until it is changed by a vote in Parliament.

Our effectiveness in this regard is essential to securing the one true essential of an equitable, efficient and effective tax system: the long term confidence Canadians have in the tax system and in the value of the services they receive from the government. When we act against tax cheaters and smugglers we are acting to support that confidence. It is not fair at all that jobs are lost because of tax cheating or smuggling. It is not fair when revenue is lost because some people are dishonest, when the deficit grows and when legitimate business is forced to compete unfairly against those who evade their taxes.

[*Translation*]

Because of individuals who do not pay their fair share of tax, it is difficult, if not impossible, for governments at any level to satisfy Canadians' demands for economic growth, lower deficits and meaningful jobs for the unemployed.

Canada is a wonderful, successful country, the envy of the world. But I ask members of this House and all Canadians the following question.

[*English*]

Can we afford to have one sick child turned away from a hospital because lost revenue has created a lack of beds? Can we allow honest and productive Canadians not to enjoy retirement in reasonable comfort and happiness because tax cheating has destroyed the value of their pensions? Can we tolerate a single business to close and lay off hardworking Canadians because we cannot guarantee a level playing field with their competitors who do not pay their taxes as they should? Clearly the answer is no.

We seek the objectives of equity, efficiency and effectiveness for the tax system. We believe we can achieve that, as I trust I have shown in this speech today, by constantly striving to improve the system. I support, and I am sure all members of this House support, equity, efficiency and effectiveness. But the method of completely throwing out the present system, completely throwing it out to change, is not in my view in the interest of this country or the Canadian taxpayer.

Supply

(1600)

Mr. Darrel Stinson (Okanagan—Shuswap): Mr. Speaker, I listened to the hon. member's speech. He touched on a few areas. One was the underground economy. There are a few questions that I would like to ask the hon. member.

He talked of a new tax to take the place of the GST. People are a little bit apprehensive about this. Everyone wants to see the GST cleaned up, me especially, but people are starting to worry that maybe this new tax might include all consumption of food and so forth. They worry about the startup costs on this. Are we looking at another startup cost along the lines of the GST?

There is another thing I would like to ask the hon. member. When I started to work I enjoyed working two shifts. It paid me to work two shifts. Today workers sit down and they figure out right to the hour when it no longer pays them to work because taxes now take over. I see this as a lost revenue because the jobs do not get done. In many cases they get put over to be done the next year. Small outfits that hire people in the bush and so forth make up to a certain amount of capital and then when the tax bite becomes too big they lay the people off to go on unemployment insurance. I wonder if the minister has looked into this area at all.

Mr. Anderson: Mr. Speaker, I thank the hon. member for the series of questions which he has asked.

He talked first of the replacement for the goods and services tax, the GST. On that I think we are generally aware in this House that the committee, members of the Reform Party, members of the Bloc and members of the government party are at the present time sequestered writing a report and suggesting alternatives to the GST. To suggest whether the tax that they might be writing, of which indeed I do not know what they may be writing, would affect food or some other product not currently taxed is difficult, indeed impossible for me to answer directly as I am sure the hon. member recognizes.

He talked correctly of the apprehensiveness of people when faced with a new tax. I suggest to the hon. member that in fact was very much the theme of what I said this afternoon. People want to have certainty with the tax system as far as it is possible as well as having improvements here and there.

This is why I stressed that this incremental approach to improving the tax system is probably the best way because it reduces apprehension. You are able to deal with one section here, another section there. You are not saying: "Look, we are throwing the whole tax system out the window and starting afresh". That would be a point where perhaps the apprehension which the hon. member has correctly identified would come closer to panic.

That is why I believe it is very important in a resolution such as this to make sure that we recognize the importance of that incremental approach. That is why I listed all those bills that have been brought before this House, plus the reference to the finance committee of the GST. All that work has been going on in the last four months by members of Parliament of all parties as they discuss these bills to show Canadians that we are trying to improve the tax system, trying to get better results and more efficiency.

I think his concern over apprehension of it by taxpayers is something which I completely share and was indeed very fundamental in what I said this afternoon.

He also mentioned startup costs, if I may just continue on that. Once again that is a very important consideration. A lot of time and effort is invested in any tax system. There were many millions of person hours spent studying it, working on it, preparing it. Tens of hundreds of thousands, probably millions of person hours were devoted over the last three or four weeks as people in Canada prepared their tax returns.

(1605)

It is important for governments not to get carried away by bland ideas and great principles and ignore the practicality of making changes to the tax system.

I thank the hon. member for his questions.

[Translation]

Mr. René Canuel (Matapédia—Matane): Mr. Speaker, I welcome this opportunity to put my question to the Minister of National Revenue who said earlier that Canadians were responsible people, and I am sure Quebecers are as well, in particular the people of my riding.

On the other hand, I wonder if the minister himself is acting responsibly because while over \$10 billion is devoted to unemployment, while funding for the business assistance program is frozen, employment centres in my riding are telling me they are out of money. Self-employment assistance, the SEA, is frozen and enormous amounts are paid in UI benefits, but people who want to start up a business cannot get any assistance. When the BDC in our ridings cannot manage directly the capital stock, then it is not clear; you must become profitable. The BDC is almost turning into a credit union or a bank.

Here is my question to the minister: Is this what he calls being reasonable, practical? If he is serious about helping the people in my riding, in Quebec and in Canada, should the way to go not be these programs that can help the small and medium-sized businesses and self-employed workers put their businesses in order? All that my constituents and those in other ridings as well

want is to create jobs for themselves. They do not want UI benefits. They are proud people, very proud people indeed.

Mr. Anderson: Mr. Speaker, I agree that what we want and what Canadians want are jobs. I agree with the hon. member—and I congratulate him on his remarks—that the problem we are facing today is job shortage combined with difficulties starting up new businesses. I agree that this makes for a very difficult situation.

I must add that it is very difficult for a government with a \$500 billion plus debt to ignore the national debt, to ignore the deficit and to create jobs to help businesses. Not all programs are frozen. There is the unemployment insurance program and other programs he mentioned. That is why it is very important to get a report on this, a report that the Minister of Human Resources Development and member for Winnipeg—South Centre is presently working on. We must try and change the system and help the unemployed find work instead of providing assistance directly to them in the form of money.

I know that there will be differences of opinion in this House between parties, between members from either side of this House. Differences could even be expressed between members from the same party. I must say however that, like the hon. member who just spoke, I am convinced there is a need to provide jobs for Canadians who are presently out of work.

The only thing I can say to finish answering his question is that I wish I could come before this House and announce that we have money to do this or that or a new program to implement. I really wish I could. Unfortunately, there is this debt, this absolutely enormous debt we have, and a deficit which is much too high. Given this burden we have inherited from the previous government, this burden which has become huge, especially with this problem, we cannot do all we would want to do. What we are trying to do is to plan structural changes such as those the Minister of Human Resources Development will submit to this House in the coming months and try to spend the money available as wisely and efficiently as possible.

(1610)

I do hope the hon. minister and myself, as well as other hon. members and ministers, will have the chance to discuss the best way to use what little money we can devote to this task.

[*English*]

The Acting Speaker (Mr. Kilger): Order. As agreed yesterday, the time provided for the consideration of the opposition motion will be extended by 20 minutes due to the recorded vote taken earlier this day. Therefore, Private Members' Business will start at 5.50 p.m.

Supply

Resuming debate. I wonder if the hon. member for North Vancouver could give the Chair some indication as to whether he will be taking up the full complement of 20 minutes or if in fact he will be sharing his time with a colleague.

Mr. Ted White (North Vancouver): Mr. Speaker, members of the Reform will be sharing their time.

At election time there are always promises from politicians that they will change the tax system to make it fair and equitable.

Election after election they make these promises. Despite these promises being made election after election, it seems that a large group of taxpayers have decided in the last couple of years to take things into their own hands.

What I am talking about here is that most taxpayers have now reached the tax saturation point. They have started acting in ways both legal and illegal to avoid the amount of tax they have been paying. For example, Department of Finance figures list tax revenues for September 1992 at \$11.07 billion and a year later in September 1993 at \$10.17 billion. That is down 8.13 per cent.

Total revenue for April to October 1992 was \$64.94 billion and a year later April to October 1993 \$61.22 billion, a reduction of almost 5.75 per cent.

While these direct tax revenues were dropping and making it impossible for the government to meet its deficit targets the major indirect tax, the GST, was also down slightly year over year from about \$15.2 billion to \$15 billion. These drops in revenue seems to point toward the possibility that the tax saturation point has indeed been reached. It could well be that any further attempts by this government to increase the tax burden will result in further reductions in revenues.

Taxpayers have decided as I mentioned earlier that the system is unfair and that they will not pay any more of their earnings into the black hole of federal government spending. As I also said earlier reductions in the amount of taxes paid is being achieved through both legal and illegal means. Legally, by leaving a job where taxes are deducted at source and starting a little home-based business, a lot of taxpayers are discovering that they can deduct many expenses that they could not before.

We know also that there is an underground economy that avoids the GST by negotiating cash deals for services. This in turn leads to lower income declarations by the people providing those services. The end result is that income tax revenues are lower as well.

Of course there is much argument about the size of the underground economy. Most people if they were honest would say that they do know somebody who has paid cash for the GST discount on jobs around their home. People are not afraid to

Supply

admit this because they know that it is widespread. The feeling in the community is that the government already gets too much money and they are not giving it any more to waste.

We often hear in the emotional rhetoric of groups like the National Labour Congress that corporations are not paying their fair share of the taxes. The proof is in the fact that the percentage of total tax revenues being paid by corporations has dropped.

Anyone who does even a little bit of research can see that this is a silly argument. Corporations on average have been making less money. Many of them have had large losses over the last few years. Clearly, if they do not make any money or have a loss they will not pay any taxes. Of course their percentage of contribution to the tax take has dropped. This does not mean that corporations are not paying their fair share. In fact the tax rate for corporations has increased over the last five years.

I have heard from time to time members on the government side advocating higher corporate taxes and even implying that if we could just get these evil corporations to pay more taxes the deficit would be solved.

(1615)

To those who would try to increase taxes on corporations, I would like to say the following. Corporations are no different to people in the way that they react to overtaxation and the reason that they are no different to people is that they are people.

A corporation no more pays taxes than a tractor pays taxes or a lap top computer pays taxes. It is the people who own the shares in the company who pay the taxes.

I never sat behind a corporation in school or rode on a bus with a corporation or spoke on the phone to a corporation. Yet corporations are faced with income taxes, payroll taxes, property taxes, T-1s, T-4s, T-5s, AMTs, T-778s, TCTBs and in fact they are tee'd off, as my colleague from Calgary Centre mentioned yesterday.

The owners of small corporations are usually a few members of the same family or partnership of friends. The ownership of large corporations is their shareholders, often the pension funds of these very same unions that complain that the corporations are not paying enough taxes.

The number one cost to business these days is taxes and those costs have to be passed on to the consumer just like any other cost the business faces. Those same groups who demand that property taxes should be higher for those greedy landlords then complain when the tax increases are passed on in the form of increased rents.

I repeat again that anyone who thinks that a corporation is going to act any differently to an individual is dreaming. A corporation is formed in the first place by an individual or group

of individuals who get together and use their tax paid money to form that corporation.

The corporation will then cross-border shop. It will use all the available tax deductions and it will even move to another country if it perceives that the conditions in Canada are unfair. The excessive government taxation levels of today have led to corporate tax saturation as well as personal tax saturation. The loss of thousands of jobs as companies move to locations where the tax burden is lower is a disgrace.

I have mentioned in this House before that my New Zealand background has made me very familiar with the debt crisis experienced in New Zealand in 1984. As a result of that crisis, the New Zealand government learned that New Zealanders had reached tax saturation point and that the government would have to spend less and tax less.

Ten years later according to an analysis released by the Toronto-Dominion Bank on April 25, 1994, just this last week, there are some dramatic comparisons that can be made between the Canadian and New Zealand economies. Two years ago, for instance, it cost New Zealand 90 basis points more to issue 10-year money than it did for Canada.

Now it costs New Zealand 150 basis points less than it costs Canada. In that same time New Zealand's unemployment rate has dropped from above 13 per cent down to 9 per cent and the real GDP has risen to 5 per cent. There is a budget surplus expected this year of almost \$1 billion. This massive improvement is a direct result of the New Zealand government's decision to spend less and tax less. The Canadian government could do well to learn from that lesson.

The Toronto-Dominion Bank's outlook for the Canadian dollar continues to be bearish because of the failure of this government to recognize the seriousness of its taxation and spending problems.

In closing, I would urge the government to recognize that we have indeed reached tax saturation point and that it should first develop a plan to get control of federal spending and second, to work toward a simplified, single tax system in keeping with the spirit of the motion before us.

Mr. Mike Scott (Skeena): Mr. Speaker, I rise to speak on the motion before the House today. I would like to begin by talking about the role of government in a free society.

The cornerstone of freedom and justice requires acknowledgement of at least one fundamental principle: each person owns him or herself. We in Canada accept this principle and indeed embrace it because the antithesis of self-ownership is of course slavery which western democracies have condemned. I do not believe anyone in this country would ever knowingly endorse slavery.

Supply

(1620)

An operational definition of slavery is that a person toils while having no ownership rights to the fruits of his toil. They are owned and/or controlled by someone else. Therefore, private or collective theft is an attack on the principle of self-ownership; a person works hard to produce tangible benefits, for example a car or a television, a house or money, and the theft of this violates the principle of self-ownership. Murder, kidnapping, assault and other acts of violence are also an attack on the principle of self-ownership and therefore must be prohibited.

Self-ownership also implies that two or more individuals should be free to engage in peaceable voluntary exchange without interference by third parties.

The protection of these rights, called natural law by philosopher John Locke and others, constitutes the proper role of a moral government. In other words, the role of government is to protect people from domestic aggression, protect the nation from foreign attack and, through a judiciary system, resolve disputes arising among its citizens.

Contrast this ideal with what has happened in Canada over the past three decades. There has been a concerted attack on the principle of self-ownership through the tax system. The federal government has gradually increased taxation levels to a point at which today the average Canadian has to work for more than half a year just to pay his or her tax bill.

We like to consider Canada a free country, but just how free are we when we are forced to give up half of everything we produce? In my view we have all become, to a large extent, slaves to Revenue Canada.

I ask the House if this is not in fact the case. Furthermore I ask just because our tax system has the force of law behind it, does that make it morally right?

South Africa had a system of apartheid for many years. That was also backed by the force of law, enforced by the state. Did the fact that apartheid was state sanctioned make it morally right? What about slavery in the United States in the last century? Was slavery morally right just because the government decreed it was law?—of course not.

In fact, apartheid and slavery represent the ultimate abuse of the principle of self-ownership. With the rise of the welfare state or state socialism all governments, including Canada, have in varying degrees made significant departures from moral government functions. The welfare state is immoral because it violates one of the basic foundations of self-ownership, the right to own what one produces.

State socialism is a political process whereby property that rightfully belongs to one person is confiscated and given to another to whom it does not belong.

The primary justification for this attack on self-ownership, at least that led by otherwise decent people, can be found in people's desire to do good things like help the poor, care for the elderly, help the sick, or create a fair income distribution.

While these may be commendable objectives, the fact of the matter is that government does not have any resources of its very own. Acknowledgement that government does not have any resources of its own forces us to recognize that the only way governments can give one citizen a dollar is to first, through intimidation, threats and coercion, confiscate that dollar from some other citizen.

If you do not believe that Revenue Canada uses intimidation, threats and coercion, just try not paying your taxes and see what happens.

In a moral society voluntary exchange should be maximized and involuntary exchange minimized. A society which maximizes voluntary exchange can be described as embracing free enterprise or a market driven economy. The opposite of a market economy is, of course, a command economy. There is ample empirical evidence as we approach the end of the 20th century that command economies do not work. The former Soviet Union is a graphic example of this.

It is no coincidence that individual freedom and liberty are virtually non-existent in a command economy because governments which maximize involuntary exchange must rely on the force of law and the force of a police state to achieve their aims.

Command economies by their very nature are immoral and in fact evil. The elite political apparatus uses the power of the state to coerce citizens to accept their economic dictates.

(1625)

What I find disconcerting is the extent to which Canada, which prides itself on being a free country, has moved toward involuntary exchange.

Consider that the average Canadian must work until sometime in July to become free of his tax burden. The first six months of each year are spent producing wealth which is confiscated against his will through taxation. This money is then spent on a variety of government initiatives and programs that the taxpayer in many cases would not support on a voluntary basis.

Walter Williams, the renowned professor of economics at George Mason University, characterizes this as economic rape. In a free market business cannot get a dollar from me unless I voluntarily give it first. If a special interest group wants my money it will have to come to me first and convince me that it truly does represent my interest before I choose to give it the money.

Supply

Consider Canada today. Canadian businesses and special interest groups can get my money from me whether I choose to give it to them or not. They only have to come to Ottawa to get permission.

For example, when the directors of Massey-Ferguson, International Harvester or Bombardier want my money, when representatives of the National Action Committee on the Status of Women or the arts community needs some dough they could come knocking on my door and ask me but they know that I would probably tell them to get lost. They know that and so they come to Ottawa to secure the assistance of the government to force me to give them my money.

Thomas Paine warned that government, even in its best state, is but a necessary evil; in its worst state, an intolerable one.

We are all aware that government needs money to operate, to perform its legitimate role. This money has to be obtained through taxes which of course constitutes coercion. However, if government limits itself to its moral functions coercion is minimized.

The federal government has strayed from this ideal, far from this ideal. When we see billions of dollars shovelled out to Canadian business and industry, to special interest groups, to subsidize money losing crown corporations and in direct transfers to Canadian families that already have incomes of over \$100,000 a year we know the taxpayer has been had.

There is no justification for which this is acceptable. This is a perversion of government, a direct assault on the individual liberty of our citizens and a serious violation of the principle of self-ownership. I would argue that since we work more than half of the year to pay our taxes we are more than one-half slaves to the dictates of this federal government.

The most disturbing news is that with our massive debt and ongoing \$40 billion deficit Canadians are destined to continue as slaves to a greater and greater degree.

Until government reduces spending in a meaningful way this will not change. Therefore, while changes to income tax could surely make the system fairer and more user friendly the government must couple this with serious spending reductions, with the idea that Canadians have a right to self-ownership and will make better economic decisions on a voluntary basis than this government ever will through its top down, command management.

People in countries with larger amounts of economic freedom are far richer and have greater human rights protections than people who live in countries where state socialism prevails.

The free market with its supporting institutions of private ownership of property and voluntary exchange not only advances the human condition but promotes a more moral relation-

ship among people. The most important case for free markets is its consistency with and promotion of fundamental moral principles and respect for human rights.

Our tax system, more particularly the level of taxation in Canada, stands in dark contrast to the ideals of freedom, liberty and self-ownership.

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, I was astounded to hear the hon. member's speech. I thought I was listening to something in 1790. This is 1994, I should remind the hon. member. We are in the 1990s. It has been 200 years since the people he quoted wrote what they wrote. I think he quoted Locke and Paine. Old Tom Paine has been dead about 200 years as I recall, the hon. member can correct me. What he wrote was relevant in his day, but surely to goodness this is grossly antiquated at this point in time. Things have changed.

When I was a student of politics I remember reading Tom Paine and some of Locke's stuff. It was regarded as dated then and that was 25 or 30 years ago. I think the hon. member really ought to update his authorities and come up with something of the late 20th century in which we now live. To go back and quote these people as a basis for saying that we are now half slaves is frankly unbelievable and unacceptable.

(1630)

I noted the hon. member in his speech did not mention a thing about the benefits we get with the taxes we pay. This is something that members of the Reform Party seem to forget with monotonous regularity. They harp about government programs that are wasteful. He referred to grants to artists and to the National Action Committee on the Status of Women as examples of grants he thought were wastes of money. However he never told us where the cuts were going to come. If we cut those grants, whether it be the grants to artists or grants to the national action committee, we would not save very much money and he knows that.

What he really is talking about is cutting off the poorest of the poor at the bottom of our social ladder and telling them: "You people will have to make do on your own. We are going back to 17th century living where the poor get their money from a church or some other charitable organization and nothing whatever from the government".

Ms. Clancy: The deserving poor.

Mr. Milliken: The deserving poor, as the hon. member for Halifax says. If that is what the hon. member is saying, let him and his colleagues stand up and say it. Let them tell the House where the cuts are going to come because he knows all the government programs alone make up a very small percentage of the total federal budget. If the government was eliminated tomorrow there would still be a deficit on the books of the

Supply

Government of Canada. He knows that to administer all the other programs there is a cost.

I ask him to come clean with Canadians and tell us which programs he is going to cut. Is it medicare? Is it old age pensions? Is it the Canada pension plan or what? It has to be one of those and he knows it.

Mr. Scott (Skeena): Mr. Speaker, I thank the hon. member for his comments. I would like to say that the first cut we proposed was to the MPs' pension plan, for which we did not get any support from the other side of the House.

I would like to say further that just because the words of Aristotle and Plato and Jesus Christ were said 2000 years ago, does that make them any less relevant today? Is the truth not the truth? Is right not right and wrong not wrong? Does right become wrong or wrong become right just because 200 years have gone by?

I ask the hon. member to consider that the reason these people are quoted is because they spoke the truth. They had a fundamental understanding of the way society could best construct itself to operate in a manner that allowed personal freedom and liberty to exist. The hon. member laughs but he is not listening to the words.

Furthermore, the cuts the Reform Party proposed during the election campaign were very detailed. Obviously the hon. member has never looked at them but it is there for all to see. It is very comprehensive. It is probably a little outdated now because the cuts are going to have to be even more severe based on the deficits we are running. We made that plan on a deficit that has since ballooned significantly.

I will close by saying that the information is there. If the hon. member would like I will make sure he gets a copy of that.

Mr. Ron MacDonald (Dartmouth): Mr. Speaker, I was just driven to my feet by the riveting speech of the member opposite. I too could not quite believe what I heard but it was entertaining. It was a bit of comic relief in the Chamber which we do not often get.

I would just like to follow up on the comments of my colleague from Kingston. It is easy enough to sit down and be critical. It is easy to tell the Canadian public that you can solve all of the ills that afflict government and their personal situations. It is easy to say that you can solve the deficit situation overnight. It is called cutting, cutting and cutting. But when you cut, cut, cut you create another problem. You inflict pain on the people who can least afford to have that pain inflicted.

During the election campaign members of the Reform Party were quite good at going around talking about how they were going to control the deficit. Each and every time they were asked

tough questions such as: How would you deal with the national defence budget? Would you cut Canada's standing forces by 40 per cent? "Oh no," they said. "We do not want to talk about that right now. We would just cut".

When you ask them about Canada's health care system and whether or not the proposals they were putting forward would jeopardize the integrity of the Canadian health care system and how those cuts would affect it, they did not want to answer.

Therefore, I want to ask the member this question. He mentioned during his speech that Canadians are slaves to the government and that they do not choose every expenditure that the government makes on their behalf. I think that is true. Since he is in a condemning mood today about all the programs that past governments have spent money on, does he believe the taxpayers in Canada were consulted before they started paying for his leader's suits and car?

(1635)

Mr. Scott (Skeena): Mr. Speaker, I would like to address the last comment first. The taxpayers of Canada are not paying for that. That is coming from party funds.

Some hon. members: Oh, oh.

Mr. Scott (Skeena): Furthermore when we look at the spending program—

The Acting Speaker (Mr. Kilger): I think we would all like to hear the answer to the question. The hon. member for Skeena.

Mr. Scott (Skeena): Mr. Speaker, when we look at the spending of government over the last couple of decades and we look at the billions of dollars that have been shovelled out to grants and subsidies to Canadian business and industry, when we look at the billions of dollars that have been shovelled out to foreign aid through CIDA to countries that do not need it and where the rank and file people of those countries do not benefit but the governments do, when we look at the Auditor General's report when he talks about the massive amounts of government waste, those are the things that Canadians are keying in on.

If the hon. member on the other side thinks that Canadians are in the same mode as he is, that they support the massive government spending that is going on right now, he is in for a very rude awakening down the road.

Ms. Mary Clancy (Parliamentary Secretary to Minister of Citizenship and Immigration): Mr. Speaker, I must say that I am delighted to take part in the debate today.

While we are having a plethora of quotes from great minds of the 18th century, perhaps we could get in a quote from the 20th century. I am particularly interested that the hon. member for Skeena picked out the National Action Committee on the Status of Women to suggest as being unworthy of government funding.

Supply

Is it not interesting that the hon. member would pick a women's group and I wonder if he would go so far as to extend that to other women's groups as well.

Mr. Harvard: REAL Women.

Ms. Clancy: Yes, indeed, thank you to the hon. member for Winnipeg St. James.

I would tell him that there is a very famous quote with regard to where women fit in our society. I would quote that well known 20th century philosopher, Chairman Mao Tse-Tung, who said women hold up half the sky. It might be interesting if the hon. member looked into that just a bit. The quotations of Chairman Mao in his little red book are almost as relevant to the workings of this House as the rantings of the 18th century mind of Mr. Locke and some others. However that is a mere bagatelle and we will continue to the matter at hand.

I am particularly delighted to take part in the debate today because I think it is terribly important, as it frequently is in this Chamber, to put a human face on the work we do here. I am always delighted to be in the Chamber to hear my colleague and good friend from across Halifax harbour, the member for Dartmouth, as well my colleague and good friend, the member for Kingston and the Islands because the experiences in their own lives frequently puts a human face on the work that we do here.

We talk about cuts. I say this with the greatest of respect, because it is a long tradition in the House that we do not impute motive and that each one of us as parliamentarians understands that every other one of us as parliamentarians, is here to do the best job he or she can do according to his or her lights. We are here to represent our constituents and to do the best we can as well for all the people of Canada. We represent very different views, but the reason for us being here is the highest. Consequently I want to talk about some of those groups that exist on government largess, those groups that my friend from the other side perhaps in his lack of comprehension or just in his lack of experience thinks are not worthy of government attention.

Let me talk about women's groups in particular. Let me talk about transition houses. Let me talk about women's centres. Let me talk about women's health centres. Let me talk about shelters for young people. Let me talk about shelters for women who have recently been released from prison. Although coming under the specifics of provincial funding, all of these receive grants in varying amounts from either the women's program under human resources or under Employment Canada or under other government programs.

(1640)

Let me tell members how important these are. I believe that the hon. member in his own soul knows that these things are important too. He says he does not. Okay, he asked for it. Let me tell him about the women who are driven from their homes in the middle of the night in fear of violence, in fear of their own lives, in fear of the lives of their children.

Let me tell him about the women who are attempting to reconstruct lives after serving a prison term, after being helped through a group, for example, like Stepping Stone in Halifax which helps prostitutes get off the street and get back into normal society.

Let me talk about women who desperately seek to improve their level of education so they can break the cycle of welfare. Let me talk about people in general, but mostly women because the vast majority of those people suffering under the yoke of poverty in this country are women.

Let me say what would happen to them if the kind of federal funding that the hon. member in his pardonable but perhaps frightening level of knowledge wants to remove from the federal budget. Let me tell the member what would happen to them.

Places like Byrony House, a transition House in Halifax would be shut down. Places like Phoenix House, a shelter for young people would be shut down. Places like the St. Leonard's Society which assist people who come out of prison and who are trying to make a new start would be shut down.

We have already seen what happens when cutbacks meant that a great number of people suffering from various kinds of mental illnesses have had to be released on to the street. We have seen in the last 10 years, the years of the Mulroney government—the hon. member should pay attention, he may learn something—what has happened when a lack of compassion has contributed to an ignorance level and people do not see what is happening to the big picture.

Go to the streets of any major city in this country. Go to my city of Halifax, a small city, and see the number of young people who are on the streets. See the number of people with various kinds of mental disorders who are on the streets because there is no place for them and because the funding is not there.

Go to Montreal and Toronto and Vancouver and Winnipeg and Calgary and Edmonton and you will see them. Is this what you want in your country? Is this what you want to be the legacy of your children? Is this what you want the world to say Canada stands for and Canada means?

If it is, I have to say that it is not what I want and it is not what anybody on this side of the House wants from the hon. member for Saint-Maurice who is the Prime Minister to the latest elected backbencher on the government side.

On this side of the House, we have a history and a tradition that says that you can do two things. Yes, on that side of the House too, as my hon. friend from Ontario reminds me, along with the rump as well. We have a history and a tradition in the Liberal Party that says the two things that drive the engine of government are not incompatible and those two things are compassion and fiscal responsibility. People who believe that the two do not go hand in hand with the greatest of respect, just do not understand the way government works.

(1645)

We on this side of the House have a great tradition of reform in the best sense of the word. This is the party of Joseph Howe. This is the party of Wilfrid Laurier. This is the party of Lester Pearson. And thank God, this is the party of Pierre Elliott Trudeau and the party of Jean Chrétien.

The question of reform has always been near and dear to the hearts of Liberals because it is reform with a compassionate face. It is reform to ensure that Canadians have a standard of living that is second to none.

My hon. colleague from Dartmouth asked the learned members on the other side where they would cut. I can remember, and I know the hon. member from Dartmouth remembers this as well, five or six years ago the hon. member for Dartmouth, the hon. member for Willowdale, who is currently the chair of the finance committee, and I went out for supper after a committee meeting. We talked about the jewel in the crown of Canadian social programs, and that is medicare.

The hon. member for Dartmouth's history is in a small coal mining town on Cape Breton Island. I came from not too far from there myself, but was brought up in a larger city. The hon. member for Willowdale was brought up in the city of London, Ontario.

We discovered that each one of us had the experience in our early childhood of seeing members of our families seriously ill and prevented from getting the kind of medical care needed. Actually, in my case it was not prevented. My father had an illness for three weeks. When he died, my mother was cleaned out. There was no money left. Everything was gone because this was pre-medicare. The hon. member for Dartmouth's father suffered an industrial accident which devastated his family financially. The hon. member for Willowdale had a similar experience.

The three of us talked about this. I remember it so well. It impressed me so deeply that the three of us, coming from our different experiences were utterly committed to the fact that never in this country should Canadians have to worry about medical care. Never in this country should Canadians have to think that they could not get treatment or medical services that are life sustaining without a complete and utter danger of bankruptcy within their family.

I was seven years old when my father died. I remember the devastation of his death, obviously. But I also remember what clearly was a fear in my mother's heart because she was left a widow with no resources. My father had been a pretty successful businessman. But there was no medicare and three weeks in a hospital cleaned out everything they had managed to save and compile in 10 years.

Supply

That is unacceptable. That is not even something which should be allowed to be contemplated. When hon. members from the Reform Party talk about cuts, when they talk about user pay which with the greatest respect is absolutely one of the dumbest theories I have ever heard of but I leave that for another debate, when they talk about these things I wonder if they have truly investigated and looked at the situation.

I would advise the hon. members to go into the Library of Parliament and look at an all-party report, a unanimous report done by the health and welfare committee in the first two years of the last Parliament.

The report talked about the kinds of changes that would deal well with medicare. Unfortunately that report has never been given the kind of light it needs. It talks about preventive medicine. It talks about the kinds of things for example that the province of Quebec is particularly good at. I forget the name and I do not know if any of my colleagues here can help me, but there is a name for medical centres in the province of Quebec—

Mr. Boudria: CLSC.

Ms. Clancy: I thank the hon. member for Glengarry—Prescott—Russell. Yes, CLSC.

There is something similar in my own riding, the North End Community clinic in Halifax. A particular form of community based medicine can save us a lot of money. This is clearly the way we are going to have to go and not to what I call band-aid, short sighted remedies like user pay.

(1650)

This government and the red book that is the basis of this government's policy in this Parliament has a commitment to the people of Canada in the creation of jobs, in the creation of dignity, and in the absolute commitment to the fact that all Canadians are equal in the area of opportunity.

You are not somehow a second class citizen because you live in one part of the country as opposed to another part, or a second class citizen because your family tradition is to go down to the sea and fish rather than get a university degree, or rather than go to the farm and plough, or whatever. Canadians have an equality of opportunity and a right to have those opportunities and the services of their government from sea to sea to sea.

It is not something you will be more entitled to if you live in an urban riding. It is not something you will be more entitled to if you live in Ontario. It is not something you will be less entitled to if you live in the Northwest Territories.

Supply

It certainly is not something you will be less entitled to if you happen to be franco-Canadian—if I can say that, French Canadian—or if you happen to be a member of an ethnocultural group that did not necessarily get here 400 years ago.

The point is that we in this government are committed totally to the marriage of compassion and responsibility. As well, the point is that in spite of the meanderings I hear from time to time from our learned colleagues on the other side—

An hon. member: Diatribes.

Ms. Clancy: That, too. Diatribes. At any rate, the meanderings and diatribes from the other side.

There is something I have wanted to talk about for some time and this appears to be a good time. One hundred and seventy-six ridings in this country sent Liberals to the House of Commons. Out of 295 ridings that makes—

Miss Grey: A majority.

Ms. Clancy: A majority. Exactly. I am delighted to see that the hon. member from Beaver River understands that.

The hon. member for Beaver River has been here for a little while. Maybe she has a better grasp of it because some of her colleagues seem to think that the policy bus is driven by the opposition. We are here to say that the policy bus is not driven by the opposition; the policy bus is driven by the government. And the gas in the policy bus on this side goes back—

Mr. Stinson: What happens to the people?

Ms. Clancy: The people are on the policy bus with their 176 MPs.

Mr. Stinson: Then why do you make them push?

Ms. Clancy: They do not have to push because they know where the wheels are.

Hon. members on the other side do not seem to realize that all they have to do in actual fact is look at the most recent polls. Call me naive, but it looks like people are relatively happy with what is happening on this side of the House. Not just in Atlantic Canada where they are more than happy, but it looks like right across the country the approval rating for the Prime Minister and for this government is fairly high.

Now that cannot last forever and those of us who have a little experience in politics understand that. But the point is that you do not cut your cloth in policy on the government side of the House according to prevailing winds. You cut it according to what is best for Canadians, what is a tried and true policy, what is something that has been proven to work, and what is done in the judgment of a Prime Minister who has 30 years experience in this House of Commons and in every major portfolio in the Government of Canada.

That is the kind of policy and the kind of work and the kind of government Canadians want, deserve and have asked for. That is the kind of thing a number of the hon. members on the other side could certainly benefit from listening to. But again—

Mr. Grubel: Regardless of cost.

Ms. Clancy: Somebody is yelling over there. I do wish he would keep quiet.

At any rate when I conclude my remarks I promise the hon. member I will give ear to any comments he wishes to make, at least briefly.

(1655)

The motion today in somewhat florid language states that this House implore the government. The government does not need to be implored. I do not think there has been a government in the history of Canada that has gone further in consultation with Canadians.

In case hon. members across the way have forgotten, the Minister of Finance met with Canadians from all walks of life in five major centres across this country. I happen to remember the minister at the meeting in Halifax saying: "Tell me where to cut. Where do you want me to cut?" I remember him listening and I remember him reacting.

The hon. member across the way says he did not listen. I trust the hon. member got a few letters for example from the doctors and a few other people in this country. The hon. minister did listen.

What this government does best and will continue to do is it listens. This government with its majority, put here by the vast majority of Canadians, will continue to listen. It will continue to remember that the most important thing for government is to remember compassion, to remember humanity, to remember equality and to remember who put us here.

Miss Deborah Grey (Beaver River): Mr. Speaker, I appreciate the comments of the hon. member. I was amused. I appreciated the spelling. That was wonderful, but I think the *Hansard* people do quite well.

Let us remember another party that was here recently. It had a majority of approximately 170 as well and we know where it ended up. Let us remember you can go from great heights to great depths here. If we are going to brag about how we have done, the increase in this party was not half bad either going from one member to 52. Mathematics is not my strongest point but our percentage increase was pretty marvellous.

Nonetheless, let us get on to more serious things rather than spelling particular words and meandering and diatribing, if I can make that a verb.

The hon. member talked about compassion and responsibility. We agree with that on this side of the House. What we need to

realize is the best thing we could do is to show and exercise compassion to the people in this country who truly need it.

I appreciate the hon. member's comments about women's shelters and transition homes. They are necessary. The only way we will be able to preserve those and to make sure that medicare stays strong and solid in this country is to get a grasp on the deficit. That will make sure those programs remain strong. We cannot just continue to spend our way into oblivion and then say we are committing ourselves 100 per cent to this. The debt will destroy it. My friend knows this. The debt will destroy those programs faster than anything else.

Let me talk about the National Action Committee on the Status of Women. As a woman I may have more right or responsibility or whatever than my friend from Skeena to say I believe that many of these groups which are funded by government should be funded by the people who believe they exist for a particular reason. They are the ones who should be looking after them. Let us make sure we are not always coming to government begging for money to perform the tasks we think are important. If I believe groups are worthwhile, I will fund them.

The most responsible and compassionate thing government could do would be to eliminate and lower tax loads and frustration levels for people in this country who are feeling totally overburdened. As a citizen I should be able to see the light at the end of the tunnel. I should be able to relieve my tax burden so that I can turn around and exercise compassion humanly, individually to fund some of those groups I think are important.

I would like the hon. member to prove to us that raising debt loads, raising deficits and raising taxation levels in this country are compassionate.

How is the government ever going to be able to exercise true compassion by spending the legacy of the children she talks about? What about the legacy to our children? To whom are we leaving this exorbitant debt? You cannot go on one side and then the other. The hon. member talks about the legacy of children. What about the legacy this government is leaving to children, which is the enormous debt that it will never pay off?

(1700)

Ms. Clancy: Mr. Speaker, I thank the hon. member for Beaver River for her comments. I must have missed something which I suppose is possible but unlikely. However I have just a couple of points in case the hon. member has missed something.

The government has not raised taxes and the government has not raised the debt. Indeed the government is lowering both. Perhaps if the member paid attention to the comments of the Minister of Finance she would realize that.

Supply

I listened, I listened hard, and the member for Brant said to me as she went across to her seat: "Have they said where they are going to cut?" I did not hear them say where they were going to cut. They said they were going to cut the National Action Committee on the Status of Women, a favour whipping post, I might add. May I say that on occasion the national action committee and I have not always seen eye to eye on process although our goals are very similar. It may come as a raving shock to members on the other side that according to most statistics and most polls over 90 per cent of Canadian women, whether they call themselves feminists or not, happen to hold the same goals as the national action committee.

Probably what the hon. member does not know is that some groups belonging to the National Action Committee on the Status of Women such as women's institutes, the United Church Women of Canada and the YWCA of Canada, mainstream women's groups, hold very strong views and are part and parcel of the group. I do not want to cut the funding to them.

Perhaps the hon. member, not having a whole lot of experience in the area of feminism and gender equality, would not know that women making 60 cents for every dollar that men make have to do fairly basic things like pay the rent, feed their children and a few other important things. They do not have a lot of money to give away. Governments are important in this regard. We are not going to cut off our noses to spite our faces which appears to be the kind of thing the hon. member is advocating.

Mr. Mike Scott (Skeena): Mr. Speaker, I would like to make the observation that while I chose to quote Paine and Locke, the hon. member chose to quote Chairman Mao. Chairman Mao, aside from having a very small mind, was responsible for one of the most atrocious, unspeakable genocides committed under his leadership in China. If she chooses to hold him up as a model, I guess that is for Canadians to see.

The hon. member imputed that my party was against supporting people in Canada who genuinely require support. That is totally false. I made that very clear in my points. I do not know how the hon. member can equate the National Action Committee on the Status of Women to people out on the streets or in Canada who really need assistance from the government.

Third, she is quite right. They are driving the policy bus. I am glad I am not on it because that policy bus is careening down the street right now at the rate of \$100 million a day. There is a dead end coming up pretty shortly. They are the ones who will be responsible because they are in the driver's seat.

Ms. Clancy: Mr. Speaker, I am glad the hon. member for Skeena got up because I wanted to make a comment. I am not particularly going to deal with the meanderings of the hon. member in his last comment, but he did talk earlier about

Supply

something very dear to my heart. I happen to know it is dear to the heart of the member for Rosedale sitting over there as well, not to mention a few other members in the House, and that is the whole question of arts funding.

Along with the compassionate face of government and the kind of funding that we in the Liberal Party with our 150-year history in the country will continue, may I say the country that does not fund its artists, the country that does not make representation on behalf of its own culture, is the country that has no soul. The country that has no soul will wither on the vine. If the hon. member would like to see the country wither on the vine, I am sure one the fastest ways to do it is to say that we as a federal government should not be funding the arts.

I can also say I would be very interested to see how many hon. members on the other side would be prepared within their own communities to stand and deny the kind of general small group funding they were probably working on. I saw a number of reports in the newspaper about how they worked on their SEED grants. Did they cut in their ridings all those SEED grants to all the groups they mentioned? I doubt it. If they did, I think that getting off the plane when they get home, even after flying economy class, would be a bit more difficult than they heretofore encountered.

(1705)

The Acting Speaker (Mr. Kilger): There is only a very brief period of time left for questions or comments so we will keep it short.

Mr. Jim Gouk (Kootenay West—Revelstoke): Mr. Speaker, I rise because I am shocked and dismayed. I listened to two colleagues on my side deliver their speeches. I was awaiting a rebuttal from the other side because my colleague suggested there was no tax relief in sight for Canadian companies. I was awaiting the plan that I know exists on the other side but we never got it.

When the hon. member for Halifax stood I thought we are going to get it. This is not a sharp shooter. This is a Gatling gun. I thought she would mow down that false notion but she did not do so either. I feel compelled now to inform the House what the Liberal plan is.

The Liberal plan is to raise the taxes of Canadian companies. If the Liberals raise those taxes a notch higher, those companies will then qualify for tax exemptions as non-profit organizations. That is the Liberal plan. I am surprised they did not share it with us.

The Acting Speaker (Mr. Kilger): A closing comment from the parliamentary secretary.

Ms. Clancy: Mr. Speaker, I am going to say on the advice of the hon. member for Glengarry—Prescott—Russell very slowly that we did not raise taxes.

The Acting Speaker (Mr. Kilger): It is my duty, pursuant to Standing Order 38, to inform the House that questions to be raised tonight at the time of adjournment are as follows: the hon. member for Mercier—Social programs; the hon. member for Richelieu—Hibernia project; the hon. member for Winnipeg Transcona—VIA Rail; the hon. member for Anjou—Rivière-des-Prairies—Hibernia project; the hon. member for Kamouraska—Rivière-du-Loup—Unemployment insurance.

Mr. Herb Grubel (Capilano—Howe Sound): Mr. Speaker, it is a pleasure to switch gears a bit and talk in a non-partisan way about some matters which I think are extremely important for the country.

The debate I just witnessed, the shouting, the unpleasantness that took place here and the emptiness of the political rhetoric are the kinds of things that have turned so many people against politics. It is a sad thing to observe, sitting in the Chamber.

I would like to talk about the fact that the underground economy is widely discussed in Canada these days. In these discussions the need for lower taxes and the reform of the taxation system are regularly linked. In my remarks I will expand on these subjects drawing heavily on information which I have obtained as a member of the Standing Committee on Finance on possible changes to the GST and during a recent Fraser Institute conference on the growth of the underground economy in Vancouver.

During the recent hearings of the finance committee many witnesses noted their concern that the GST had been a major cause of the growth of the underground economy, the loss of government revenue, and the precarious state of the government's fiscal condition. These witnesses reflected their own experiences as well as those shared by researchers and the general public. There is widespread agreement that the underground economy was encouraged by the introduction of the GST. This tax induced evasion because it is visible and imposed on every consumer purchase.

Evasion is encouraged additionally by the fact that consumers do not face any penalties for non-payment of the tax. Evasion is particularly high among small firms that supply services with a high labour content. In these industries honest owners are forced by competition from just a few bad apples into operating outside the law.

The GST is not the only determinant of the underground economy. High marginal tax rates on personal income provide incentives that often reinforce the reward of evading the GST. If you are hanged you might as well be hanged for a sheep as for a lamb. Onerous regulations of business and large surcharges on labour costs mandated by the government also encourage firms and workers to operate outside the regular economy.

There are strong incentives for persons receiving unemployment insurance or welfare benefits to work in their own households as well as in the underground economy without reporting their incomes. These social security systems penalize beneficiaries with 100 per cent tax rate on reported income above only a very small amount.

(1710)

Many people are particularly concerned about the growth of the underground economy because it appears to be accompanied by a change in public attitude about the morality of tax evasion. In a recent survey 71 per cent of Canadians indicated that "most people would cheat on their taxes if they knew they could get away with it". Seventy-nine per cent agreed that people who pay all the taxes they should are fools. Can we believe that? Thirty-two per cent considered acceptable the evasion of the GST by other people.

Some analysts believe that social capital in the form of honesty, which in the past has made Canadians among the most compliant in the world in the voluntary filing of their income taxes, may have been lost irretrievably.

However it is important that the government at least try to get Canadians to return to their traditional honesty by tax reforms that simplify compliance and reduce incentives to cheat by the lowering of both marginal and average tax rates. Unfortunately the lowering of tax rates under any taxation system cannot take place until spending is cut and increased revenue due to economic growth has eliminated the deficit.

Government success in this challenging task is likely to increase further the public's incentive to evade taxes because the level of real government services per dollar of taxes collected will be falling and ultimately reach a rather low level. This phenomenon is due to the fact that in the absence of debt payment a balanced budget provides the people of Canada with a dollar's worth of government services. However in a few years the debt payments of the federal government are likely to be about \$50 billion annually.

If by that time program spending remains at its present level of \$125 billion and economic growth under the present tax structure yields \$175 billion the budget will be balanced. At that time each dollar of taxes will provide for less than 70 cents of traditional government services. Taxpayers will have little trouble rationalizing evasion on the grounds that taxes are not providing value for their money.

During the finance committee hearings and in the public media it is often suggested that the government's financial crisis could be eliminated if only somehow it were possible to tax the underground economy. The validity of this proposition depends decisively on the size of the underground economy and the possibility of forcing it into the open.

Supply

The Fraser Institute conference saw some academics present estimates of the underground economy as high as 15 per cent of national income. On the other hand government statisticians and economists suggested that it represent 5 per cent of national income at the most and that it is probably more like 3 per cent. The difference between these two estimates is due to the use of different methods for the estimation of a phenomenon that by its very nature is not known and attempts to remain hidden.

The academics use strong assumptions about the demand for money by the public to finance regular and underground economic business. Some have found the demand for cash is higher, the higher our tax rate. In fact the amount of cash used by the public is much larger than can legitimately be used in the regular economy. The excess amount is believed to be used to finance underground activities.

Analysts in the employ of the government use sophisticated accounting data to check for the growth of discrepancies in balances which if measured completely and accurately should be zero. They also engage in sensitivity analyses of data which show the academic estimates imply phenomena that simply are not observed in the real world by any standard of measurement.

Some part of the observed differences in the estimates are due to definitions of the underground economy. Government estimates focus on the amount of income that goes unreported to the tax collectors on the one hand and is unrecorded by Statistics Canada on the other. The academic estimates include illegal activities which may be as much as 1 per cent to 2 per cent of the national income.

(1715)

Some academics know of the professional bias of government analysts who prefer not to be reporting that they have done their job poorly and that they tend to make continuous adjustments to their data to avoid the development of the kind of large errors the academics claim to have discovered.

While this criticism is probably unfair, there was the astounding revelation that the U.S. Internal Revenue Service has doubled its official estimate of the amount of tax evasion after a new head had been appointed. He is alleged to have decided that the estimate of 5 per cent evasion, twice that given by his predecessor, would strengthen with congress his case for more tax collectors. The IRS is now investigating its own internal auditors. Some academics noted that official positions on the issue now imply that Canadians are 10 times as honest as Americans in filing their income tax returns.

Dr. Don Drummond, deputy minister of finance for fiscal affairs, put much credence in the maximum of 5 per cent figure for the underground economy. Importantly, he noted that this figure represents a serious problem. It equals about \$35 billion and, at \$17 of federal revenue per \$100 of national income, it amounts to about \$6 billion of foregone taxes. This is not

Supply

enough to eliminate last year's regular deficit of \$42 billion but enough to help significantly the fight for a balanced budget.

However, it is unlikely that the full 5 per cent of the more or less officially admitted maximum underground economy can ever be brought into the open and made taxable. Yet I would argue that the lowering of taxes might make for more tax revenue than the \$6 billion suggested by the government representatives.

For one, returns from after tax legal income would rise relative to the returns from illegal activities. More important, there would be reduced incentives to produce in the informal unmeasured household sector. This effect will be enlarged considerably when the economy recovers and the number of persons on welfare and UIC is reduced.

It is believed that persons on social assistance use much of their free time to work in this unmeasured sector which is not included in the official estimates of the underground economy. They would do less of this kind of work, hire others to do it and pay with income from their own formal work. Many economists believe that this tendency would be strengthened even more if the pending redesign of social programs makes it more difficult and less rewarding to remain on social and UIC assistance.

Let me conclude by summarizing my argument. The underground economy in Canada is large and policies that result in shrinking it would result in significant increases in tax revenue. The federal government has the opportunity to achieve this outcome by the lowering of average and marginal tax rates, the elimination and simplification of regulations and the reform of the social programs.

The issues and opportunities are clear. It is time to act on them.

Mr. John Harvard (Winnipeg St. James): Mr. Speaker, first I want to thank the hon. member for Capilano—Howe Sound for his representation. I thought you spoke very well. It was anything but an inflammatory speech, quite unlike some of the speeches made earlier by your colleagues from the Reform Party. You began your speech by complaining—

The Acting Speaker (Mr. Kilger): Order. I remind all members to direct their statements, questions and comments through the Chair, please.

Mr. Harvard: Mr. Speaker, I will try to follow your admonition.

I wanted to remind the hon. member from Capilano—Howe Sound that he should not have to look any further than his own colleagues to find the source for the partisan debate that has taken place in the last hour. The members of the Reform Party

have done very well painting supporters of this government as the terrible oppressors of the taxpayers.

There is naturally a very legitimate debate over what is right and proper about taxes.

(1720)

I suspect that there is not a Canadian anywhere who does not have at least some partial legitimate complaint about taxes. I find that acceptable. Too many of the speeches from the Reform Party members this afternoon have been monuments to greed and selfishness.

The parliamentary secretary made the comment this afternoon that the Reform Party members do not know anything about the way government works. I suspect that she is wrong on that point. I think they know very well how government works, and very often government gets in the way of their greed and their selfishness. All I hear from them is: "I don't want to share. I want to pay less. How can I get out of my responsibilities?"

They talk over and over about their rights, but never once do they talk about their responsibilities. We do have responsibilities to each other. The member from Skeena even invoked the name of Jesus Christ. I think he has nerve to use that name in this particular debate because his entire intervention was about greed and selfishness: "How can I get out of my responsibilities? Give me more as an individual but allow me to pay less. Allow me to contribute less to Canadian society."

These speakers contribute to this victimization syndrome that besets this country. We hear it from these people all the time: Politicians are rotten, leaders are rotten, Parliament is rotten, every governmental institution is rotten, you are the victim and you must cry out because those people in Ottawa and other capitals around the country are the oppressors. You do not have any responsibilities whatsoever. You are supposed to be on the take. You take everything for yourself. You do not contribute anything to your community. I think that is very irresponsible.

I have a question for the most recent Reform speaker. Tell me about your responsibilities. Where do your rights end and your responsibilities begin?

Mr. Grubel: Mr. Speaker, I appreciate this opportunity after this almost ranting and raving question to respond to challenges about my motives and the motives of my colleagues.

I know my friends here now very closely. They are as compassionate and concerned about the future of Canada and the welfare of individuals at least I would argue as some of the members on the other side. Obviously there is no merit in us having a dispute, an argument, over who is more compassionate. What a rational debate in government and in society should be about is how do we carry it out, how do we do it?

Supply

The reason why I have left a comfortable life as a professor, short of retirement, is because I am so worried that the future of our social programs is in jeopardy. We are very, very close to losing it all. This would not be the first industrial country of the world where this has happened.

I am more compassionate, I assert strongly to the member opposite. Let us have an argument on who is more compassionate. I am more compassionate. On top of that, I have a brain, a brain which says to me that it is not just a heart or a stomach with which I have to make policy. I have to look at the world around me. As I look around at the world I see this government predicting an extra \$100 billion deficit in the next three years.

(1725)

At a 6 per cent average that means \$6 billion more spending just to serve the interest on the part of the debt they have created in six years. Do you know how much we can spend on social welfare with \$6 billion? That does not count all the higher interest we owe on the already existing \$500 billion. We are on a treadmill with the spending cuts we are making. The increases in revenue—

The Acting Speaker (Mr. Kilger): Order, please. I regret the hon. member's time has lapsed.

Mr. Stephen Harper (Calgary West): Mr. Speaker, I am rising today to speak to this motion by the hon. member for Calgary Centre on reforming, simplifying and making more equitable our income tax and other tax systems in Canada.

I originally had planned today to speak primarily on the issues of fiscal federalism in the few minutes that I have. In this country right now we are undergoing a series of studies and serious examinations of a number of policy areas that include social policy, not just transfers to individuals but transfers to provinces, and we have a budget that is impacting on a number of transfer programs to provinces, both this year and in future years.

All of those things are really proceeding in a number of different ways. There are intergovernmental negotiations going on. We do not have any details about that but we know it is happening. We have a social policy review. Of course we have budgetary policy and a review of the GST.

There is a wide number of studies into issues of fiscal federalism but there is no overall integrated approach to making the tax system fairer and more efficient between levels of government. That is the primary point I want to address today, some of the things that some organizations are putting out that could be done, some of the things that our various academics have proposed.

I have been sidetracked somewhat by an issue that I got into last week. It came up on the floor of the House yesterday. I want

to digress and spend most of my time on that because it seemed after what was said yesterday in the House that it was a perfect opportunity to address this particular issue because it is really so relevant to the way taxes and the tax system are functioning in our country today.

I am referring to the mini controversy we have over the federal overseas tax credit. This is a tax credit that is available to Canadian workers who are working overseas for six months or more of the year, enduring hardship and separation from their families and work related expenses in that capacity. There have been recent stories, one in particular in *Alberta Report*, that draws attention to the fact that the federal revenue department is basically considering retroactively disallowing the use of the overseas tax credit by certain Canadian workers, much to their detriment.

This story appeared and has been on the scene. I know members of Parliament, not just myself but other members have been making inquiries into this particular matter for some time because this has been on the public record now for a couple of months. They are not getting very far with Revenue Canada I understand.

I am not a tax expert and I am not a lawyer. I would never claim to be for obvious political reasons. By implication neither am I a tax lawyer. But I did find this story quite interesting. Given the government's current unwillingness to address the issue I decided to raise it in the Commons in statements.

Yesterday in response to one of these gratuitous set up questions we have periodically, the Minister of National Revenue said I had erred in my statement and provided the House with some incorrect information and that there were in fact no legislative changes involved in this area.

What is wrong with that statement is that it has nothing to do with what I in fact said to the House or what the problem is here. Mr. Speaker, you may have seen the movie last year, *The Firm*. It was one of my favourite movies last year. In one particular scene—it is about tax lawyers—Gene Hackman plays Avery Tolar speaking to Tom Cruise who is playing Mitchell McDeer. He is teasing him about his upcoming tax law exam. He has a multiple choice question for the young upstart. He says: "What is the difference between tax avoidance and tax evasion? Is it: (a) what the IRS says it is? (b) A good tax lawyer? (c) Five years in jail? (d) All of the above?"

(1730)

Just to Canadianize that we will substitute Revenue Canada for the IRS, the Internal Revenue Service in the United States, and I think the same applies here. The point I am making is that whether there have been legislative changes is too often irrelevant. Tax law in this country rarely has much to do with legislation.

Supply

We recently have been passing in this House tax changes that were brought in by the previous government, well over a year before its defeat in some cases. We have been passing those things. We have been agreeing to them on this side. We have no choice. They have been implemented for some period of time. Legislation has little to do with it and little to do with the question I raised.

The question I was raising was not a question of legal technicality or of the latest version of Revenue Canada tax rules. It has to do with the administration of the tax system in the country and the application of tax law which often leads to the second point I was raising, the far more important point, the whole issue of tax fairness and in particular issues of scope and timing.

Timing in this case is the whole issue of retroactivity of administrative and application changes in terms of the administration of the law. Scope is in terms of the application of this particular provision to some workers and not others, in particular this one provision that depending on how interpreted or how applied affects workers of foreign parented companies differently than workers of Canadian parented companies whether or not those workers are Canadian.

These are very important questions and I do not profess, nor did I in my statement, to know the right answer or what the correct policy should be. I do not know and I can understand that there are certainly legitimate costs involved in these kinds of working arrangements.

My point is that if we are going to administer a sensible, fair and improved tax system in this country it is important that we take these kinds of issues seriously and listen carefully. Neither of those things was reflected in the kind of answer that the minister gave in the House to this dilemma yesterday.

Specifically, whether or not one agrees with the overseas tax credit it is not difficult to understand the concept that fairness and retroactivity of application are two entirely different things. We should be very careful in retroactivity of either legislation or application especially when it involves substantive tax penalties for some people.

Second, it is also not hard to understand in terms of fairness that all Canadian workers should be treated as equally and as equitably as possible. I happen to believe that in the kind of new economy we are moving into capital, with the porous international borders we have and with the technical evolution we have and with many of the well run countries in the world, will do a pretty good job in the long haul of taking care of itself. I do not think it needs protectionist measures such as this.

I noticed that the revenue minister rationalized this measure as effectively a protectionist support for Canadian based companies. However, Canadian labour in the future is going to need not

necessarily our help in the old sense of giving handouts but help in the sense of ensuring its full participation in this dynamic, capital driven economy. This kind of tax measure is a perfect example of one that is driven by needs, old kinds of protectionist, nationalist needs that are not consistent with the needs of Canadian workers.

(1735)

Whether this particular tax credit is essential or well structured or not, I do not know. I do know that if a Canadian worker is participating in his economy, whether here or abroad, surely the application of that should not be based on the status of his employer. Canadian workers and Canadian labour should be the focus of those kinds of measures.

I see, Mr. Speaker, you are asking me to wind up. I did want to spend my time on that. I hope the government is listening and I hope it takes not just the big concerns that we have about the tax system but some of these smaller day to day tax problems that Canadians have much more seriously in the future.

Mr. Andrew Telegdi (Waterloo): Mr. Speaker, I note that the motion was moved by the member for Calgary Centre and the speaker who just spoke is from Calgary West. Somehow I find it to be a more reasonable combination from the members of the Reform Party.

I have two questions for the member. Earlier in the debate the member for Dartmouth posed a question to the member for Skeena on the issue of the expenditures by the leader of the Reform Party in terms of cars, suits, money that was supplied by the Reform Party coffers. The member for Dartmouth said that was funded by taxpayers' money. The member for Skeena jumped up and said that was not the case.

Could the member for Calgary West tell us how Reform Party funds are subsidized by the taxpayers through the tax credit system.

The next question is I am sure most members of this House and members of the Reform Party would agree that part of the problem is that economics is trying to do a balancing of demands and we have demands coming from various sides. Obviously we ended up with a deficit that was greater than was predicted beforehand, so the government does not have the option. We have to deal with the reality as it is handed to us.

The Reform Party keeps referring to our program, that we are going to increase the size of the debt which I guess we are and that is well known. We also are committed to bringing down the deficit. The Reform Party even in its budget would have increased the debt. In light of the new expenditures I am sure it would have increased even more.

I wonder if the Reform Party does not believe that by forever trying to say that there is a fiscal crisis in the country it is hurting the situation in the financial markets just as the Bloc is hurting

the financial situation in the markets when it says that the country is going to break up.

I would like to have answers to those questions.

Mr. Harper (Calgary West): Mr. Speaker, I do not know if I have enough time to answer both of those, but let me try.

The hon. member raised a couple of issues in terms of the recent expenditures of the Reform Party executive. It is a well known fact that I had indicated I was not happy with the structure of those particular expenditures and I had recommended to the council that it go about receipting any legitimate expenditures that our leader incurs. The executive council of the party I understand has in fact endorsed that kind of a policy.

The reason I said that was that we are here in the House of Commons, the Reform caucus, trying to get our current non-taxable, non-receiptable expense allowance that we all enjoy of \$21,300 a year receipted. This is one particular expenditure. This type of expenditure should not occur. It should not occur in the Reform Party and it should not occur in this House of Commons where in addition to being non-receiptable it is also non-taxable.

(1740)

I would hope that having gone through that particular controversy and kept our policy consistent as we did that we now have the support for the hon. member for the scrapping of that particular kind of non-tax allowance that we as members of Parliament all enjoy. I would expect to get that support.

The member also asked me more specifically whether Reform Party funds have a subsidy component. The answer in my view is that they do because of course they are funnelled through a tax credit system that all political parties enjoy.

We have urged that this government bring forward legislation to end that kind of special tax credit status for political parties in a number of areas. We have urged that we do this for all political parties. If the members of the government feel so strongly on that particular issue I would urge them to take action on it as soon as possible.

Ms. Susan Whelan (Parliamentary Secretary to Minister of National Revenue): Mr. Speaker, I rise today to speak about important issues relating to this motion, two issues that are currently eroding the very fabric of Canadian society. The issues are the underground economy and smuggling.

They are issues that are eroding fairness and equity in this country. The underground economy and smuggling are national problems. They are complex problems without simple answers

Supply

or simple solutions and they are wearing away the respect that Canadians have for law and for the fairness of our tax system.

There are some in our society who feel that evading taxes and smuggling goods are acceptable activities. These people believe that no one is hurt. The fact is people do get hurt.

Underground activity and smuggling are not victimless crimes. They hurt the law-abiding majority of Canadians who obey the law. They are putting honest business men and women out of business. Legitimate business is forced to operate against competition that is not contributing its fair share to the economy.

Honest companies have trouble being competitive both at home and abroad and are forced to charge higher prices to compensate for their own honesty. Jobs are lost. The deficit grows and honest taxpayers carry an unfair load. The playing field is not level.

The greater the illegal activity, the less tax revenue available to governments for essential services and social economic programs. Governments have less revenue to maintain the current high quality of our health care system and our social safety net.

As a result all government programs, including pensions, education, development of the infrastructure, will in due course be at risk.

In 1993 smuggling cost the federal treasury over \$1 billion in lost revenue. It cost provincial treasuries another \$1 billion. Depending on the estimate, the underground economy ranges from 2.5 per cent to 3 per cent of GDP to over 20 per cent. This means that \$20 billion to \$140 billion is going untaxed each year. That is billions of tax dollars that the federal and provincial governments do not have to reduce the deficit and finance health, employment and social services.

Because of underground activity it becomes difficult if not almost impossible for governments to meet Canadians' demands for economic growth, deficit reduction and meaningful jobs.

It is clear to me that those who enjoy society's benefits while refusing to contribute to its maintenance are taking advantage of others. They are taking advantage of their honest friends and neighbours. These people whether they realize it or not are expecting others to pay their way. They are expecting their friends and neighbours to pay for the general services they enjoy, including roads, hospitals, schools, fire and police services, while they improve their own personal financial situations. To be extremely blunt, they are freeloaders.

(1745)

We cannot allow this kind of selfishness to continue. The integrity and the future of our tax system depends on bringing

Private Members' Business

these people back into the legitimate economy. Canadians have to know that everyone is paying his or her fair share. Canadians need to have confidence and trust in government and in the way their governments handle their money.

As the Minister of National Revenue has publicly stated, tax evasion is not a game. It is a serious issue with serious consequences. It burdens honest taxpayers and hurts businesses throughout the country through unfair competition. While everyone wants the benefit of lower taxes, it must be achieved in line with the law and not by breaking it.

We want tax evaders to voluntarily rejoin the legitimate economy. However we must also continue to send the message that if they continue to deliberately evade taxes we will do all we can to identify and convict them.

I appreciate the opportunity the parties opposite have provided to send this message again today. Tax evaders and smugglers should know that we intend to put a halt to what they are doing. I also appreciate the opportunity to send a strong and clear message to honest Canadians. The law-abiding majority of Canadians need to know that we recognize the fact that they are carrying an unfair share of the burden because of tax evaders and that we are taking action to lift it.

The opposition asked that we sit down with the provinces and with ordinary Canadians to consult on these issues. That is something we do all the time, every single day.

For example, the government recently joined forces with the province of Quebec to combat the underground economy, tax evasion and smuggling, and to improve the way we are using the resources allocated to addressing these issues. Under the new arrangement Revenue Canada and Revenue Quebec have strengthened their relationship in all areas of enforcement with the goal of identifying cases of fraud, non-filers, non-registrants, to sharing access to electronic audit selection systems, co-ordinating audit investigation and collection activities, sharing the results of enforcement measures, sharing the results of research into the causes and symptoms of tax evasion and non-compliance with tax law.

Additional measures under this arrangement include developing complementary audit strategies, putting together joint audit teams to conduct joint audits and investigations, and exchanging the results of these activities.

Furthermore, the government is working closely with the other provinces on these issues as well. Together these measures will allow us to better target our audit activities and improve the ability of both levels of government to co-ordinate their investigation and collection programs. It will also further strengthen the initiatives to combat non-compliance that the Minister of National Revenue announced on November 24, 1993.

Under these latter initiatives Revenue Canada set up special audit teams to focus on business sectors that demonstrate high

levels of non-compliance. Targeted sectors include the construction, jewellery, hospitality, home renovations, car repairs and other service sectors.

Revenue Canada also reassigned more resources to auditing, increased the number of joint GST-income tax audits that it conducts and began cross referencing the GST and income tax data bases in order to improve the identification of those not reporting income.

Between 1991-92 and 1992-93 the department added 245 income tax auditors to its field operations, increased the number of income tax audits by 10,000 and raised \$200 million in additional taxes. In addition, the amount of corporate income tax collected per auditor rose approximately 280 per cent between 1985-86 and 1993-94.

In short, we have and we are continuing to take action to ensure that the majority of Canadians do not suffer because of those who purposely evade and cheat. We simply cannot allow a minority of individuals to avoid the law.

Everyone must pay their fair share, no more, no less. We owe it to the law-abiding majority of our citizens to ensure that they no longer have to shoulder an unfair burden. It is unacceptable that others who refused to meet their tax obligations can still take advantage of the same services and benefits.

We must continue to enforce the law to its fullest extent to ensure fairness to honest taxpayers. We must be prepared to take all necessary steps to weed out those participating in smuggling and tax evasion. If we are going to maintain the integrity and fairness of our tax system we must send a strong message that participating in the underground economy and engaging in smuggling activity will be a very risky and costly decision.

The Acting Speaker (Mr. Kilger): It being 5.50 p.m., it is my duty to inform the House that pursuant to Standing Order 81(19) proceedings on the motion have expired.

It being 5.50 p.m. the House will now proceed to the consideration of Private Members' Business as listed on today's Order Paper.

PRIVATE MEMBERS' BUSINESS

[English]

The Acting Speaker (Mr. Kilger): Before proceeding I have a notice concerning tomorrow's business. I have received written notice from the hon. member for Yukon that she is unable to move her motion during private members' hour on Wednesday, May 4, 1994.

It has not been possible to arrange an exchange of positions in the order of precedence pursuant to Standing Order 94(2)(a).

Private Members' Business

Accordingly, I am directing the table officers to drop that item of business to the bottom of the order of precedence.

Pursuant to Standing Order 94(2)(b) private members' hour will thus be suspended and the House will continue with the business before it prior to private members' hour.

* * *

[Translation]

AUDITOR GENERAL ACT

The House resumed from March 25, consideration of the motion that Bill C-207, An Act to amend the Auditor General Act (reports), be now read a second time and referred to a committee.

Mr. Richard Bélisle (La Prairie): Mr. Speaker, if Bill C-207, which is a private member's bill tabled by the hon. member for Ottawa—Vanier, is passed, it will allow the Auditor General to report to the House as often as he deems necessary.

Moreover, the Auditor General will be able to table a report to the House as soon as that report is completed. This procedure is already in effect in the British Parliament in London, where the Auditor General routinely tables some 40 reports every year.

In early 1993, the Association des diplômés de l'École des Hautes Études Commerciales de Montréal presented a brief to the Committee on the Budget and Administration, which had been asked by Quebec's National Assembly to review public services financing. In its brief, the Association recommended that government programs be automatically reviewed at regular intervals, and that effectiveness studies of government initiatives be released as soon as they are available.

If the federal government allowed the Auditor General to report to the House as often as he deems necessary and table any report as soon as it is completed, it would comply with these two recommendations of the Association des diplômés de l'École des Hautes Études Commerciales de Montréal.

Right now, the Auditor General publishes a report once a year, in which he mentions cases of mismanagement, inadequate financial commitments and tax losses. In the two weeks following the report's release, the media draw public attention to the Auditor General's findings. Some cases described as real horror stories are then forgotten until the next report is published, a year later.

(1755)

The tabling of reports throughout the year would help maintain taxpayers' interest regarding the way their country is managed. Government management would become more transparent. After all, transparency is what the Prime Minister promised us during the election campaign.

In its twelfth report, tabled in the House on May 28, 1986, the public accounts committee said that, sometimes, comprehensive audits are completed several months before the tabling of the report. The committee added that since these audits can take up to two years, some of the findings may no longer apply once the report is sent to the committee.

The benefits of tabling several periodic reports have already been demonstrated in a number of parliamentary regimes, including England, Holland, Germany, Sweden, Australia and New Zealand. Canada should be quick to follow the example of these countries. The public accounts committee would be better able to fulfill its role as Parliament's auditing committee responsible for the sound management of public funds. The federal government would save hundreds of millions, even billions, if reports were tabled sooner. The Public Accounts committee would be able to look at the Auditor General's recommendations in a timely fashion, and ask that appropriate remedial action be taken as soon as possible after an audit.

Several periodic reports would also help the Auditor General to plan his office's work for the year more astutely. The resulting savings in resources could lead to a greater number of audits conducted with identical resources at a time when the Auditor General's budget is being cut, like those of several other departments.

Given the government's annual budget of over \$160 billion, is this not reason enough to give the Auditor General more latitude in his auditing operations? The public accounts committee would have more recent reports available and would be able to expedite its work while the officials being evaluated were still in office. As Chairman of the public accounts committee, I have too often heard deputy ministers and heads of agencies, when plied with questions by members, give one of the following answers: "I was not there at the time" or "That happened under the previous administration".

This bill, the purpose of which is to allow the Auditor General more latitude and room to manoeuvre, has been introduced in the House on several occasions in the past, but without any success. I will come back to that a little later.

The Bloc Québécois supports this bill, as does the Reform Party. When in opposition during the previous administration, the Liberals also supported this bill. Why then, now that they are in power, are the Liberals reluctant to support the efforts of their colleague from Ottawa—Vanier to ensure greater transparency and to allow the machinery of government a faster response time by allowing the Auditor General to report as often as he deems necessary and to report studies to the House immediately upon their completion?

I wish to congratulate the member who sponsored this bill and assure him that I will vote in favour of Bill C-207. What I find deplorable, Mr. Speaker, is the lack of strong support for this bill from the government and the Liberal caucus. If the government

Private Members' Business

supported the member for Ottawa—Vanier, we would be dealing with a government bill. We have been told that the Liberal caucus is divided on this issue and that the government is being pressured by senior officials.

This is an example of a double standard. Now that it is in power, the government is keeping mum and letting a member take the initiative, hoping that the bill will die on the *Order Paper*, as was the case with Bill C-262 given second reading on October 19, 1987 and Bill C-288 given second reading on July 18, 1988.

Inaction has become this government's trademark. Let us leave things as they are for fear that in two or three years' time, too high a profile on the part of the Auditor General or his too frequent reports on very specific or timely issues will alert taxpayers to the mismanagement on the part of this Liberal government, or worse, to its inability to take the required action to contain the debt.

As I said earlier, I support Bill C-207 introduced by the hon. member for Ottawa—Vanier and I also agree with his statement to the effect that, and I quote: "Let us not have the bureaucracy tell us what we should be doing in this House".

Bill C-207 which was introduced on January 20, 1994 was the sixteenth initiative presented to Parliament since July 18, 1980 calling for the Auditor General Act to be amended.

(1800)

We had the first and fifth reports of the public accounts committee tabled in the 32nd Parliament. There was also a question to the House from the chairwoman of the committee during that same Parliament. In 1985, we had Bill C-250 and in 1987, Bill C-262; then the report of the Senate Committee on National Finances; Bill C-288, introduced in this House in 1988; Bill C-228 in 1989 and finally Bill C-344 introduced in 1992 by the hon. member for Ottawa—Vanier, as well as Bill C-207 we are debating today.

What has happened since July 18, 1980? Liberals lost power in 1984 and came back in 1993 and today, the sixteenth try for such a bill, it is still in the making. It is high time to act. If there was not so much resistance from the government machine, this bill would have been passed a long time ago.

The present mandate of the Auditor General and the procedures he uses, including the mandatory tabling of an annual report, go back to 1977, the year the Auditor General Act was passed by this House.

Since then, the flow of information has been multiplied by ten, information systems have evolved, public finances have deteriorated, managers have been made accountable to Parlia-

ment, and the Auditor General's office must be able to keep up with new procedures in the area of public account auditing. The Auditor General himself, in his note of March 22, 1994, to the hon. member for Ottawa—Vanier, was saying and I quote: "—it seems fairly safe to say that periodic reporting is becoming the norm around the world. In our view, this would be a good time for Canada to join the trend".

[English]

Ms. Judy Bethel (Edmonton East): Mr. Speaker, I am pleased to speak in support of Bill C-207. I contribute to this debate from my own experience with an effective relationship between elected persons and an auditor general.

The city of Edmonton was one of the first municipalities to appoint an independent auditor general. The experience has been beneficial to both the council and local taxpayers. The focus of the auditor general's work has gradually shifted from financial accounting to evaluating value received for tax dollars spent.

Independent audits play an important role in finding the most cost effective way to deliver public services. That is what we need in Canada today to help restore public confidence in public services. In keeping with the shift to value for money auditing, the auditor general provides information to elected representatives in a timely fashion so elected people can prevent waste, not just point fingers after the damage is done.

Each year city council and the auditor general develop a work plan including a timeframe for the completion and discussion of specific audits. Special audits are considered when they are completed. The auditor also tables an annual report with general recommendations and progress reports on individual departments. In this way the audit function and the corresponding focus on value for money in public service is a continuing focus and not a once a year bad news report.

A problem solving approach by the auditor has helped build good working relationships with both department officials and elected representatives.

Based on this experience I support the direction of Bill C-207 to provide more timely information to Parliament and prevent waste through the consideration of individual audits once they are completed. I believe it will assist in meeting public expectation and ensure that taxpayers receive good value for every tax dollar in Canada.

Mr. John Williams (St. Albert): Mr. Speaker, I rise to speak on Bill C-207 which is the act to amend the Auditor General Act. The bill has been introduced by the hon. member for Ottawa—Vanier. It is noteworthy that the member is a former chairman of the public accounts committee and now sits on the government side and is introducing this particular bill.

Private Members' Business

(1805)

The first thing we should note is that this bill is not a partisan bill but is what I call a good government bill. It is long overdue and therefore my sincere thanks to the member for Ottawa—Vanier for introducing the bill.

The bill basically has two major provisions. One of course is to allow the Auditor General to report to this House more often than once a year. We all know that once a year there is a feeding frenzy by the media to read through that voluminous report which is 600 to 700 pages of all the problems, mismanagement and waste of taxpayers' dollars he has found.

Since he is basically restricted to reporting only once a year, quite often the information we receive is a year old by the time the Auditor General is finished with it. He may have conducted his audit some months before but it sits on his desk for a whole year until such time as he produces his annual report.

The report is then referred to the public accounts committee which may take another six months or so before it gets around to dealing with the points the Auditor General has raised. It is not inconceivable, in fact it is more than likely the information being discussed and acted upon in the public accounts committee could be 18 months old, if not closer to two years old before it is dealt with effectively and responses and remedial action taken. Quite often the civil servants involved may have moved on to new positions.

It therefore becomes quite difficult for the public accounts committee to act as effectively as it perhaps could if the Auditor General were allowed to report more frequently.

I would hope if the Auditor General is given the authority that he would report to this House on a frequent basis, after every audit upon the completion of the audit. In that way the information can be referred to the public accounts committee and it can act swiftly and timely on the information provided.

For example, right now the public accounts committee is dealing with an issue where \$1.1 billion of revenue was lost through a problem in finance, justice and national revenue. That is \$1.1 billion of taxpayers' money. We are now going back to find out what has caused the problem. The Auditor General knew about this a long time ago but because of the current restrictions on his ability to report, he was unable to do so until January of this particular year. The information is old.

Let us make sure that we as the people responsible to the constituents of this country can make a serious and real difference.

We also have the opportunity of the Auditor General being more responsive to directions from this House. For example, the standing committees may require information from the Auditor General. They would ask him to conduct certain audits if it

comes to their attention there is mismanagement, waste, or something going on in any particular department, crown agency, and so on.

These things have to be looked at seriously in light of today's situation where we are \$500 billion to \$550 billion in debt and that amount is growing every day. Anything that can be done in the light of good government to ensure the taxpayers' money is spent honestly and responsibly can only be good for this country.

I have talked to the Reform caucus. The bill is endorsed by the Reform Party as a whole. I certainly wish the hon. member for Ottawa—Vanier success in shepherding this bill through its various stages to ensure it becomes law in this land.

As a member of the public accounts committee I think it is going to be beneficial to the public accounts committee, to the Government of Canada and to the taxpayers. I can support the bill wholeheartedly.

(1810)

Mr. Jim Hart (Okanagan—Similkameen—Merritt): Mr. Speaker, I rise today to speak in favour of the act to amend the Auditor General Act with regard to reporting.

Make no mistake about it. Canadians are going to hold this House responsible for every red cent the government spends. They see it as a duty of Parliament to ensure the highest standard of responsibility in government. It is the duty of this House to ensure that tax dollars entrusted to us are used prudently and for the purpose which Parliament allocated them.

I have concerns for the ability of the members in this place to fulfil their duty without sufficient information provided in a timely fashion. We have at our disposal an excellent instrument to ensure sound management, the Office of the Auditor General of Canada.

Annually, the Auditor General submits a report to this House in which he reviews the manner in which the nation's business is carried out by the various departments, agencies and crown corporations. He takes into consideration not only purely fiscal concerns but also the performance and mandate of the organizations he is reviewing.

The Auditor General also makes recommendations for improving operations from time to time. Indeed the Auditor General's reports are thorough. The latest ran to some 700 pages. They are deserving of the fullest consideration by members of this House. Over the years a massive amount of waste and poor administration spending in government has been brought to light by the Auditor General.

Earlier this year he reported on the National Arts Centre, a crown corporation. He found serious deficiencies in the manner in which the corporation was managing its finances. With an annual budget of \$40 million a year and a staff of about 300, the

Private Members' Business

Auditor General found serious deficiencies. This is a cause for serious concern to all Canadians.

Surely good stewardship of public money is not too much to ask. In fact, the Auditor General's annual report has been almost bursting with recommendations for improved management, for better performance of mandates as well as dire warnings regarding the practices of the federal government at times.

Indeed this report is probably the taxpayers' greatest friend. It is unfortunate then that more time is not available for members to give every topic in the report their fullest attention when the report is presented. Time however does not permit such a full debate. Unfortunately by the time the estimates find their way through committee much of the good work has been forgotten.

Government needs to spend a little more time discovering whether all those tax dollars we squeezed from our constituents are being spent to good effect.

At one point, being a brand new member in this House full of ideas and questions, I decided I would take on the task of trying to discover how effective various government job creation programs had been over the years. I discovered that no one had taken the time to follow up on these programs in any scientific way over a long period of time. Just think of all the billions of dollars that have been poured in this direction and we cannot even prove it even created one real long term job.

The work of the Auditor General is monitoring the activities of government in a very real, very necessary way indeed.

The private sector I would submit has its own controls on efficiency and productivity. It is called competition. Government has no such control. The best control the taxpayers have is full disclosure of the fiscal management of the government and accountability for it.

I will use a word that I hear often on the other side of the House, transparency. It is a word that we hear often. The Auditor General's office provides such transparency, that window into the workings of the government operations.

(1815)

This transparency will be enhanced by the provisions of this bill that we are considering here today, allowing the Auditor General to report when he considers the matter to be timely. This will make his recommendations that much more effective. Rather than allowing the problems to run unchecked until the annual report is tabled, urgent concerns can be dealt with when they are uncovered and should be dealt with that way.

Over the years several auditors general have called repeatedly for parliamentarians to be supplied with adequate information in a timely fashion related to the management of government agencies and crown corporations to ensure the achievement of those organizations' objectives. In the task force report on crown corporations' accountability prepared by the Canadian Council of Public Accounts Committee in July 1992 it was stated: "Legislators are generally not supplied with adequate information related to the achievement of crown corporation objectives".

What is troubling about these observations is they have been noted time and time again. The litany of waste continues unabated no matter how often we talk about it in this House.

It seems to me that part of the problem lies in the House getting its information in one large, somewhat indigestible serving at the start of the year. Maybe if we took it in bite sized portions we would be able to deal with these matters easier.

The massive document tabled in this place contains a wealth of information, but little time is allowed to analyse, discuss, debate or act on it. In some cases the problems revealed are very old problems and rarely ever come back to this House to be dealt with.

On page 23 of the current report the Auditor General states: "Parliament is not being provided with the information that would enable us to assess the desirability and affordability of sustaining programs at their current levels within the context of their commitments". He goes on to call for cyclical reviews of all statutory spending programs such as unemployment insurance, international aid and income support. This would be more possible within the framework of the bill under discussion here today.

Further in the report he comments on the current program evaluation. He says: "Based on the office's government wide findings, I am forced to report that the evaluation regime is not working as intended". He also underlines the necessity for objective reporting. "Evaluations for example of crown corporations which originate from within the organizations themselves are unlikely to treat objectivity with the problems encountered".

There are in fact several concerns here which I share with the Auditor General and which I suspect are shared by many members of this House. The issue comes back again to accountability.

In the bill before us we see measures which permit the Auditor General to do his work more effectively and thus permit this House to do its work more efficiently. It is also my belief that no crown corporation should fall outside the mandate of the

Auditor General's scrutiny and thus the scrutiny of these members to ensure the performance of their mandates and good fiscal management.

It seems to me that in this Parliament we have a dedication to accountability which has been endorsed by all sides of the House. The government on page 12 of its red book states: "Whether it is in health care or regional development we think that it is important to measure the long term outcomes and consequences of our policies and programs and that is why we have placed so much emphasis on evaluation, innovation and finding the best practices".

Similarly the Bloc Quebecois has had its calls repeatedly for accountability in government. So we are all in accord on this. In fact if we examine the record going back over many years, we have the recommendations of the public accounts committee, the auditors general committee and many members of this House, including the member for Ottawa—Vanier, supporting the changes included in this bill.

(1820)

I call on all the members of this House to support Bill C-207. It is time to make these changes, changes which will strengthen the ability of Parliament to manage the nation's business with the care with which Canadians demand that we do it.

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

Some hon. members: Question.

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

Some hon. members: Agreed.

Some hon. members: On division.

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

Mr. Boudria: Mr. Speaker, I wish to seek unanimous consent of the House to suspend until 6.50 p.m. for the Adjournment Debate or at the call of the Chair, whichever comes first, for the benefit of hon. members. If we have succeeded in recognizing that all members present for the Adjournment Debate have returned to the Chamber earlier than 6.50, we could perhaps proceed earlier. That is why I chose to make the request for 6.50 which is the scheduled time for the adjournment today or at the call of the Chair whichever comes first.

The Acting Speaker (Mr. Kilger): I thank the hon. member for his intervention.

The House has heard the suggestion of the hon. member. Is it agreed?

Some hon. members: Agreed.

The Acting Speaker (Mr. Kilger): The House will stand suspended to the call of the Chair or 6.50 p.m.

Adjournment Debate

[Translation]

Maybe I can help the House. I believe that the government deputy whip's intention was to give members who must answer for the government the chance to arrive in the House.

That was the reason for his intervention. The House will now stand adjourned to the call of the Chair or 6.50 p.m.

The member for Richelieu on a point of order.

Mr. Plamondon: Mr. Speaker, I rise on a point of order. Is there consent from the members opposite for the members who are present to make their four-minute statements now; they could get their answer from the parliamentary secretaries later on, in order, when they get here? We could start right away.

[English]

Mr. Boudria: Mr. Speaker, events are overtaking us. One parliamentary secretary arrived in the interval and we are ready to proceed with at least two of the adjournment debates now. I understand another one is in the lobby. That is three out of the total number. Therefore we could start.

The only thing is that the Chair may need to redo the order of them in order to accommodate the members that are present. That being said, yes, perhaps we could proceed now if the House is agreeable. If that is the case then we could call it immediately as 6.50 p.m.

ADJOURNMENT PROCEEDINGS

(1825)

[Translation]

A motion to adjourn the House under Standing Order 38 deemed to have been moved.

SOCIAL PROGRAMS

Mrs. Francine Lalonde (Mercier): Mr. Speaker, on March 22 last, I put a question to the Minister of Human Resources Development which read as follows: "Does the minister not agree that the first phase of consultations on social programs was a sham?" The Committee on Human Resources Development was rushed and forced to submit a report under nearly unacceptable conditions which explains why the opposition presented its own minority report.

At the same time as the committee was rushing through its hearings, the minister had asked other groups to carry on consultations and, then, without consulting either the Committee on Human Resources Development or the House, the minister embarked on a series of pilot projects that give an idea of the true colour of his reform for which he has not presented a draft yet.

Adjournment Debate

I asked the minister to put his plan on the table as soon as possible so there could be a real debate, instead of proceeding piecemeal with pilot projects which are not just for a few months but which, in the case of New Brunswick and fishermen and fisheries workers in the Atlantic provinces, will go on for five years.

I find this approach rather disturbing. I may add that recently, when the minister appeared before the Committee on Human Resources Development, he suggested that phase 2 consultations, which are to take place as soon as his plan is tabled, should not start until mid-August, and the committee will have no choice but to ask for a postponement.

That being the case, would the minister agree that he intends to use pilot projects, and especially those that include such aspects as a guaranteed minimum income and employability measures as a first step towards introducing a guaranteed minimum income program throughout Canada and then forcing reluctant provinces to follow suit?

We must not forget that the budget says specifically that after 1996, there will be no more negotiations on the Canada Assistance Plan. The government has announced that as far as it is concerned, it may end the co-operation on social assistance by Canada and the provinces, so that the government could use the funds to set up a new Canada-wide program, and of course a federal cheque would be very convenient as part of a project or platform in a pre-referendum campaign.

That being said, we think the minister should put his action plan on the table as soon as possible so Canadians will be able to see this ambitious proposal for themselves. We must not forget that the provinces, and especially Quebec, have every reason to be concerned, since these consultations on the reform of social programs will apparently cover the following topics: education, social assistance, job training, the disabled and family policies, all of which come under provincial jurisdiction with the exception of unemployment insurance.

(1830)

We can conclude that phase one was a sham. Let the minister put his plan on the table and show us that these pilot projects are part of a policy we can talk about, because it will be out in the open.

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, I am surprised that the hon. member, who I think is a member of the human resources committee, would ask such a question and give such a speech.

[*English*]

The hon. member knows full well that the consultation process on which the minister has embarked is a great success. It has worked extremely well so far and I will provide details in the course of my answer.

[*Translation*]

On January 31, the Minister of Human Resources Development announced a reform process that would introduce legislative changes to social security programs before the end of the year. The government is now proceeding with an open and transparent reform of social security that will be the subject of consultations.

The government is thus showing its conviction that reform is only possible if based on a wide consensus favouring an approach to social security that is comprehensive and focused on people. The government is developing an action plan that will be the basis for change and for public discussions on the issue of social security. It will identify the main thrusts of reform and clearly define the issues to facilitate debate and help to make better choices among the proposed options.

The standing committee plays an important role in the reform process. Since the beginning, it has held hearings on social security—and the hon. member was there—during which committee members received over 250 briefs and presentations from organizations and individuals across the country. The committee's report tabled on March 25 confirms the willingness of Canadians to redesign our social safety net, especially with regard to children and families, young people, the unemployed and underemployed adults.

After the government publishes its action plan, the committee will hold a second, more extensive round of consultations. Every Canadian will have the opportunity to participate in the revamping of our social safety net in the course of this year. During this process, unions, the business community, the provincial and territorial governments, social program clients, community groups and the entire Canadian population will be invited to express their opinions. And the hon. member will be there as a member of the committee.

We must be optimistic in preparing for our collective future. The government and this House will show the leadership needed to initiate a national debate in order to improve social programs. I salute the work of the standing committee and I encourage other members to act as catalysts in their communities to bring the social security reform process to a successful conclusion.

I hope the hon. member herself will participate in the process.

[*English*]

VIA RAIL

Mr. Bill Blaikie (Winnipeg Transcona): Mr. Speaker, recently I asked a question of the Minister of Transport with respect to reports that a proposal had been made by Railex Inc., an American transport corporation, to VIA to buy everything of VIA west of Winnipeg on the condition that everyone who works for VIA west of Winnipeg be laid off and that the company be able to rehire only those it wished to rehire.

Adjournment Debate

I asked the Minister of Transport what the government's attitude was toward this proposal and he was fairly unequivocal in his answer and I was grateful for that. He said that the government was not considering that particular proposal. That is the good news. The bad news is that in the course of my question I also asked him about the report which I understand is now on his desk or in the department somewhere; the report made as a result of the task force conducted in Manitoba by the member for St. Boniface and the member for Churchill with respect to the future of VIA in Manitoba.

(1835)

I did not like the way the minister talked about the fact that these particular hearings were not mandated by the government but they were a useful opportunity for constituents to voice their concerns and I sort of got the feeling that this was not a high priority for the minister in terms of making a decision with respect to the future of VIA.

I see that perhaps it will be the member for St. Boniface who will be answering the question so he might want to shed some light on this. Certainly people in Manitoba and people who appeared at the hearings as I did had the impression that they were not just engaging in a public relations exercise or just hearing people, they also had been given some kind of mandate by the minister for human resources, the minister from Manitoba, to arrive at recommendations that would in some way be heeded by the government.

I would certainly like some clarification on that because a lot of people came forward, particularly in northern Manitoba, to express their views. At the same time I would like to repeat briefly what I said at those hearings and what I continue to believe ever since I came into this House.

In my maiden speech I spoke about the necessity of revitalizing passenger rail service in this country, 15 years ago, and I continue to believe that it is a major failing on the part of successive governments not to have invested in passenger rail infrastructure, new passenger rail infrastructure and equipment so that passenger rail could be a thing of the future rather than something which is increasingly regarded as a thing of the past or a thing only to be marketed to affluent tourists coming to Canada for land cruises or various other experiences of the Canadian Rockies, but not a service available to ordinary Canadians at reasonable prices.

I think for environmental reasons if for no other reason we have to revive passenger rail and I would hope that at some point we will get a statement from the government as to its policy on this.

I have another concern. I heard the minister on a couple of occasions talking about the negotiations that are going on between VIA Rail and its workforce. One gets the impression,

and I hope I am wrong, that the minister in particular is trying to set up the workers at VIA, saying he would have liked to have done this but because VIA Rail workers were not willing to give up X, Y and Z that they have achieved over the years through collective bargaining, they are now going to have to do A, B and C.

I think that would be unfair in the extreme. If the government has the imagination to embrace passenger rail, it should be willing to put policies in place that do not ask the workers there now to give up things that they have won over the years in terms of job benefits, et cetera.

[Translation]

Mr. Ronald J. Duhamel (Parliamentary Secretary to Minister of Public Works and Government Services): Mr. Speaker, I want to thank my colleague for his question about Railex. I am grateful for this opportunity to provide him with an answer.

[English]

You will perhaps recall, Mr. Speaker, that Railex's proposal was unsolicited and it was a proposal concerning VIA Rail.

I simply want to reiterate the Minister of Transport's response wherein he indicated that the government is not looking at this particular proposal. As it was presented it is not acceptable.

I want to stress once again that Railex's letter was an unsolicited proposal. I should add that realistic proposals for the betterment of government operations, whether they be VIA Rail or other, are always welcome.

The member made mention of several initiatives under way at VIA Rail. Indeed there are several before VIA Rail at this point. One of the most significant and perhaps the first one is the negotiations to which he has referred currently under way with the unions. It has been said many times that VIA needs to know what its financial commitments are so that it can develop and present a plan to the government for consideration.

(1840)

In no way is the minister or the government trying to influence those negotiations. The plan that will be submitted by VIA Rail must recognize the financial reality facing both this country and VIA Rail.

Right now there is very little that I can add, but let me make one more point. There was reference to the task force that was co-chaired by my colleague, the member of Parliament for Churchill, and myself. Indeed we have completed that report and we are in the process of sending it to the minister. I do not say that to answer the point that was raised, that is, where it is at this time. It will soon reach the minister's desk. I do not know exactly where it is at this point but the member can rest assured that it is completed and it has been sent out.

Adjournment Debate

I should also point out that I am encouraged by the minister's response wherein he indicated that he will look at it very seriously.

The taxpayers who support VIA and its customers all want the same thing; namely, a national, sustainable, affordable and efficient passenger transportation system.

[Translation]

My colleagues and I will do everything we can to reach that goal.

HIBERNIA PROJECT

Mr. Louis Plamondon (Richelieu): Mr. Speaker, I asked the Minister of Natural Resources a question about the Hibernia project and the answer was extremely disappointing. That is why I would like to use what is commonly called the "late show" to obtain some clarifications from the parliamentary secretary, and I hope that the clarifications or commitments will be more specific than what the minister said.

You must realize that Canadians have invested \$3.5 billion in subsidies, contributions or loan guarantees in this project. Add to that what the companies in the consortium received as exceptional tax credits, since all their investments or losses are tax creditable. Earlier, the Bloc Québécois, when we had only eight members here, had proposed that the project have 60 per cent Canadian content, but that amendment was rejected. Now the material comes from Norway or other European countries duty-free. All this means that the cost is now about \$5.5 billion and we are told that construction might cost another \$1 billion over budget. Must we stop the hemorrhage?

When the project was born some time between 1975 and 1980, it was estimated that the world cost of oil when Hibernia came into production would be about \$60 to \$70 a barrel. Now it is \$12. The cost of producing a barrel of Hibernia oil will be about \$25, and Canada is committed to paying the consortium the difference between the cost of \$25 and \$12. For every barrel produced, \$13 of taxpayers' money will be paid to those multi-billion-dollar companies to compensate them for the difference between the world price and their cost of production. We are headed for an unacceptable financial abyss.

I quote Claude Picher, a specialist in economics who writes regularly in *La Presse*. He said this: "When the project began or even when it was first discussed, the world was concerned about running out of oil. Then came cars with better gas mileage, energy efficiency in offices, factories and homes, less energy-consuming production methods, alternative sources of energy, hydro-electric and nuclear development and decreasing dependence on OPEC".

Based on that, it is clear that this project should have died. When you have a natural resource, is it right to pay people to come and take it? Normally, when you have a gold mine or a

major natural resource project, people pay you to get the resource. Here, we are paying to give away our resource. That is unacceptable.

(1845)

The first partner that realized that this was futile is Gulf. It lost an incredible amount of money but decided to stop this massive drain of capital. Today, Gulf is laughing up its sleeve. Since the government was not able to find another partner, it poured another \$400 million, as partner itself, in spite of having promised to give a subsidy and a secured loan, but not to be part of the consortium. Indeed, the government is now the fourth partner in the consortium, and it has invested \$400 million. But there is worse still. Mr. Picher, the economist, says: "Since oil companies do not want to take risks, the government made a commitment to absorb 40 per cent of cost overruns".

The minister mentioned the figure of eight per cent. It is on that eight per cent that I want a clear explanation and answer, because the government will in fact absorb 40 per cent of cost overruns. This is not normal and I will conclude by quoting again Mr. Picher who says: "The tragedy regarding the sickening Hibernia issue is that these companies would never have undertaken such a project without the generous help of the federal government. That help allowed them to go ahead with a minimum of risks. In this episode, it is Ottawa, and not Mobil, which is taking the big risk. The government is completely broke. Taxpayers are being bled white. We have to cut in social programs. Yet, at the same time, over \$5 billion in public monies have been wasted in this senseless dream. This is raving madness".

We have to put a stop to that. Will the government understand, as it did in the case of the helicopter contract? It seemed easier to make a decision when it affected Quebec. Does the government understand, as it did in the case of the helicopter contract, that we can no longer afford a frivolous expenditure of \$4 to \$5 billion? Will the government put an end to this waste?

[English]

Mr. George S. Rideout (Parliamentary Secretary to Minister of Natural Resources): Mr. Speaker, I thank the hon. member for Richelieu for raising the matter of Hibernia and cost overruns.

In her response the minister informed him that the government and its partners were awaiting a report to identify the extent of potential cost overruns and that the government's share was 8.5 per cent. This has not changed. The only problem we have is that we still do not know the full potential cost overruns, but we do know that from the government's point of view we will be responsible for 8.5 per cent of those overruns. Once we have the detailed report we will be able to share it with the members so they will have a better idea of exactly what is going on.

Adjournment Debate

The owners and the project managers are continuously looking for cost efficiencies and improvements to the design to ensure that the profits to be produced by this project will be maximized. We will not take any precipitous action on the basis of a few headlines without thinking through the implications.

There will continue to be changes in the project schedules and costs reflecting changing circumstances, alternative designs and other factors. Until such time as it is in the Canadian interest to alter its participation in the project we will continue to meet our commitments.

I would also like to point out that we are working with our partners, and it is the private sector which is largely involved in this project, to ensure that industrial and employment benefits will flow to Canada during the construction phase and keep those benefits enhanced.

I should say to the member opposite that Quebec based companies, by way of their proximity to the industrial base and their competitive position, have managed to win a significant share of the contracts derived from the project. Of almost \$3 billion in contracts awarded to the end of March this year Quebec was second only to Newfoundland in terms of the value of the contracts awarded.

The federal government on behalf of all Canadians holds an equity position of 8.5 per cent in the Hibernia project. We will have that share in the eventual profits from the development; the economic, industrial, and employment benefits that are derived during construction.

I see my time is finished, so I will wait for the next question and finish off on the other points.

[*Translation*]

HIBERNIA PROJECT

Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies): Mr. Speaker, I would like to ask questions on the very same subject.

Indeed, as my colleague the hon. member for Richelieu remarked, last week, both the English and the French newspapers reported that over and above the amounts already spent, the Hibernia megaproject was expected to have a \$1 billion cost overrun. That figure was given by Petro-Canada.

(1850)

Of course, as the Minister told us then, the government of Canada is going to be responsible for 8.5 per cent of any cost overruns, that is an amount of \$85 million.

In addition, there is another commitment to a \$1.7 billion loan guarantee that had already been made, which represents an additional amount of \$175 million. For the benefit of the viewers, I would like to remind them that \$1 billion is worth

\$1,000 million. If that billion of dollars were to be paid in income tax, to give a rough idea, it would take 250,000 families paying an annual income tax bill of \$4,000 to pay out that billion of dollars. Megaprojects involve astronomical costs.

Following up on those media reports opposition members, particularly the hon. member for Richelieu and myself, asked a few questions. I asked the minister how she could still suggest that the project would be profitable when the deficit is already huge, apparently, and only half of the project has been completed.

The answer by the minister was inadequate because she more or less told us that she was relatively confident that the project would be profitable 10 or 15 years from now. When you take a look at that project, you soon realize that, right from the start, nothing seemed to work properly.

First of all, huge amounts of money were spent. In his 1992 report, the Auditor General wrote that he had examined the project and found a lack of control over costs, poor monitoring of spin-offs, an insufficient rate of return, an inadequate analysis. He also said that there was no link between the money invested by the government in this kind of project and the return companies must have.

So it was, legally speaking, if you will, disguised subsidies. As for the benefits from building the Hibernia project, one would have expected that they would try to get the very most from them. But, as my colleague, the member for Richelieu, said, many materials which were used in building Hibernia were bought elsewhere, often tax-free.

As for the economic reasons which gave birth to this project, we can very seriously question them today. Everything, of course, was based on an analysis of oil prices ten or fifteen years ahead. It was based, for example, on the value of the Canadian dollar, which is not guaranteed for the next ten or fifteen years, on an average inflation rate of 5 per cent until 2017, which is absolutely unpredictable for the moment, on high oil prices and on keeping to a strict schedule and strict budgets.

We already see that the schedule will not be adhered to and that budgets have already been exceeded. Under these conditions, I ask the following question to the department again: Is it possible to have the exact figures showing that this project is profitable? That is the question.

[*English*]

Mr. George S. Rideout (Parliamentary Secretary to Minister of Natural Resources): Mr. Speaker, I will just highlight a few other factors for my friend opposite. What this project will do for Canada and for all Canadians is move us closer to a situation of energy security and so we have to take some chances.

Adjournment Debate

When we first got involved in the oil industry 40 or 50 years ago we took chances then. We are taking a chance on energy security now with Hibernia. We also are giving an opportunity to Newfoundland, and I find it somewhat passing strange that members from Quebec would be opposed to Newfoundland achieving the possibility of energy security and an opportunity to diversify their economy, particularly considering the economic hardships that they are now facing with the crisis in the fisheries industry.

Hibernia will generate 5,300 jobs over this period of time, many of them in Quebec. The private sector is involved by roughly 90 per cent. It is not government that is fuelling and running this project, it is the private sector.

The report on the overruns has not been delivered yet as it is too early to say what the overrun might be. Why jump the gun? Let us wait to see exactly what is going on before we make a move.

(1855)

The leader of the Reform Party crystallized the issue very quickly. It will cost more to get out than to complete now. In the interest of taxpayers' dollars we are wiser to go forward for a number of reasons.

The first one is that it is a good project. The second is that it will be beneficial to Newfoundland. It will also be beneficial to Canada for energy security. During the process jobs will be created in Newfoundland, elsewhere in Atlantic Canada, and in Quebec.

[Translation]

UNEMPLOYMENT INSURANCE

Mr. Paul Crête (Kamouraska—Rivière-du-Loup): Mr. Speaker, on April 15, 1994, in answer to one of my questions, the Minister of Human Resources Development mentioned that the unemployment insurance changes would throw, and I quote, "only 19,000 people" on to the welfare rolls. That is the kind of callous answer one would expect from an official, "only 19,000 people", because, to me, 19,000 individuals is a lot of people. Every time a government program puts people on welfare, it is unacceptable.

That answer is an example of the negative signs the Minister of Human Resources Development has been giving concerning the upcoming social program reform. When you are about to undertake such an important review as the social program reform, you must give out some positive signs to ensure that the people are willing to embark upon such projects. But we are only getting negative signs from the government. First, it decided to increase the number of working weeks needed to be eligible to UI benefits. Then, it decreased the number of weeks of benefits. The government will reduce the employer contribution, but only in 1995. Finally, there is the whole issue of old age pensions,

which will now be taxed if the pensioner has an income of over \$25,000.

What do you think people who will be affected by the social program reform are expecting? They are looking at a reform which is a charade and a sham, while the benefits people deserve or to which they are entitled in the difficult economic circumstances we have today are being reduced. In the case of the elderly, they stand to lose some of their hard-earned savings.

They could have taken a far more positive approach, and I would like to ask the government whether it could not have designed some models for success instead of just giving negative examples. Could it not have approached specific groups in the forestry sector, for instance, where people from the Lower St. Lawrence area came with a proposal for the minister at a press conference? Members of Rural Dignity submitted a project that would use unemployment insurance funding to create jobs in the forestry sector.

If we consider technicians and engineers, how about launching the high speed train program, because now even the president of VIA Rail says it is a viable project? The Young Liberals of Quebec who represent the Quebec Liberal Party, which is a federalist party, say it is viable. The HST is a good project for everyone, but apparently, the federal government is dragging its feet for some unknown reason.

My question is this: Could the government, instead of repeatedly taking negative action to deal with a sluggish economic recovery and initiate its reform of social programs, give us instead some positive signs that will produce concrete results?

Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons): Mr. Speaker, the hon. member knows full well that the signals sent by the government are not always negative; in fact, they are almost always positive. On that subject, he also knows that the government has proposed changes to the UI program which were well received almost everywhere in Canada because, in spite of adjustment difficulties, the people can see that the government's objective is to create jobs in Canada.

The UI changes cannot be seen in isolation. This government has indicated before that the changes represent a first, but interim, step in giving Canadians a sense of new direction. The hon. member knows that full well.

If, in the redesigning of the social security system, we find out that different changes are needed, we will make them.

[English]

The changes made to the UI program were designed to put people back to work. The UI premium rate reduction that is proposed for January 1 next year will provide significant financial relief to businesses. By 1996 there will be 40,000 more jobs in the economy than if budget changes had not been made. The hon. member forgets this point.

Adjournment Debate

The government has also ensured the changes that are being made are sensitive to those with the greatest need. Accordingly the government decided to look at the needs of individuals with low incomes and with dependants and to provide more adequate coverage for those Canadians. These individuals will receive a 60 per cent benefit rate; others will receive a 55 per cent benefit rate. Of course the hon. member neglected to mention that in his presentation.

Our proposals for the unemployment insurance program will encourage job creation, work and opportunities while discouraging dependency and non-productivity. I am certain Canadians will agree we need to start a process of change that will lead to a future of hope, opportunity and prosperity.

The government is committed to working with the provinces to initiate new programs targeted at the most chronically unemployed Canadians. The government has dedicated \$800 million over the next two years for strategic initiatives to test out new approaches to social security.

The federal government has also taken initiatives to stimulate Canada's growth in the global economy. Two examples include an increased emphasis on technology and innovation and improved access to capital for small business.

[*Translation*]

A strategy for job creation requires a multi-faceted approach including many elements such as social security and labour market adjustment policies, learning policies, policies affecting how work is distributed, industrial, trade and technology policies, infrastructure development, and tax policies.

[*English*]

The Acting Speaker (Mr. Kilger): It being 7 p.m. the House stands adjourned until tomorrow at 2 p.m. pursuant to Standing Order 24(1).

(The House adjourned at 7 p.m.)

TABLE OF CONTENTS

Tuesday, May 3, 1994

ROUTINE PROCEEDINGS

Order in Council Appointments

Mr. Milliken	3793
--------------------	------

Financial Administration Act

Bill C-245. Motions for introduction and first reading deemed adopted	3793
Mr. White (Fraser Valley West)	3793

Petitions

National Energy Board Act

Mr. O'Brien	3793
-------------------	------

Criminal Code

Mr. Abbott	3793
------------------	------

GOVERNMENT ORDERS

Supply

Allotted Day—Tax Reform

Motion	3793
Mr. Silye	3793
Mr. Mills (Broadview—Greenwood)	3795
Mr. McClelland	3796
Mr. Shepherd	3797
Mr. Walker	3798
Mr. Tremblay (Rosemont)	3801
Mr. Silye	3802

Mr. Brien	3803
Mr. Silye	3806
Mr. Shepherd	3807
Mr. Speaker (Lethbridge)	3808
Mr. Shepherd	3809
Mr. Williams	3810
Mr. Shepherd	3811
Mrs. Kraft Sloan	3812

Business of the House

Mr. Milliken	3812
Motion	3812
Mr. Gauthier (Roberval)	3812
(Motion agreed to.)	3813

Supply

Allotted Day—Tax Reform

Mr. Mills (Broadview—Greenwood)	3813
Mr. White (North Vancouver)	3816
Mr. Mayfield	3816
Mr. Silye	3817
Mr. Abbott	3817
Mr. White (Fraser Valley West)	3818
Mrs. Brushett	3819
Mr. Gagliano	3820
Mr. Silye	3822
Mr. Asselin	3823
Mr. Assad	3825

STATEMENTS BY MEMBERS

Rights of the Family

Ms. Skoke	3826
-----------------	------

Multiculturalism

Mrs. Gagnon (Québec)	3826
----------------------------	------

Ayrton Senna

Mr. Hill (Macleod) 3827

Justice

Mr. Crawford 3827

General Motors

Mr. Grose 3827

Medic Alert

Mr. Scott (Fredericton—York—Sunbury) 3827

La Saint-Jean

Mrs. Dalphond-Guiral 3827

Canadian Navy

Mr. Hart 3827

Killer Cards

Ms. Beaumier 3828

Canadian Forests

Mr. Wells 3828

Killer Cards

Mrs. Barnes 3828

Agriculture

Mr. Crête 3828

Referendum '94

Mr. White (North Vancouver) 3829

Bangladesh

Mr. Lastewka 3829

Fishery Observer Contract

Mrs. Wayne 3829

Bosnia

Mr. MacDonald 3829

ORAL QUESTION PERIOD

Mohawks from Kanasatake

Mr. Gauthier (Roberval) 3829

Mr. Gray 3830

Mr. Gauthier (Roberval) 3830

Mr. Gray 3830

Mr. Gauthier (Roberval) 3830

Mr. Gray 3830

Child Support Payments

Mr. Brien 3830

Mr. Martin (LaSalle—Émard) 3830

Mr. Brien 3830

Mr. Martin (LaSalle—Émard) 3830

Taxation

Mr. Manning 3831

Mr. Chrétien (Saint-Maurice) 3831

Mr. Manning 3831

Mr. Martin (LaSalle—Émard) 3831

Mr. Manning 3831

Mr. Martin (LaSalle—Émard) 3831

Purchase of Properties at Oka

Mr. Dumas 3831

Mr. Irwin 3832

Mr. Dumas 3832

Mr. Irwin 3832

Canada Health Act

Mr. Hill (Macleod)	3832
Mr. Chrétien (Saint-Maurice)	3832
Mr. Hill (Macleod)	3832
Mr. Chrétien (Saint-Maurice)	3832

Fisheries

Mrs. Lalonde	3832
Mr. Tobin	3833
Mrs. Lalonde	3833
Mr. Tobin	3833

Indian Affairs

Mr. Chatters	3833
Mr. Irwin	3833
Mr. Chatters	3833
Mr. Irwin	3833

Publishing Industry

Mrs. Tremblay (Rimouski—Témiscouata)	3833
Mr. Manley	3833
Mrs. Tremblay (Rimouski—Témiscouata)	3834
Mr. Manley	3834

Income Tax Act

Mrs. Gaffney	3834
Mr. Martin (LaSalle—Émard)	3834

Immigration

Mr. Hanger	3834
Mr. Marchi	3834
Mr. Hanger	3835
Mr. Marchi	3835

Publishing Industry

Mr. Laurin	3835
------------------	------

Mr. Dupuy	3835
Mr. Laurin	3835
Mr. Dupuy	3835

Apple Industry

Mr. Schmidt	3835
Mr. Anderson	3836
Mr. Schmidt	3836
Mr. Anderson	3836

Advertising Contracts

Mr. Boudria	3836
Mr. Duhamel	3836

Correctional Service

Mr. Bellehumeur	3837
Mr. Gray	3837
Mr. Bellehumeur	3837
Mr. Gray	3837

Child Support Payments

Mrs. Brown (Calgary Southeast)	3837
Mr. Rock	3837
Mrs. Brown (Calgary Southeast)	3837

Young Offenders Act

Mr. Nunziata	3837
Mr. Rock	3837

Bill C-91

Mr. Solomon	3838
Mr. Manley	3838

Points of Order

Comments During Question Period

Mr. Chatters	3838
--------------------	------

GOVERNMENT ORDERS

Pearson International Airport Agreements Act

Bill C-22. Consideration resumed of motion for second reading, amendment and amendment to the amendment	3838
Amendment to the amendment negatived on division: Yeas, 91; Nays, 143.	3838

Supply

Allotted Day—Tax System Reform

Consideration resumed of motion.	3839
Mr. Asselin	3839
Mr. Canuel	3840
Mr. Anderson	3841
Mr. Stinson	3844
Mr. Canuel	3844
Mr. White (North Vancouver)	3845
Mr. Scott (Skeena)	3846
Mr. Milliken	3848
Mr. MacDonald	3849
Ms. Clancy	3849
Miss Grey	3852
Mr. Scott (Skeena)	3853
Mr. Gouk	3854
Mr. Grubel	3854
Mr. Harvard	3856
Mr. Harper (Calgary West)	3857
Mr. Telegdi	3858
Ms. Whelan	3859

PRIVATE MEMBERS' BUSINESS

Auditor General Act

Bill C-207. Consideration resumed of motion for second reading.	3861
Mr. Bélisle	3861
Ms. Bethel	3862

Mr. Williams	3862
Mr. Hart	3863
(Motion agreed to, bill read the second time and referred to a committee.)	3865

ADJOURNMENT PROCEEDINGS

Social Programs

Mrs. Lalonde	3865
Mr. Milliken	3866

Via Rail

Mr. Blaikie	3866
Mr. Duhamel	3867

Hibernia Project

Mr. Plamondon	3868
Mr. Rideout	3868

Hibernia Project

Mr. Pomerleau	3869
Mr. Rideout	3869

Unemployment Insurance

Mr. Crête	3870
Mr. Milliken	3870