



CANADA

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OFFICIAL REPORT  
(HANSARD)

**Tuesday, October 24, 1995**

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**Speaker: The Honourable Gilbert Parent**

## CONTENTS

(Table of Contents appears at back of this issue.)

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# HOUSE OF COMMONS

Tuesday, October 24, 1995

The House met at 10 a.m.

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*Prayers*

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## ROUTINE PROCEEDINGS

[*Translation*]

### GOVERNMENT RESPONSE TO PETITIONS

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Mr. Speaker, pursuant to Standing Order 36(8), I have the honour to table, in both official languages, the government's response to 11 petitions.

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### UNITED NATIONS ORGANIZATION

**Hon. André Ouellet (Minister of Foreign Affairs, Lib.):** Mr. Speaker, I am honoured to commemorate, in the name of the government, one of the most important events of the century: the creation of the United Nations Organization on October 24, 1945.

Fifty years ago, the first signatories of the UN Charter, including one of Canada's greatest prime ministers, Mackenzie King, gathered together in San Francisco to work out their vision of hope for humanity.

Amid the ruins of a devastated world, our predecessors firmly believed that, for the sake of humanity, they had to build a better future. They also knew that peace and development were not a matter for a few countries but one for the whole planet and all its peoples.

Today, as we contemplate the achievements and turmoil of the past 50 years, one thing is clear: the UN is a universal organization, not only because almost all the countries of the world are members, but because it is involved in all fields of human activity.

From peacekeeping and peacemaking to education and the fight against poverty; from human rights and development to the environment, human health, refugee assistance and programs to promote economic stability and growth; from democratization efforts to initiatives to share technologies and improve food and

agriculture, Canada can be proud of the progress made by the UN in improving the fate of millions around the world.

• (1005)

But we can also be proud of our contribution to these efforts. We Canadians were among the first to sign the charter. It was also a Canadian, the late lamented John Humphrey, who wrote the first draft of the Universal Declaration of Human Rights in 1948.

[*English*]

It was my predecessor, Lester B. Pearson, who helped usher the UN into adulthood. Among his valuable contributions to the UN, none was more visionary than his proposal to help set up the first peacekeeping operation in 1956 during the Suez crisis. Since then, more than 100,000 Canadians have served in over 30 peacekeeping missions around the world, without mentioning our contribution to the Korean war. Today I want to pay tribute to those who have served and those who have died in the service of peace and in the service of the United Nations.

Canada has worked through the UN to fight for the rights of the poor and the underprivileged, to promote respect for the environment and to push for disarmament. We have consistently been one of the largest suppliers of food aid. We have assisted in missions to monitor elections in many parts of the world.

The International Civil Organization is based in Montreal. The Food and Agriculture Organization was founded in Quebec City and just last week celebrated its anniversary by holding a major conference there.

Canada has played a leading role in the International Atomic Energy Agency as well as in many other UN specialized agencies. We have served on the Security Council in every decade since the UN was created and we have recently declared our intention to run for a security council seat for the 1999–2000 term.

[*Translation*]

And last year, Canada announced that it would nominate the City of Montreal as the future home of the Secretariat for Biodiversity.

[*English*]

As we stand here today at the beginning of the next chapter in UN history and on the threshold of the 21st century, I am pleased to state that Canada remains firmly committed to the United Nations system. I pledge our continued support for the UN's goals.

*Routine Proceedings*

I had the honour of addressing the United Nations General Assembly in New York last month. I outlined what Canada believes should be the UN's main priorities for the years ahead. This government believes the UN should pay particular attention to three main objectives: preventive diplomacy, rapid reaction and peace building.

All of the components of the UN system must help identify and resolve tensions before they generate into conflict. When preventive diplomacy efforts fail, the UN must be able to intervene quickly and effectively on the ground.

In New York I tabled Canada's report on how to increase the UN's rapid reaction capability. I was encouraged by the positive attention given to our recommendation.

Alongside these efforts, the UN must continue its ongoing work of peace building and articulate the visions of development centred on the individual and one that balances the economic and social agendas for the purpose of improving the well-being of society.

Just as the world has undergone many changes since 1945 and has had to adapt to new requirements, modern technology and fiscal restraints, so must the United Nations greet its future with a strategy for revitalization to meet the challenge of the next century. Those challenges often arise quickly and harshly. Canada will continue to hold out its hand to the UN to help ensure that the general assembly, the security council and indeed the whole UN family are best able to meet the needs of the future in a co-ordinated, efficient and fiscally responsible manner.

• (1010)

The UN has accomplished great things in its first 50 years. There have of course been setbacks. We can make the UN better, however we cannot hope to make it better when some countries do not pay their dues. Countries can pay their dues and they should now. That is not to say that we cannot reform the scale of assessments to reflect current economic realities. We should and without delay.

The UN at 50 should take stock of what it has done, how it has done it and how it can do things better in the future. We must look back and reflect on the spirit that carried the architects of the UN forward. Their vision was bold. Their challenges were great.

Today we are faced with universal problems that threaten the achievements of the last 50 years. Unlike 50 years ago, we have a proven universal mechanism that can help us meet those challenges. Let us make it stronger and better. That is the challenge for the years to come.

[Translation]

**Mr. Stéphane Bergeron (Verchères, BQ):** Mr. Speaker, I am proud to have this opportunity today to speak on behalf of the Bloc Québécois on this fiftieth anniversary of the founding of the United Nations Organization.

The Minister of Foreign Affairs gave a relatively appropriate picture of the past achievements of the UN, the challenges facing it today and the role played by Canada.

In my comments on this anniversary, I would like to focus on two main issues which I feel are fundamental and which may have been purposely avoided by the minister.

First, the matter of promoting human rights and democracy. Second, since this is the era of globalization, I would like to discuss that very typical characteristic of the UN, its universality. The UN's membership includes nearly 200 countries, 28 of which joined since 1990.

First, human rights and democracy. As I listened to the Minister of Foreign Affairs say how proud he was, and rightly so, of Canada's contribution, adding that it was a Canadian, the late John Humphrey, who wrote the first draft of the Universal Declaration of Human Rights in 1948, I could not help thinking of this government's lax approach to promoting human rights and democracy.

Considering that this government has refused to commit itself to recognizing the results of the referendum to be held next week in Quebec, it is somewhat surprising to see the minister holding forth at the United Nations and recalling the UN's achievements in promoting human rights and democracy.

That takes some nerve, I must say. And coming from a government that has decided from now on to focus exclusively on business interests and literally to turn its back on promoting human rights and democracy, it is downright embarrassing.

The late John Humphrey must be turning over in his grave today. The Bloc Québécois has strongly criticized and condemned Canada's abdication of its historic responsibility for human rights and democracy.

Before I finish my comments on this first point, I will read one of the most interesting recommendations made by the Bloc Québécois in the dissenting report of the Special Joint Committee reviewing Canadian foreign policy. The Bloc Québécois recommended that the Department of Foreign Affairs and International Trade and CIDA, working in co-operation with NGOs and business corporations, draw up guidelines to give concrete expression to the key components of Canada's foreign policy respecting democracy and human rights.

Among other things, these guidelines could include a mandatory framework for analysing situations involving gross and reliably attested human rights violations. They were to be formulated as soon as possible and made public no later than the

UN's 50th anniversary celebrations scheduled for October 24, 1995. But October 24, 1995 is today, and what is the government tabling? Nothing, nothing tangible on promoting human rights and democracy. What an opportunity lost by Canada.

• (1015)

These guidelines were to serve as inspiration for new legislation and regulations to govern the transactions of the Department of Foreign Affairs and International Trade, CIDA, NGOs and business corporations with states belonging to the international community.

We felt that Canada's foreign policy, as it concerns democracy and human rights, should be more consistent and absolutely honest and open, so as to maintain the respect and prestige Canada had acquired, which a sovereign Quebec would certainly have been able to perpetuate.

Today there is every indication that this will be the case if Quebecers vote in favour of sovereignty on October 30. More than ever before, and this is again borne out today, it is high time that Quebec was finally able to participate fully in international politics, realize its aspirations and defend its own interests. Faithful to its democratic values of openness and tolerance, Quebec fully intends to stress greater concern for humanitarian aid and equality among nations.

This brings me to my second point, the universal aspect of the UN and the lessons to be learnt. I would like to refer now to several quotes from the secretary general of the United Nations' speech on nationalization and globalization at the first conference of young leaders, May 24, 1992.

The timely words of the UN secretary general are even more timely today. He said: "In order to enter into a relationship with another, we must first be ourselves. For that reason, the first prerequisite for the proper globalization of our modern life is a solid sense of identity. Excessive or misunderstood globalization might result in the creation of a kind of cultural soup, one uniform culture, which would do nothing positive for the world".

A sound sense of identity. Such was the message of the secretary general of the United Nations. This in fact is really the code for access to the world, a body of cultural references. According to the secretary general, the United Nations is that body of cultural references.

Now, what is the situation concerning cultural identity and cultural reference for Canada and Quebec? English Canada, we agree, needs solid anchor points in order to cope with the invasive American culture. Quebecers, on the other hand, base their identity on Quebec first and foremost. Therein lies Canada's whole problem; it is based on the assumption of a single

nation, with one and the same culture, the so-called Canadian culture.

This denial of the existence of Quebec as a historically constituted nation disavows the existence of two founding peoples. Canada is, therefore, having serious problems defining itself. It is, in fact, a country still in search of an identity. Its existential problem is that it is torn in two directions by a dual identity. Recalling the words of John A. McDonald at the time Canada was created: "We have created Canada; now we must create Canadians", we in Quebec are saying "We have created Quebecers; now we must create Quebec".

To return to my main theme, the concept of the nation-state: a nation is, first and foremost, a shared desire for a shared life. It is the first step toward universalism. Universalism itself, therefore, is nourished by nation states. The secretary general's speech illustrated the value of another underlying principle of universality, and that is sovereignty. He expressed it as follows: It is the art of making unequal powers equal. Without state sovereignty there is a danger of chaos, a danger of destroying the very instruments of international co-operation".

• (1020)

He continued as follows: "A world in order is made up of independent nations, each open to the other, respecting their differences and their similarities".

This is one of the most essential messages, perhaps the most essential one, we can glean from the United Nations Organization, that great international institution which embodies these essential values more than any other body. This is why we believe that a sovereign Quebec will be able to participate fully in international life in its own right, bolstered by a solid identity, a solid anchor point, a single and unique cultural reference. Then it will be able to communicate with other nations, with the universal, to use the terms of the UN secretary general. It will do so by assuming its fair share of the obligations imposed upon it by its allegiance to the values of democracy, peace and justice.

There is no doubt whatsoever that this is the spirit within which a sovereign Quebec will assume its responsibilities on the international scene. Since Quebec is faithful to these values, there is no doubt in our minds that the United Nations will open its doors wide to us the day after our accession to the status of a sovereign state.

[English]

**Mr. Bob Mills (Red Deer, Ref.):** Mr. Speaker, 50 years ago the charter of the United Nations mapped out many high principles. These were noble aspirations but the reality of the UN has not lived up to that dream.

For decades the UN has remained incapable of acting forcefully to achieve those principles. The primary problem is that it cannot adequately finance its operations. If the UN is to respond to the many global problems which exist it must have sufficient

*Routine Proceedings*

resources to do the job. Since it has not been doing its job effectively, it is difficult for the UN to take the moral high ground and pressure its member states to pay up.

What is required is major reform and the sooner the better. Without this I cannot blame some of those in default for not paying their bills. Why invest in an operation that is so bureaucratically top heavy, inefficient, and many times ineffective?

A further problem with the UN is the inefficient way the specialty agencies operate. Studies have found significant overlapping and duplication of work, limited responsiveness as well as a lack of transparency. In these agencies the UN has a tough time getting its job done. Certainly this is something that has created a number of institutional obstacles.

There are many areas where the UN should be improved and overhauled for the 21st century. To begin and most important, Canada must insist the UN eliminate the duplication and waste which contributes to its ineffectiveness. If the UN is ever to recover from its current crisis, this is an absolute prerequisite.

Furthermore, Canada must take a proactive and constructive role in reforming the UN so that it can better live up to its original goals of collective security, freedom, justice and human development. Canada is a respected player in the UN and we can provide effective leadership in the reform process. This will be extremely important going into the 21st century.

We must also strengthen the UN to attack the root causes of conflict, lack of democracy, poverty, abuse of human rights, intolerance and the uncontrolled spread of military technologies. In addition, many of the environmental problems which have emerged over the past several decades cannot be remedied without effective international co-operation. A revitalization of an effective UN would greatly help in all these areas.

The minister mentioned peacekeeping. This is a very important duty of the UN in which Canada has played no small part. Canadians attach a great deal of importance to our country's peacekeeping tradition but times have changed and peacekeeping is becoming more perilous and unpredictable. Therefore, this Parliament must establish clear criteria to make sure that our scarce peacekeeping resources are used where they can be most helpful and not used where conditions are unacceptable. We must realize that Canadians cannot participate everywhere. Our men and women in uniform have served the cause of peace very honourably for years and we are very proud of them.

• (1025)

Never again should our troops be left to twist in the wind, as happened in Bosnia, while the government in Ottawa failed to remove them for months and months from a dead end mission where the mandate could not be carried out properly.

In conclusion, the UN faces many challenges over the coming years. If this 50th anniversary celebration is to mean anything, then we must address these challenges head on. The UN will not survive unless it becomes effective, accountable and transparent in all of its activities. These are the changes that we need. These are the changes that the Reform Party will support.

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**COMMITTEES OF THE HOUSE**

## INDUSTRY

**Mr. John Godfrey (Don Valley West, Lib.):** Mr. Speaker, I have the honour to present the ninth report of the Standing Committee on Industry entitled "Performance Benchmarks for Small Business Financing by Banks: A Progress Report".

I am particularly pleased to draw the attention of the House to the fact that this report is supported by members of all three political parties on the committee.

The report follows up on the committee's second report to the House "Taking Care of Small Business". It sets out a framework for banks to report their small business loan statistics to the industry committee on a quarterly basis. This data will allow the committee to track the performance of the banks in their relationship with small and medium size businesses and to select specific benchmarking issues for future investigations.

The committee will hold meetings with the banks to discuss this report and related matters during the week of November 6.

## AGRICULTURE AND AGRI-FOOD

**Mr. Jerry Pickard (Essex—Kent, Lib.):** Mr. Speaker, I have the honour to present the 10th report of the Standing Committee on Agriculture and Agri-Food which deals with Bill C-61, the agriculture and agri-food administrative monetary penalties bill.

After very fruitful discussions with departmental officials and all others concerned, I am proud to report the bill with several amendments.

I also would like to thank all committee members for their co-operation, and the staff and departmental officials who expedited the discussions very well.

\* \* \*

**PETITIONS**

## FINANCIAL INSTITUTIONS

**Ms. Susan Whelan (Essex—Windsor, Lib.):** Mr. Speaker, pursuant to Standing Order 36, I wish to present four petitions that have been signed by the constituents of Essex—Windsor.

The first petition has over 2,400 signatures and is from members of the CAW local in Windsor. They urge the govern-

ment to implement an emergency surtax on the profits of banks and other financial institutions to pay off the deficit.

RIGHTS OF THE UNBORN

**Ms. Susan Whelan (Essex—Windsor, Lib.):** The second petition calls on Parliament to act immediately to extend protection to the unborn child through amendments to the Criminal Code.

HUMAN RIGHTS

**Ms. Susan Whelan (Essex—Windsor, Lib.):** The third petition deals with the social issue regarding same sex relationships.

GUN CONTROL

**Ms. Susan Whelan (Essex—Windsor, Lib.):** Finally, Mr. Speaker, I would like to present a petition on behalf of my constituents concerning gun control.

INCOME TAX ACT

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, pursuant to Standing Order 36, I wish to present a petition which has been circulating all across Canada. The particular petition has been signed by a number of Canadians from Moose Jaw, Saskatchewan.

The petitioners would like to draw to the attention of the House that managing the family home and caring for preschool children is an honourable profession which has not been recognized for its value to our society. They also state that the Income Tax Act discriminates against families that make the choice to provide care in the home to preschool children, the disabled, the chronically ill or the aged.

The petitioners therefore pray and call on Parliament to pursue initiatives to eliminate tax discrimination against families that decide to provide care in the home to preschool children, the disabled, the chronically ill or the aged.

CFB CHILLIWACK

**Mr. Chuck Strahl (Fraser Valley East, Ref.):** Mr. Speaker, I will present several petitions today. They have come in over the summer and this fall and are from people in British Columbia.

• (1030)

The petitioners say that over the last 10 years Canadian taxpayers have invested millions of dollars in infrastructure at Canadian Forces Base Chilliwack. The Canadian taxpayer will have to absorb any loss incurred by shutting down CFB Chilliwack and replacing that infrastructure elsewhere. This is the last army base unit in B.C. and the only military base in the lower mainland and in the entire British Columbia region. Due to its favourable climate CFB Chilliwack is able to provide optimum year round training.

Therefore the petitioners are calling upon Parliament to re-examine the closure of CFB Chilliwack to see if perhaps it should not stay open.

*Government Orders*

QUESTIONS ON THE ORDER PAPER

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

**The Speaker:** Is that agreed?

**Some hon. members:** Agreed.

GOVERNMENT ORDERS

[*English*]

CULTURAL PROPERTY EXPORT AND IMPORT ACT

The House resumed from October 23 consideration of the motion that Bill C-93, an act to amend the Cultural Property Export and Import Act, the Income Tax Act and the Tax Court of Canada Act, be read the third time and passed.

**The Speaker:** When Bill C-93 was last before the House the hon. member for Mississauga East had 28 minutes remaining for debate. Therefore I now recognize the hon. member for Mississauga East on debate.

[*Translation*]

**Ms. Albina Guarnieri (Parliamentary Secretary to Minister of Canadian Heritage, Lib.):** Mr. Speaker, the tax incentives provided in the Cultural Property Export and Import Act are for all Canadians and not only for the wealthy.

The act has been in effect for almost 20 years, that is since 1967. It has evolved and it must continue to do so in order to encourage Canadians to keep within the country those objects that are part of our heritage. The more Canadians are aware of the existence and purpose of this legislation, the more they donate interesting property related to our heritage.

Indeed, we notice an increase in the number of gifts made to public institutions and authorities responsible for keeping such property and making it accessible to ordinary citizens, the rich as well as the poor, now and in the future.

Economic considerations are not the only reasons underlying this bill. It is also important to make sure that our cultural heritage remains here in Canada. When the original legislation was passed, it did not include any deterrent to prevent the sale of Canadian cultural property on the free market. Consequently, Canadians have forever lost many important elements of their culture and heritage.

These objects were sold abroad and have become the property of public and private collections throughout the world. This is a major and permanent loss of heritage for Canadians.

*Government Orders*

Cultural and heritage institutions in Canada have a long and proud history.

[English]

Our first museums had an educational purpose: to organize and transmit knowledge in the natural sciences. For example, the first known museum in Canada dates back to 1831, when the Halifax Mechanics Institute opened a public museum and reading room. Later came the establishment of the arts museums. By 1903 Canada had 21 museums. Today our museums are respected and renowned worldwide.

[Translation]

The Canadian Museum of Civilization is one of those renowned institutions which attract visitors from all over the world. People come here to admire its distinctive architecture. But what would that magnificent building be without its collections? Without their artifacts, works of art and books, our museums, galleries and libraries would only be empty buildings, rooms and walls.

Bill C-93 will ensure that the collections of Canadian museums, art galleries and libraries are up to date, diversified and exciting.

• (1035)

Canadians are increasingly interested in their heritage. They expect the government to play a role in developing heritage collections. Bill C-93 is an attempt to meet these expectations.

An article in *The Ottawa Citizen* in October 1994 described the importance of gifts of cultural property for Canadian museums. Here is the story of one such gift.

Ainslie Loomis was a university student in 1939 and regularly visited Britnell's bookstore in Toronto. One day, while browsing through a box of old books, she came across an album of photographs entitled *The Antiquities of Cambodia*, which had been published in 1867. The price was marked as \$2.25, but Britnell's dropped it to 75 cents. In 1993, and now living in Brantford, she gave the album to the National Art Gallery of Canada; it was worth \$10,000.

The article went on to explain that the National Gallery of Canada came into being through gifts of works of art. At its creation in 1880, the National Gallery's collection comprised only donated works.

Leonora McCarney of Hull, Quebec, has been giving works of art to the National Gallery for 15 years. She says that when they travel abroad they see galleries with entire wings full of donated works. She does not believe Canadians are in the habit of donating works to the National Gallery. She hopes to start a trend, because she feels people should understand that what is involved is their heritage.

In making it easier for people to donate cultural property to museums, galleries and libraries, the government will perhaps make Leonora McCarney's wish come true.

The implementation of measures, like Bill C-93, to consolidate our museum, gallery and library collections has an effect on other sectors of the economy besides the arts and culture. Cultural tourism is a flourishing part of the tourism industry.

On the whole, the tourism industry brings in nearly \$30 billion a year and employs over 600,000 Canadians in 60,000 tourism related industries.

In Canada, recent trends indicate most tourists visiting Canada want a cultural experience different from their own. The Department of Canadian Heritage is trying to improve heritage tourism in Canada.

Many examples may be found in Canada of the contribution cultural tourism makes to the local economy, while promoting people's awareness of cultural values and encouraging their participation.

Thus the activities proposed at the Musée de la civilisation in Quebec City are an excellent way to approach culture, community development and cultural tourism.

Opened in 1988, the museum promotes experience on a human scale with a collection of over 80,000 pieces illustrating life in Quebec.

• (1040)

The leadership role of this museum in the city's cultural and educational development is widely recognized. This museum is now regarded as an essential tool for promoting public participation in cultural heritage activities.

[English]

Clearly museums, galleries and libraries are not elitist shrines or ivory tower domains for the happy few. They are democratic, diverse institutions open to all citizens. They make a vital contribution to the cultural and scientific life of the community. In Canada, museums, galleries, archives and libraries are resources and inspiration to people of all communities, backgrounds, ages and abilities.

To all Canadians our museums, galleries and libraries represent our authentic and irreplaceable link with our history, culture and heritage. Successful passage of Bill C-93 will help to ensure that these institutions remain vibrant temples of the human spirit, a strong presence for all Canadians to inspire us and reflect who we are.

[Translation]

I cannot emphasize too strongly the importance of this bill, this legislative jewel, for the future development of Canada as a nation. The Cultural Property Export and Import Act is currently the only legal mechanism available in Canada that promotes



conservation, thus helping to define our heritage. Again, this incentive to establish and protect Canadian culture is only an incentive and not a tax deduction or loophole. This incentive in the form of an individual tax credit is available to all Canadians.

Its scope was broadened in 1992 to include artists by encouraging them to donate their creations to designated institutions interested in collecting their work. I do not need to explain to you that artists are among our poorest fellow citizens, at least financially. This tax incentive provides us with a way, however small it may be, to allow major works by living artists to enter the public domain, where they will help inspire and educate citizens much better than if they remained hidden in the artists' workshops.

The Cultural Property Export and Import Act plays another very important role: encouraging Canadians to espouse philanthropic principles, to think about future generations, to seek today what may become a national treasure tomorrow, and to collect works of art.

Those who argue that cultural property donations can only come from the rich are completely mistaken, to say the least. In fact, some of the greatest collectors in the world had very little money at their disposal and sometimes even went without food in order to buy works of art.

• (1045)

We need more of these people in our country, people who can recognize what is of aesthetic value, people who can have a passion for history or, even better, people who can understand the scientific and technical symbols which define us as a nation.

This bill is designed for those who feel it is their civic duty to keep alive our heritage as a young country, and it seeks to welcome objects which are symbolic and representative of our country. To promote the making of collections and to stimulate a philanthropic spirit is the least that the federal government can do to ensure that our heritage remains accessible to all Canadians.

Our country is still very young. It is less than 150 years old. We have a duty to develop existing private and public collections, so that our culture can thrive and be the envy of other countries. More importantly, this will allow Canadians to be fully aware of their place and identity as a nation.

Given the current economic context, it is particularly appropriate for us to take all possible measures to keep our cultural treasures in Canada, and to encourage the public to think twice before selling abroad family objects brought here by their ancestors over a century ago, not to mention a masterpiece by Riopelle bought 25 years ago for next to nothing.

### *Government Orders*

We are talking about Canada's heritage but, more importantly, about the preservation and development of that heritage.

I am convinced that everyone in this House should support this wise piece of legislation.

[English]

Because the arguments are sound I encourage all members of the House to support the bill, which is based on sound logic and makes good sense for the country.

**The Speaker:** I wish to inform the House that pursuant to Standing Order 33(2), because of the ministerial statement, Government Orders will be extended by 23 minutes today.

**Mr. Monte Solberg (Medicine Hat, Ref.):** Mr. Speaker, I am rising to speak to Bill C-93 and I will argue today that not only is this piece of legislation flawed, this whole act is completely unnecessary. I am quite amazed at the lengths to which the government has gone to introduce this type of legislation for what appears to be not a problem at all or at least a very minor problem. I will argue the legislation has caused far more problems than it could ever hope to solve.

I quote from a Revenue Canada pamphlet called "Gifts and Income Tax":

The Income Tax Act and the CPEIA provide tax incentives to people who want to sell or donate significant cultural property to Canadian institutions.

The Canadian Cultural Property Export Review Board—is responsible under the CPEIA for certifying that an object is of "outstanding significance and national importance".

When an object of this nature is donated to a designated Canadian institution or public authority, and is certified by the CCPERB, the donor does not realize a capital gain. For purposes of the tax credit, the donor can claim the FMV of the gift up to the total amount of tax still payable after claiming any credits for charitable donations and gifts to Canada or a province.

• (1050)

When that legislation was originally brought in, I believe in 1977, right from that time we have had all kinds of problems with people trying to take advantage of that legislation.

I quote from a newspaper article, March 24, 1995, in the *Montreal Gazette*:

Tax avoidance schemes under which unscrupulous art donors obtain bloated write offs for works given to public galleries and museums are on the rise across the country, the Canadian Museums Association warned yesterday.

These dubious donations have become so rampant in recent months that Ottawa might shut down the program under which tens of millions of dollars of art is donated to Canadian public institutions each year, said John McAvity, executive director of the 2,000-member association.

Warning members to be more vigilant against such schemes, McAvity said: "The donations in question appear to be motivated purely by tax avoidance considerations rather than philanthropic reasons—These donors appear to be neither serious nor knowledgeable collectors or even known to the museums".

### Government Orders

Under the scheme, which dates back at least 20 years, a donor buys a work of art for well below the artist's usual fee. The donor would then have the work evaluated for four or five times the amount he had paid for the work, donate the piece to a gallery, museum or registered charity and write off 100 per cent of the evaluated amount, art experts explained.

At the heart of the donation issue is the concept of fair market value.

Michel Rolland, president of a firm that facilitates art donations to public institutions, said that if a client was able to obtain a work of art for well below the usual going rate then the client has made a shrewd investment.

But a Revenue Canada brochure states that "the generally accepted meaning is the highest price, expressed in terms of money, that the property would bring in an open and unrestricted market between a willing buyer and a willing seller who are both knowledgeable, informed and prudent, and who are acting independently of each other".

In other words, if you were willing to only pay \$2,000 for a work of art then you should in all likelihood only get a tax receipt for \$2,000, said Robert Kerr, a Montreal chartered accountant who writes for the *Gazette*.

After five or so lean years many artists are desperate to sell their work at almost any price, said Thérèse Dion, a local art consultant.

Rolland's Art-Transit Int. Co. has paid Montreal artist Catherine Widgery 20 per cent of the usual price for her work. "If it is a \$10,000 work, I get \$2,000", she said.

Similarly, a copy of an Art-Transit artist's contract obtained by the *Gazette* shows that some artists are paid only 18 per cent of their usual rate.

"It seems like a win-win situation", said one Montreal artist who did not wish to be identified. "Museums are happy to get things free. Artists are happy because they have a bit of money in their pockets. So everybody is happy. What is not kosher is that a client is buying it (a work) at below its value, but getting the write off for a different amount".

Still the artist added "I find the whole thing a bit fishy, but everybody's doing it".

According to the documents obtained by the *Gazette*, Art-Transit's warehouse contained, as of January 26, a total of 7,241 works of art.

These include works by several artists.

The documents also show that some of the artists have enormous quantities of works with Art-Transit: Guiangoldo Fucito is listed as having 494; Francine Larivée has 440; and Claude Paul Gauthier has 485.

• (1055)

The point is that while some people say it is a win-win situation, it is good for the artists and it is good for the people getting the write offs. It is profoundly unfair to taxpayers who are granting these people a write off for the full appraised value of the art work. In this case it is art work that was bought for \$2,000 but that according to the appraisal is worth \$10,000 and therefore the write off is \$10,000.

This thing is nothing but a huge rip off. We are talking about over 7,000 works of art in one company alone where this is being done. I have no idea what the value is but it has to be astronomical. This is not fair. This is a rip off.

Previous to 1977 when this legislation came into place people donated works of art, artefacts, sculptures, whatever, because

they wanted to give them to museums. They did it for altruistic reasons. They are philanthropic. They did not care about the write off.

There were museums previous to 1977. There were art galleries. There was lots of art in them. According to this article, since before 1977 we have had this problem with these scams. It would be bad enough if that were all there was to it. This tax credit is far richer than one can get if one donates to a regular registered charity.

If one donates to the food bank all one can do is donate up to 20 per cent of total income which is the most one can get a deduction for. However, if an art dealer or someone savvy who knows the tax law can work this deal they can actually write off their entire tax for a year by donating these so-called works of art. To me that is unbelievable.

A gentleman from an art gallery came in front of the Canadian heritage committee in Hamilton. In his judgment most people would give out of the goodness of their heart but there are some people who are on to this. He said it was probably the wealthiest people who would make the biggest contributions to the art galleries and take advantage of this situation.

What we have is a tax avoidance scheme, in my judgment, that permits the wealthiest Canadians to get away with paying little or no tax. That is profoundly unfair.

In the last budget the government was talking at length about how we had to have tax fairness. My hon. friend across the way is nodding. This is not tax fairness. This is not in alignment with any kind of taxation system that treats people the same way. Absolutely not.

Why are we fooling around with legislation like this? We should be rolling this legislation back. We should be bringing in a flat tax or a single tax or a proportional tax, a tax system that treats people equally. We certainly do not want one that treats people who donate art better than people who give to the food bank or to the Salvation Army or to the cancer society. That is ridiculous. How can we justify that? That is absolutely out of the realm of anything that makes sense.

I am sure people are wondering how much this costs Canadians every year. Last year there was something like \$60 million in tax deductions handed out. Depending on people's tax situation, it could amount to as much as the full \$60 million in actual loss to the Canadian treasury if people did not donate to anything else and it consumed absolutely all their income so they did not pay any income tax at all. That is not realistic, and I recognize that. However, suffice it to say that people did avoid paying millions and millions of dollars in taxation because of

*Government Orders*

this scheme. That is not fair and that is not right. We should have a transparent system.

• (1100)

Just before the last election there was a bit of a furore in the newspapers about former Prime Minister Mulroney donating his personal papers to the National Archives. Someone said they saw a figure of how much of a tax break he was to get. The gentleman subsequently said he had made an error and he did not know why he quoted that figure. That is not the point. The point is that we have no idea how much people get in terms of a tax break for the donations they make. These things are protected through the Income Tax Act. We have a situation where people are making donations and we have no idea how much they are being appraised for because that would violate their privacy. Is that the best system?

It was not very long ago that someone at the National Gallery of Canada decided it was a good idea to buy "The Voice of Fire". It was an American art piece. It was three stripes. It cost approximately \$1.8 million. People went absolutely berserk, and rightfully so. In my judgment it was a complete waste of money.

If we visit the gallery and look at the comment book, people have said over and over again: "The emperor has no clothes". I think Canadians feel that way too. The point is that we know how much money we paid for that piece of art, but for these other things we do not know how much revenue we are forgoing when we purchase them. That is wrong. It should be out in the open. We should know how much we are paying, either through a tax credit or directly for items that are purchased on our behalf by our government. That is how an open democracy should work.

The legislation is completely contrary to that. That is why we should not be fooling around with the amendment to the legislation but should instead be repealing the whole bill. It is absolutely ridiculous.

I want to talk about some of the specifics of the legislation. The legislation offers an appeal process over and above the cultural export review board. If people do not feel they are getting a fair price from the review board for their donation they can ultimately appeal it to Revenue Canada. If memory serves, that was the situation prior to 1993 or 1991, I have forgotten which. At any rate we would be returning to that situation.

I question whether we should have the review board at all. It is another layer of bureaucracy. How are the people appointed to the review board? They are appointed the same way everyone else is appointed to government boards. They are appointed on the basis of who they know. They are appointed because of their connections. It is quite conceivable that a former prime minis-

ter, such as Brian Mulroney, could donate papers and have the decision made on the value of those papers by people he appointed to the board. It is ridiculous.

A few times the National Archives of Canada has gone to the board and the board has said this is the value of the former prime minister's papers. We never find out what it is, but those people who may indeed have been appointed by the prime minister are making those judgments.

• (1105)

This appeal process will allow us to go to Revenue Canada and ultimately I suppose to the tax courts. However, our sources tell us that we have approximately 6,000 cases before the tax court today, 6,000 backlogged cases. Why are we bringing more stuff to these people? Why are we bringing more decisions for them to make? I would think there are more important things for those people to be doing than arguing about the price of somebody's dinosaur fossil or their three stripes on a piece of paper, their so-called art.

I make another point about the legislation. I believe the legislation, which goes back to 1977, and the art bank, which falls under the purview of the Canada Council, have worked against artists. They have hurt artists by flooding the market with all kinds of art and alleged art that has no business being out there in the marketplace today. We have something like 18,000 pieces of art stored in warehouses today, stuff that is supposed to be in the art bank.

We have this legislation that encourages art galleries to go ahead and purchase these things because the money is not coming out of their budgets. All they are doing is going to the people at the export review board and saying: "We think this is pretty good. Put an evaluation on it. The guy is going to give it to us. Whether or not we hang it on the wall now or at any time in the future is really irrelevant, because it does not cost us a thing". They are not working with a budget. They can bring in as much of this stuff as they want. The only ones who pay are the taxpayers.

The people in this article say it is a great scheme and everybody wins. It is win for the art gallery and win for the artist, but it is big time lose for taxpayers who are out millions and millions and millions of dollars in revenue. There are no safeguards built in to ensure the galleries and the museums are using their power to do this responsibly. There is no check in place to make sure that happens.

This is horrible legislation. I would argue that before 1977 we had very good art galleries. We were able to hold on to our works of art. We were able to maintain different pieces of important cultural property because people ultimately gave these things to

*Government Orders*

our institutions over a period of many years. We know they did that.

Surely this new legislation encourages some people to use the system by taking advantage of the tax credits. Also, the legislation encourages us to keep not only Canadian art but American art and artefacts and foreign artefacts of all kinds as well. People are using this to say this is to keep Canadian culture in Canada. We should be accurate here and say that it is also used to buy all kinds of foreign art.

The fact is that people gave art before 1977 to these institutions. In trying to encourage people to give even more we have opened up a Pandora's box. We have allowed all kinds of people to milk the income tax system, to take advantage of it to the point where we now have the *Montreal Gazette* writing articles about it. We really have what amounts to a tax avoidance scheme going on, which obviously costs taxpayers millions and millions of dollars. That is ridiculous.

We have that problem. We have the problem that it is not transparent. We have people donating but we never know how much money they get in the form of tax deductions for their art. We have an expert review board that could be appointed by people like the Prime Minister, who will end up passing judgment on things they want to give. We have a problem with the art market being flooded because of this type of incentive, this kind of screwy incentive we have here. We have all kinds of problems with this extra bureaucracy and extra cost to solve what was a very minor problem.

• (1110)

Instead of proposing an amendment that will send this to the tax courts where there is a backlog of 6,000 cases, why do we not just do away with the whole thing? Let us just do away with it. Then we can get rid of all these problems. We will not have the *Montreal Gazette* writing nasty stories about all the scams that are being worked to take advantage of the situation.

We will not have, on the one hand, people in our party and in the Liberal Party campaigning to simplify the tax system and, on the other hand, the government working against that concept by providing tax incentives for the wealthiest of Canadians to take advantage of this system and avoid paying tax. That is crazy. It is so unfair it is unbelievable. I cannot believe the government, the minister, the parliamentary secretary and members across the way are arguing for this type of legislation.

I hope people take the time to write some letters about this. I hope they take the time to contact their MPs and ask how this can be fair.

Let me conclude by saying that although this is a fairly innocuous piece of legislation, when people find out about it they will not be pleased. They will say that when the government

spoke in the last budget about achieving tax fairness they believed the government. Now the government is turning around and proposing legislation that is exactly contrary to that. I hope the government will realize that and stop the bill before it goes any further.

**Ms. Guarnieri:** Mr. Speaker, I rise on a point of order. I wonder if I could have unanimous consent to seek clarification on some of the member's comments.

**The Acting Speaker (Mr. Kilger):** The Chair can only ask for unanimous consent. The first three speakers have 40 minutes without questions or comments, but with unanimous consent the House can do whatever it so chooses. Is there unanimous consent?

**Mr. Mills (Broadview—Greenwood):** Agreed.

**Mr. Solberg:** Mr. Speaker, I rise on a point of order. I would be happy to do that and I will ask my colleagues to consent to do that. However I have to disappear for a radio interview at 11.30 a.m. I have to get back to my office. If we could do this in five or six minutes it would be great.

**The Acting Speaker (Mr. Kilger):** We will have to. I have to stay within the 40-minute restriction as much as possible. I would hope that certainly would happen.

**Ms. Albina Guarnieri (Parliamentary Secretary to Minister of Canadian Heritage, Lib.):** Mr. Speaker, when the member referred to the gifts and income tax book he was rather selective in his reading. I wonder why the member did not bother to inform Canadians on how cultural property is actually certified. I wonder if he would be willing to read into the record exactly how they are certified, just so that he does not mislead Canadians into thinking that it is a free for all for everybody and anybody can give anything to any cultural institution.

Would he be willing to read the paragraph on page 18, so as not to mislead Canadians, and the first two paragraphs on page 19, so that Canadians are fully informed? As usual, I find that the Reform Party is rather selective in what it chooses to read out of transcripts.

I reassure the Reform Party that it will secure its place in museums beside the extinct species, with the dodo bird and the dinosaurs.

The member's discourse is somewhat limited in nature. When he was quoting from Mr. McAvity, who is executive director of the Canadian Museums Association, he was very limited in the quotes he chose. Mr. McAvity went on to say that they are the voice of 2,000 museums.

**Mr. Gilmour:** Mr. Speaker, I rise on a point of order. The member opposite was asking a question. The whole purpose of interrupting the proceedings was to ask a question of my colleague. This is not a question. This is a statement.

*Government Orders*

• (1115)

**The Acting Speaker (Mr. Kilger):** I thank the hon. member for Comox—Alberni for his intervention. It is certainly in the spirit of unanimous consent knowing that we do have some restriction given the statement by the member for Medicine Hat that he had other obligations when they accepted the unanimous consent.

Without further ado I would simply ask—

**Ms. Guarnieri:** I have a point of order, Mr. Speaker.

**The Acting Speaker (Mr. Kilger):** All we are doing at this point is using up valuable time. I simply ask the parliamentary secretary if she could possibly put the question so I might allow a reasonable amount of time for the member to respond.

**Ms. Guarnieri:** Mr. Speaker, Mr. McAvity, who represents 2,000 not for profit museums in Canada, said: “We are very pleased to be here today in support of these amendments. The museum community has been patiently waiting for these amendments for several years”. He went on to say: “This legislation was universally applauded by Canadian museums as it brought our community in line with those of many other western nations whose governments have been supporting the enrichment of public collections through similar legislation for years”. Mr. McAvity went on to say even more resoundingly that the Canadian Museums Association came before the committee to voice its wholehearted endorsement of these amendments.

Given all of the above, does the hon. member think he has more expertise than those individuals to judge what is good for Canadian museums? I thank the hon. member for his patience in allowing me to put the question.

**Mr. Solberg:** Mr. Speaker, I think the hon. member was taking advantage of my good nature a little bit, but that is okay.

I will acknowledge that there are a couple of paragraphs on pages 18 and 19 that do explain fairly specifically that the export review board has to judge an object to be of outstanding significance and national importance because of its close association with Canadian history or national life, aesthetic qualities and value in the study of the arts or sciences in order to be eligible to be designated for a tax deduction. The fact is that \$60 million worth of those are designated every year. That is a tremendous amount of money, as the hon. parliamentary secretary would know.

The parliamentary secretary was asking me about Mr. McAvity and the museum association and was pointing out that the museums like the legislation. Of course they do. They have unfettered access to all kinds of things with no budget. They do not have a budget. The museums can basically say: “We would like that work of art or that artefact. We will take it to the review board and get it to tell us what it is worth and whether it is

significant. When the board does that, then we get it”. It is that easy.

The only one who pays is the taxpayer. It is certainly good for the artist or the person who is donating it because he or she gets that big tax credit. It is certainly good for the museums. Why would they have any problem with this? They probably love this stuff. It is profoundly not good for taxpayers who have to take it in the pocket every time one of these donations is made.

**The Acting Speaker (Mr. Kilger):** I thank all members who participated in this extension of the debate for their co-operation.

**Mr. John Harvard (Winnipeg St. James, Lib.):** Mr. Speaker, before I get into the main body of my speech, I would like to proffer a couple of comments relative to what was said by the hon. member for Medicine Hat.

I did not listen to all of his speech but I did hear a chunk of it. On two different occasions he described the legislation as being horrible and innocuous. I would think the hon. member would find some disparity between those two adjectives, innocuous and horrible.

After listening to him I suspect he probably thinks the legislation is more horrible than it is innocuous despite the fact that this is anything but sweeping legislation. It really is what we might call a technical bill to put back into legislation a review and appeal mechanism, something that was inadvertently left out in 1991.

• (1120)

Again, in commenting on observations made by the hon. member for Medicine Hat, it is quite clear he believes that the free market system can do the job. At one point in his speech he said that we just do not need this kind of legislation at all. He was not only referring to providing an appeal mechanism or a review mechanism; he was talking about the entire system of public support for donations of Canadian heritage to museums.

We would have to be dreaming. We would have to be in full flight of fantasy to believe the museums would do as well without this legislation. Without this incentive, without this kind of legislation, many of the donations to the museums across the country, and we are talking about more than 2,000 institutions, would dry up. This was forcefully put to the committee of which I have the honour to chair by witnesses a few days back.

Let us not fool anybody. This legislation is absolutely necessary. The comments by the hon. member for Medicine Hat truly reveal what the so-called Reform Party feels about supporting cultural institutions and specifically museums. Reform members simply do not support public support at all which is wrong headed. It is a mistake and is not something that is shared by the Canadian public.

I listened to the hon. member and he seemed to plead on behalf of taxpayers, as if he spoke for all taxpayers. While many

*Government Orders*

taxpayers believe they are overburdened, and in some cases they are, most taxpayers are quite enlightened and support this kind of legislation. They appreciate museums. They appreciate cultural institutions. They support artists of all kinds. They want to reach out and help Canadians in the cultural field. They accept that this is what this legislation is doing.

This is certainly recognized by the museums. If it was not helpful the museums would be saying that, but that is not what their witnesses were saying. They came to the committee and said this legislation is needed and is supported.

This wanders perhaps a little off the bill, but this bill has something to do with preserving Canadian heritage. Everyone knows as well as I do the crisis this country is going through right now. We all know the crisis this country faces and we have a heritage. We have a tremendous history. On Monday we want all Canadians, not just Quebecers, to appreciate this heritage, this history, this land, this great nation. That is what this country is all about.

This cultural property bill is just an infinitesimal part of the efforts of preserving Canadian heritage. I feel very, very strongly that come Monday Quebecers will show that they are going to preserve Canadian heritage in a much greater way through the ballot box rather than through the mechanism of the cultural property bill.

The hon. member for Medicine Hat said he has no idea as to the tax expenditure involved in this kind of legislation. The tax expenditure is in the neighbourhood of about \$60 million. Again, it is fully supported by Canadians.

• (1125)

Getting to the main body of my presentation today, we have debated the merits of the Cultural Property Export and Import Act long and hard.

Some time ago the hon. member from the official opposition clearly understood that the lack of an appeal process in relation to determinations of fair market value by the Canadian Cultural Property Export Review Board was the result of an unfortunate oversight. That is really what it is, an unfortunate oversight.

Bill C-93 is a technical bill. As such we must remember that its purpose is to restore a right that was lost when the determination of fair market value was transferred from Revenue Canada to the review board. We are correcting an error. We are removing a mistake that was made four years ago.

The act is even more important and necessary today than when it came into force in 1977. That is because it is fast becoming the only source, and I emphasize the only source, through which institutions can hope to continue acquiring cultural property for

their collections. That has to be borne in mind throughout this entire debate.

With little or no acquisition funds, museums are now having to focus on donors to build their collections. Canada is therefore greatly in need of a means to encourage people to collect important examples of our national heritage with the ultimate aim of voluntarily donating to custodial institutions.

The Cultural Property Export and Import Act must be cherished and developed to ensure that the level of collecting of important examples of our heritage continues to increase, not to decrease. That is important.

In the 19th century the function of private collectors gained a new level of importance in the face of the spread of public galleries and museums throughout the world. While the impressionists and post-impressionists were to some extent barred from official public exhibitions, their work was nonetheless being bought by private collectors with or without the mediation of dealers. These works ultimately found their way into public collections only after their position had been established by the art market created by private collecting.

This collecting spirit was not relegated just to contemporary art, but also to the diversity of products created throughout the world. It is thanks to the collectors of the last century and continuing through to today that the public has ultimately been led to an appreciation and understanding of those objects that have come to embody the trends and symbols which define the psychology and history of our development as a civilization.

Collectors are the seers, the wise men of our times. They are the individuals who have foresight enough to recognize what is and what will continue to be of outstanding significance and national importance for generations to come. Custodial institutions for decades now have developed a strong rapport with collectors working alongside them as they collect, often with the ultimate intent to give to the public.

We are seeing in Canada today collectors who have built up strong collections who, rather than automatically giving to the public through public collecting institutions, are faced with the choice of selling those collections for a handsome capital gain or donating them to designated institutions in return for a cultural property tax certificate. However, knowing the limitations of the cultural property determination process and the fact that there is no recourse to appeal the Cultural Property Export Review Board determination, we have witnessed several cases already where collectors are opting to sell their collections rather than holding themselves hostage to the bureaucratic process. It is very important to keep that in mind. If we are to respect and encourage the intent of our collectors to give to the public domain, we must find ways to ease that process. Estab-

lishing a system of appeal to the Tax Court of Canada would be a very important step toward encouraging the concept of making donations in our country, a step that the donors—as much as the institutions—are anxiously awaiting. That also has to be borne in mind. This is not only important to the institutions and the art community, it is important to the donors. In fact it is important to all Canadians.

• (1130)

Over the past few years, the Canadian Cultural Property Export Review Board has been the object of press articles focusing on the board's reduction of proposed fair market values in applications for certification of cultural property for income tax purposes. These stories, by the way, refer to a small proportion of all certification applications. The review board has responded by expressing the challenge of determining fair market value in these economic times where the markets in which cultural property circulates are extremely weak.

It is therefore crucial that the mandate for determining fair market value rests in the hands of experts who are knowledgeable about the twists and turns, the ups and downs of the marketplace and who know how to relate often conflicting trends in the marketplace to the cultural property applications it has before them. This is a very intricate business and it cannot be left to rank amateurs. If the job is going to be done properly it has to be left to knowledgeable people, people who are experts and people in whom we have confidence. This has been thought out and taken into account.

**Mr. Mills (Broadview—Greenwood):** Integrity.

**Mr. Harvard:** Yes, as my good friend from Broadview—Greenwood pointed out, people of integrity are also important.

Speaking of people and integrity, the current review board consists of 10 members, the maximum number allowable under current legislation. These members represent the myriad of players who are actively involved in the process of preserving cultural property in institutions or public authorities who are designated to do so.

Let us go through this. Two of the members are contemporary art dealers. Four members are or were employees of designated institutions who have expertise in archival material, Canadiana, contemporary and Inuit art. One member is an accountant, another is a lawyer and the remaining two members are members of the public at large. Several of the members who sit on the board are also collectors who are fully aware of the dynamics that come into play between institutions that collect and collectors who become donors.

This not something that has been slapped together. This has been thought through very well. When we take into account the composition of the 10-member board we can appreciate the kind of thought that has gone into making up the board.

### *Government Orders*

In my opening remarks I referred to comments made by the hon. member for Medicine Hat. That same member at second reading of the bill expressed concern that a board appointed by the government and consisting of members who represent the community it serves could be—to use his words—too cosy, leading to a scratch my back and I will scratch your back situation. That kind of assumption places subjectivity over expertise and suggests that human beings are by nature incapable of assessing their peers objectively. I think he has underestimated the capabilities of people and perhaps even their integrity.

• (1135)

We are not talking about amateurs, we are talking about professionals, professionals that value and wish to maintain their professional integrity. Further, as is the case with all professional organizations, the Cultural Property Export Review Board has a strict code of ethics to avoid any conflict of interest.

I might add that the transfer of determining fair market value to the board in 1991 was not an arbitrary move, but rather the result of the realization that such determinations can best be made only by individuals who are actively involved in the environment in which cultural property circulates.

The appeal process which the bill proposes will ensure the full use of the expertise available on the board. It is intended that given the thoroughness with which the first stage of the appeal process would be handled through a request for redetermination by a subcommittee, most issues with determinations of fair market value would be resolved and that requests for a further appeal to the Tax Court of Canada would be minimal. In other words, we do not see the two-stage review process being used on every occasion. We believe in most cases that all questions will be settled after the first go-around. Very few of these cases go to the Tax Court of Canada. It is important to keep that in mind. We are not interested in a prolonged process where both stages are used up on almost every occasion. We do not think that will happen.

The second stage of the appeal process necessitates that the donor make an irrevocable gift to the institution. Only the donor would be able to request an appeal to the tax court up to 90 days after the redetermination process is completed. Again we are not talking about people who are in the game for frivolous reasons. They are serious donors.

As with anything new, the first and second stages of the appeal process will be subject to trial and error before an efficient and workable system is developed. In other words, we can see this system, to some extent, maturing. One would hope that after the system has been used for a number of years, it will be more efficient and more mature. I believe that is a safe assumption. As with most processes, over a period of time after they have been used again and again, do get better.

*Government Orders*

The museum community, as have donors and potential donors, has been anxiously awaiting the appeal process since the original announcement was made by the Minister of Canadian Heritage in November 1994. It was looking for the announcement up until then. It was cheered by that announcement. It has been looking forward to the legislation. It has been looking forward to the passage of the legislation and it has been looking forward to this kind of debate. With a little luck it will be given royal assent in the very near future.

• (1140)

Over the past year and a half the review board has established positive working relationships with Revenue Canada and Justice Canada to ensure that donations of cultural property are made in the spirit of the act, that is, with a philanthropic end in mind. The board is to be highly commended for the effective action it has taken to discourage the use of the tax incentives under this act as a tax avoidance measure.

Let me point out the kind of regime that has been set up to prevent misuse of donations. Not any Tom, Dick and Harry can come along with any kind of alleged piece of art and give it to an institution and get a tax break. It is not as simple as that.

I want to draw attention to a couple of paragraphs from a pamphlet entitled "Gifts and Income Tax". The Canadian Cultural Property Export Review Board may rule that an object is of outstanding significance and national importance because of at least three criteria: close association with Canadian history or national life; aesthetic qualities and value in the study of the arts or sciences.

This is important. To be eligible to have cultural property certified, an institution or public authority has to be designated by the Minister of Canadian Heritage. The institution or public authority has to have this designation before formally accepting one's gift if one is to receive the maximum tax benefit.

The designation procedure ensures that the institutions and public authorities receiving cultural property are competent, classified, and maintain and preserve cultural property. Designated institutions are also required to make one's gift available to the general public for education, research or display purposes.

I point that out because when I was listening to the hon. member for Medicine Hat, he left the impression, at least with me, that this was a kind of loose set-up that could be exploited by people who really do not want to give pieces of Canadian heritage for philanthropic purposes but just to get a tax break.

I assure the hon. member for Medicine Hat and all Canadians that it is not as simple as that. There is a regime. There is a framework. It will have to be followed correctly and properly if

pieces of art are to be accepted and where tax certificates are provided.

I am told that the board has implemented measures to target suspect donations and to make determinations so that supposed donations made with an anticipated profit are unable to receive substantial financial gains. The board has been working closely as well with the Professional Art Dealers Association of Canada to ensure that all appraisals coming before it are fully substantiated with demonstrable sales of comparable works.

As there are fewer tax incentives available to taxpayers today, the board is taking every measure possible to ensure that the tax incentive to donate under the Cultural Property Export and Import Act cannot be used as a loophole. The great importance of this act is the continuing development of our national heritage, and it merits extreme vigilance. The Canadian Cultural Property Review Board, I reiterate, is to be commended for its efforts thus far.

• (1145)

This brings me back to those people for whom the Cultural Property Export and Import Act is intended, the donors, the institutions and the public; three major groups in this equation and we should not forget that.

The purpose of the act is to encourage and ensure the preservation in Canada of important examples of our heritage in movable cultural property. Without acquisition funds to fulfil their mandates to collect cultural property, designated institutions must rely on donors.

As I said at the beginning of my remarks, as much as we respect the marketplace, it is a dynamic place and we would not want to be without it for one minute, sometimes it comes up a little short. When it comes up short we as politicians have to recognize that. In this case we have recognized it because the museums, the institutions, cannot rely on the marketplace through some magical process providing the donations that are so required by these institutions.

It would be nice to believe that the marketplace could wave a magic wand but it cannot, any more than the Leader of the Opposition can. We cannot rely on a magic wand in this case. We have to rely on well thought out legislation which will do the job for the institutions, for the donors and for the public at large. We think this legislation does it.

I remind Canadians that without an appeal process that ensures recourse for determinations of fair market value of cultural property for income tax purposes, donations to the country's public institutions will become paralysed and so will our heritage. Canadians do not want that, not for one minute. That is why we have this legislation. Canadians, the public, would suffer if this were to happen, this paralysis I was referring to.



At a time when museum attendance has been steadily increasing and contributing to the economy of Canada through cultural tourism, we cannot afford to abandon our duty to continue to inspire our people to partake in the cultural harvest of our nation.

Museums are more popular today than ever before. Perhaps this has something to do with the fact that our country is getting older. It is 128 years old. We have a lot of heritage; heritage that has been captured by our artists, heritage that expresses Canada in all of its manifestations. We have a duty to encourage artists, to support donors, to support designated institutions so that this heritage in art form is preserved and protected because we will be a stronger country for it.

• (1150)

Imagine for a moment what future generations of Canadians would think of us if we were oblivious to these facts, if we ignored these facts, if we let these precious pieces of heritage slip through our fingers, allowing these precious pieces of heritage to be squandered. They would condemn us. They would assess us very harshly. However, we would not have to wait for the evaluation or the assessment of history. I think our contemporaries would treat us very harshly.

Canadians know what this country is all about. Canadians know what our heritage is all about. They also know what it takes to preserve that heritage because they know a country is not here for just today, tomorrow, next week, the week after, the month after or the year after. Like so many countries, Canada is here for a long, long time. In recognition of that we have legislation to support our artists, our donors, our institutions and the public at large.

I think all Canadians, all taxpayers, support this. They will not share some of the criticisms we have heard of the bill. Of course no legislation is perfect. As long as human beings are what we are, imperfect, we will often create imperfect legislation. However, I think we have done a good job on this. Certainly the institutions have told us that. The museums have told us that. They came before the committee and praised this legislation. They praised the minister. They praised all of us in the House and they want the job done. They do not want this frivolous talk, this carping from the other side of the House.

Criticism for criticism's sake does not make any sense. If you have something worthwhile to say, say it. To stand up on your hind legs, to carp and to criticize just to fill the air does not make sense. I think the opposition does us a disservice when it grandstands, when it indulges in that kind of talk. We want responsible debate. In some cases we have fallen short of the goal of responsible debate.

Canadians support the legislation and they want it passed. That is all I have to say and I hope we can have this legislation passed as quickly as possible. Canadians want it.

**The Acting Speaker (Mr. Kilger):** We will now move to the next stage of debate in which members will be entitled to

### *Government Orders*

20-minute speeches subject to 10 minutes of questions or comments.

**Mr. John Maloney (Erie, Lib.):** Mr. Speaker, I am very pleased to rise this morning on Bill C-93, an act to amend the Cultural Property Export and Import Act, the Income Tax Act and the Tax Court of Canada Act.

The Cultural Property Export and Import Act came into force on September 6, 1977 together with certain complementary amendments to the Income Tax Act. The purpose was to preserve in Canada significant examples of Canadian heritage through the use of a system of export controls, tax incentives for private individuals who donate or sell cultural objects to public institutions, and assistance to institutions in purchasing cultural objects under certain circumstances. Bill C-93 would affect only the use of tax incentives. It is an amendment to the original act.

• (1155)

The legislation will establish an appeal of decisions of the Canadian Cultural Property Export Review Board to the Tax Court of Canada. This bill is being sponsored by the Minister of Canadian Heritage and it is his responsibility through the Department of Canadian Heritage to develop, implement and promote cultural policies that will enable Canadian creators to flourish and Canadian consumers to enjoy and benefit from a wide variety of cultural products.

The federal government clearly has a role in the development of policies and programs designed to encourage the production and preservation of Canadian cultural materials.

In the area of heritage policies and programs the Department of Canadian Heritage provides support and assistance to museums across the country while at the same time ensuring that our national institutions, including the National Archives, the National Gallery, the Canadian Museum of Civilization, the Museum of Nature, the Museum of Science and Technology and the National Library, function in an environment conducive to giving Canadians maximum access to our cultural heritage.

Culture is fluid, always changing and must not be looked on as something rigid or something around which barriers or parameters can be built. Culture is diverse. Customs that may seem strange to one culture will often be part of the daily life of another.

It is for these reasons that it is important these cultures are reflected in the collections of our museums so that others will be exposed to them, will learn from them and will in turn understand them.

The Cultural Property Export and Import Act already serves as a vital instrument to protect Canada's diverse cultural heritage by building strong public collections. Bill C-93 will serve to strengthen this legislation and will help to ensure the history of all Canadians is preserved for future generations.

*Government Orders*

The amendments contained in Bill C-93 should not be reviewed in isolation but rather as part of a comprehensive policy for preserving our heritage. Historic sites, parks, museums, monuments and historic buildings are all symbols of what makes us unique as Canadians. Their preservation is essential as both reminders of the past and sign posts for where we are going in the future.

Part of the greatness of our history and our heritage rests with not only the deeds of past generations but with national treasures, the artefacts, works of art and personal objects they created. By preserving and displaying these objects in museums the past can continue to live in the present.

The influence of American television, movies and printed materials can blur the distinction between Canadians and Americans and cause us to forget the great achievements of previous generations of Canadians. The preservation of our cultural property and museums, archives and libraries ensures the continuation of a distinct Canadian identity.

According to the Canadian Museums Association there are over 2,000 museums in Canada. These museums range from small, seasonal, one person operations to medium size facilities, as we have in several communities in my riding of Erie, to great urban museums such as the Canadian Museum of Civilization, the Art Gallery of Ontario, the Glenbow Museum and the Montreal Museum of Fine Arts.

All of these museums enjoy national and international reputations because of one reason, their collections. Great collections do not occur by accident but instead develop from careful nurturing and the generosity of donors and benefactors who believe in the importance of preserving Canada's patrimony for future generations.

Critics of Bill C-93 like to say tax incentives for donations of cultural property are tax loopholes for the rich. In saying that they are ignoring the rigorous standards museums, archives and libraries apply to get at these acquisitions. Our cultural institutions do not frivolously accept people's junk and offer them tax incentives. If that were the case the contents of my garage would make me a rich man. On the contrary, they make conscientious professional judgment about what objects or collections are worthy of certification because they are, in the words of the act, of outstanding significance and national importance.

• (1200 )

I mentioned earlier that there are over 2,000 museums in Canada. To be eligible to apply to have objects certified as cultural property and therefore made eligible for a tax credit, a gift must be made to an institution that has been designated under the act. But not just any organization that operates a museum or calls itself a museum is eligible to be designated. I

am informed that there are only approximately 300 designated institutions in all of Canada. Only a fraction of those 2,000 museums in Canada are even eligible to apply to receive the tax benefits offered by the legislation. That small number of designated institutions is an indication of one of the safeguards that was built into the original legislation and is further enhanced in the bill now before the House.

To be designated a museum, archive or library, it must be a non-profit corporation and have as its principal activity the acquisition and preservation of cultural property. It must also have a collection that interprets and displays to the public. It must have a professional staff and it must be open to the public on a regular basis. This means that before an institution is even able to apply to obtain a tax credit for an object that it wishes to bring into its collection, the institution must demonstrate that it has the ability to preserve that object in perpetuity. The institution must then apply to have the object certified as a cultural property by the Canadian Cultural Property Export Review Board.

Again, the tax credit is not automatic just because a museum or other institution is designated and wishes to add an object to its collection. It must be demonstrated that the object is of outstanding significance and national importance and that it fits within the acquisition mandate of the institution. After that, arm's length appraisals for the fair market value of the object must be obtained. These are provided by evaluation experts who have no association with either the recipient institution or the person donating the object. Again there is a safeguard in the system.

The appraisals are reviewed by the Canadian Cultural Property Export Review Board and it determines the fair market value for income tax purposes. The review board is composed of experts in all aspects of cultural property: museum personnel who are knowledgeable about its significance and the means to preserve it and dealers and collectors who are active in the marketplace and know the prices at which objects regularly sell.

Establishing the fair market value of cultural property or any other commodity is more of an art than a science, and it is inevitable that disagreements will occur. In 1987 in the Ontario high court a judge wrote in his ruling that fair market value was a notional or hypothetical concept, an opinion arrived at by evidence, assumptions, calculations and judgment in the absence of an actual transaction. In such a situation it is obvious why there may be disagreement about the fair market value of a particular object.

Responsibility of the review board to determine fair market value can at times be very onerous, particularly when dealing with unique objects and donations to a wide range of institutions. The experts on the review board recognize this. That is why they fully support the two appeal processes established by

*Government Orders*

the bill. They understand that it is important for donors of cultural property and recipient institutions to be able to request a thorough review of their decisions through the redetermination process and, if necessary, through an appeal to the tax courts of Canada.

The present law enables the review board to redetermine the fair market value of an object if additional information becomes available. To date this system has worked well, but there have also been cases when donors have felt that further consideration of the information that had been provided was required or that additional emphasis on salient facts was needed. This was not possible if a redetermination could only take place when additional information had been provided.

Bill C-93 removes the requirement that additional information be provided before a redetermination takes place. This means that the review board will be able to revisit its decision at the request of a donor or recipient institution with or without the provision of additional information.

We believe it will be difficult to design a first level of appeal that is fairer or more equitable than this one.

• (1205 )

If after a redetermination the differences between a donor and the review board still have not been solved, the donor must complete the gift, if he has not already done so, and may then appeal the determination of fair market value to the Tax Court of Canada. This is an important point, because at the time the appeal is made to the Tax Court of Canada the donor will have made an irrevocable gift to the museum, archive or library. He will no longer be the owner of the object. The cultural heritage of Canada will therefore have been enriched regardless of the tax court decision about the object's value.

What will be at issue in an appeal to the tax court will be the fair market value of the object for income tax purposes. The question of outstanding significance and national importance will have been resolved, and the donor will have made the gift in the knowledge that the fair market value of the donation remains an issue.

Again, those concerned about fairness in the tax system and whether rich people are benefiting from a tax loophole will appreciate that the process, by its very nature, guarantees that the tax system is fair and that it will not be abused.

If donors are prepared to make a gift with the full knowledge that they may receive a tax credit for less than they believe an object is actually worth, they are clearly not being motivated by money or profit when they make a donation. If that is their only concern they can withdraw the gift, sell it on the open market,

and no tax credit will be given. This system is a win for all involved.

The amendments in Bill C-93 not only reinstate a previous right of appeal but improve on it by establishing two processes that will permit an open dialogue about the fair market value of an object. We believe the ability to discuss fair market value, a concept that involves evidence, assumptions, knowledge and the exercise of judgment, will lead to better appraisals provided to the review board when it makes its initial determinations. This in turn will lead to a limited number of requests for redeterminations and in all likelihood to only a few appeals to the tax court.

Bill C-93 is being strongly supported by museums, archives and libraries, by collectors and donors of cultural property, by dealers and appraisers, and by the review board. I urge all members of the House to support the bill. The amendments are technical in nature and respond to strong concerns expressed by the heritage community. Their passage into law should be seen as part of the ongoing commitment of the Government of Canada to ensure the preservation of Canada's cultural heritage. This will benefit the culture and heritage of my riding of Erie. This will benefit the culture and heritage of the finest country in the world, Canada.

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I rise to make a comment on this important piece of legislation, Bill C-93, an act to amend the Cultural Property Export and Import Act, the Income Tax Act and the Tax Court of Canada Act.

I congratulate the member for Erie for laying out the provisions of Bill C-93. I want to explain to Canadians in very straightforward language what those provisions mean. It is extremely important for Canadians to note, as was expressed by the member for Erie and by the previous speaker, the member for Winnipeg St. James, that this is not a bill that is directed, as Reform would paint it, to somehow provide benefit to the rich. To demonstrate that, I did a little calculation of what the implications might be.

If taxpayers were interested in making a contribution of a book, an artefact, et cetera, to a museum, library, et cetera, and the contribution were deemed to have a fair market value of \$1,000, assuming their original cost of acquiring it many years ago may have been \$100, under the current tax act if they were to sell that artefact to a museum they would realize a capital gain of \$900. Half that capital gain is taxable. Reform is saying this is a rich man's scheme, so let us assume the highest marginal rate, in which case they would pay tax of \$225 on the taxable capital gain. That means that the net cash to the owner of the artefact would be \$725 on the sale to the museum of the \$1,000 artefact.

*Government Orders*

• (1210)

The legislation provides a tax credit to the donor of the artefact. If that artefact is shown to have a fair market value of \$1,000, the tax credit would be 17 per cent on the first \$200 and 29 per cent on the balance. In total, the tax credit or the reduction of taxes otherwise payable would be some \$266.

It really comes down to a matter of cash. A straight sale would generate \$775 to the taxpayer who sold the artefact to a museum. If a tax credit system is used, the donor only gets \$266. In that regard it is clear that those who are prepared to donate to our cultural and heritage institutions assets of value that have been determined by a rigorous process of review and assessment would be receiving in real cash terms substantially less than if they had sold them directly.

If we are talking about true value, as the hon. member for Winnipeg St. James spoke of so well, since our cultural institutions have very little or no real cash to acquire assets this is really the only way to allow them to acquire those assets. It allows those institutions, the libraries, the archives, the galleries, et cetera, to remain current in terms of the cultural and heritage artefacts and documents that are available. It allows them to be competitive. It allows them, as the hon. member for Winnipeg St. James indicated, to continue to attract Canadians and visitors from around the world to visit our cultural and heritage institutions.

It should be clear to Canadians that in Bill C-93 the mechanism of a tax credit allows our Canadian institutions to acquire these items at substantially less cost than if they had to buy them at their fair market value. Considering also the tourism value that is generated through our cultural and heritage institutions, there is no question that the bill provides a very advantageous arrangement for all Canadians.

The hon. member for Erie might want to amplify or comment on the benefit to Canada that will be generated as a result of the provisions of Bill C-93.

**Mr. Maloney:** Mr. Speaker, my colleague from Mississauga South put forward in a very clear and concise manner the benefits of the tax credit to the cultural industry, as opposed to the loss of taxes. The difference is minuscule.

When I bring my family to Ottawa there is nothing better than visiting the various museums. It is an interesting way to spend a day. Many people come to Ottawa to do that. They should be encouraged to do it, but not only in Ottawa. In my community of Erie there are small museums which are expanding. It certainly provides enjoyment for all people, not only in the riding of Erie but for the tourists who visit us.

The bill can only amplify and increase the benefits we must ensure our cultural community has, not only for ourselves but for future generations.

I had a conversation with the German ambassador to Canada last week. I was asking him about the reunification of east and west Germany. He said that one of the concerns they have is bringing their art objects back from countries such as Russia, where they were carted away during the war.

• (1215)

Preservation of heritage and culture is important to all countries throughout the world. We must not let it happen in our country where we just cut it off as the Reform Party has suggested. It will flounder and die.

**Mr. John Loney (Edmonton North, Lib.):** Mr. Speaker, I am pleased to have the opportunity again to speak in support of Bill C-93, an act to amend the Cultural Property Export and Import Act, the Income Tax Act and the Tax Court of Canada Act.

As members will recall, the purpose of the bill is to establish an appeal of decisions of the Canadian Cultural Property Export Review Board to the Tax Court of Canada. Members will also recall that this is the reinstatement of a right that had previously existed. I repeat that it is the reinstatement of a right that had previously existed but was lost when the responsibility for determining the fair market value of certified cultural property was transferred from Revenue Canada to the review board.

Some people have incorrectly called tax incentives for donations to museums, art galleries, archives and libraries a tax loophole for the rich. While some wealthy people do benefit from these credits, there are also many people who donate important objects of Canadiana that have been in their families for generations.

According to the Canadian Museums Association, over 60 million people visited museums in Canada last year. As part of their experience of visiting a museum, these 60 million people were able to view objects that are now in public collections because of the tax credits available for donations. Without these incentives, many of these donations would not have been made and the objects would have instead been exported and sold to museums in other countries.

If Canadians and visitors to Canada are not able to learn about our past by visiting museums, the damage to our history and to our identity as Canadians will be immeasurable. Museums, art galleries, archives and libraries are not just warehouses full of objects that never see the light of day. On the contrary, they are lively centres of education and learning where one learns about the past through objects that have been preserved for the present and future generations.

The idea was perhaps most eloquently stated by Sir Arthur Doughty, Dominion Archivist of Canada from 1904 to 1935,

when he wrote about archival documents: "Of all the nation's assets, archives are the most precious. They are the gift of one generation to another. The extent of our care of them marks the extent of our civilization". These words apply equally to the holdings of museums, art galleries and libraries.

Tax incentives that offer partial financial compensation to a donor of cultural property are a small price to pay for the preservation of our national heritage. Through these tax credits, the Government of Canada is able to assist institutions to continue to acquire and preserve significant cultural objects when acquisition budgets are shrinking or non-existent.

It is also important to consider these amendments in the tradition of tax incentives as a means to encourage charitable donations. Income tax exemptions for donations to educational institutions, hospitals and churches have been included in the Income Tax Act since its passage in 1916.

In 1930 these exemptions were extended to registered charities. Tax exemptions for donations to educational and charitable institutions including museums, archives and libraries have therefore been a fundamental principle of the tax policy since income tax was first introduced.

• (1220)

In recent years, the Income Tax Act has been amended so that tax credits now extend to gifts to non-profit organizations that provide housing for senior citizens, Canadian amateur athletic associations, Canadian municipalities, the United Nations and its agencies, and registered national art service organizations. As this list indicates, tax credits are part of an overall fiscal strategy to encourage donations to a wide range of organizations.

Institutions designated pursuant to the Cultural Property Export and Import Act, that is institutions that have demonstrated they meet legal and professional requirements for the preservation of our cultural property, are both educational institutions and registered charities. Tax credits for donations to these institutions are therefore not new but instead are consistent with the history of giving in Canada.

It has also been suggested that tax credits for donations of cultural property are a waste of taxpayers' money because donors are able to get rid of works of questionable importance. This suggestion demonstrates a lack of understanding of the collecting practices of Canada's custodial institutions and of the professionalism of Canadian curators. It also implies that every object acquired by a museum, art gallery, archive or library is automatically certified as a cultural property for income tax purposes.

I would like to address each of these points in order, as an understanding of these issues is key to understanding the

### *Government Orders*

importance of the tax credits available for gifts of cultural property.

First, with respect to the acquisition mandates and practices of Canadian custodial institutions, it must be understood that these institutions are established with a specific mandate to acquire and preserve defined types of objects. Museum curators must therefore carefully select which objects they are going to acquire and must be able to demonstrate how they fit into this acquisition mandate. They do not accept just anything or everything. In fact, I have been told by senior museum curators that they turn down as many offers of gifts as they accept.

Second, museums, archives and libraries are staffed by professional personnel who are acknowledged experts in their subject areas. They know what is culturally significant and what is not. They know what should be preserved and what sometimes unfortunately, must be allowed to perish or be exported. They are also keenly aware that their institutions cannot preserve every example of even important cultural objects. In short, professional judgment is applied when decisions are being made about what objects are worthy of being added to the permanent collection.

Third, there seems to be an assumption that when an object is chosen for inclusion in a public collection it is somehow automatically certified as cultural property and therefore is eligible for a tax credit. Again, this is a fallacy. Just as professional judgment is applied to what will be required, it is also applied when deciding if an application for certification as cultural property for income tax purposes should be submitted. In short, only a fraction of the objects that are acquired in any given year receive a tax credit.

To be eligible for certification, an object or a collection must satisfy the criteria of outstanding significance and national importance found in section 11(1) of the Cultural Property Export and Import Act, which states:

(a) whether that object is of outstanding significance by reason of its close association with Canadian history or national life, its aesthetic qualities, or its value in the study of the arts or sciences; and

(b) whether the object is of such a degree of national importance that its loss to Canada would significantly diminish the national heritage.

It is clear from these criteria that only truly significant objects are eligible for certification for income tax purposes. The decision is not made arbitrarily but rather according to specific legislative requirements that are applied uniformly to all objects that are considered for certification by the review board. It is also worth noting that the decision as to whether an object is of outstanding significance and national importance is made by a board composed of people who are active in the cultural community.

• (1225)

The Cultural Property Export and Import Act requires that review boards be comprised of people who work in custodial

*Government Orders*

institutions, people who buy and sell cultural property, or people who actively collect objects that are important to Canada's cultural heritage. The review board is therefore a board of experts who are knowledgeable about both the significant and fair market value of cultural property.

When the previous government decided to transfer the responsibility for determining the fair market value of cultural property from Revenue Canada to the Canadian Cultural Property Export Review Board it did so without consultation. Members of the review board were not consulted. Dealers and collectors of art and antiques were not consulted. Custodial institutions were not consulted.

In the course of implementing its new mandate, the review board sometimes lowered the proposed fair market value of cultural property. While this was inevitable and had also been the practice at Revenue Canada, the result was that some donors felt that their donations had been undervalued. When they attempted to appeal the board's determination, it was discovered that the right of appeal that had existed under the Income Tax Act had been lost.

In response to the concerns raised, consultations then took place with members of the review board, dealers, donors and representatives of the institutions that collect cultural property. Their response was unanimous: The right to appeal review board decisions was necessary to ensure that the system continued to work fairly.

Bill C-93 is a manifestation of the will of the people. It is not something that was dreamed up by this government, nor is it an expansion of existing tax incentives for the donation of cultural property. It is instead the reinstatement of a right that was lost in 1991. It is also a tangible demonstration that this government listens to the people of Canada and is prepared to move quickly to correct imbalances and inequities in the tax system.

There has been much talk from members of the third party about fairness in the tax system yet they oppose a bill that is just about that, fairness. The current system with the lack of an appeal of determination of fair market value has been characterized by many people as being unfair. The establishment of not one but two appeal processes will restore fairness to the system. It will ensure that if donors believe they have a legitimate dispute with the review board they will be able to pursue it first with the review board and, if necessary, in the tax courts.

Donations to museums, archives and libraries involve a triangular relationship between the donor, the recipient institution and when certification as cultural property is required, between the donor and the institution on one hand and the Canadian Cultural Property Export Review Board on the other. This relationship is one of mutual respect and co-operation in the preservation of Canada's heritage in movable cultural property. This relationship must also include a mechanism for dispute resolution if and when the participants cannot agree about the value of the gift.

The appeal process of determinations by the Canadian Cultural Property Export Review Board proposed in Bill C-93 will permit any donor of cultural property who disagrees with a review board determination the opportunity to pursue this first with the board and if necessary ultimately with the Tax Court of Canada.

The amendments proposed in the bill should be viewed as a guarantee of the donor's right to natural justice through an appeal to the judicial system if that is warranted. These amendments should also be viewed as a reinstatement of a right of appeal that was lost in 1991 when the responsibility for determining fair market value was transferred to the review board.

• (1230)

We believe it is important that the decisions of government boards and agencies be subject to appeal because even in the honest exercise of judgment, differences of opinion can occur. An open and transparent process with respect to determinations by the review board is essential and the right to pursue the matter in the courts, if no other resolution can be found, is consistent with both the Canadian legal system and the concept of natural justice.

As Canadians we have the privilege to live in a country with many cultures. The material history, the cultural property of many diverse groups that make up Canadian society must continue to be preserved for the benefit of all Canadians. I believe the amendments contained in Bill C-93 will help to ensure this happens and will only improve the already unique Canadian approach to protecting cultural property.

In conclusion, I would urge the support of the House for Bill C-93.

[*Translation*]

**Mr. Dan McTeague (Ontario, Lib.):** Mr. Speaker, I listened carefully to the comments by my dear colleague, the member for Edmonton North.

[*English*]

This is a very innovative bill. I have had a chance to review both the comments and some of the supporting documentation provided by the minister of heritage.

I am interested in the comments that my colleague from Edmonton made just a moment ago. In Ontario riding we have many museums and a number of people have donated artefacts over the years. It may come as a surprise to the House that Ontario riding was the riding and the county after which the rest of the province was named in 1867. Previous to that it was Upper Canada and Canada East.

I have a very simple question for the member. Perhaps he could explain to the House some of the significant impacts the bill might have in the area like Edmonton where I know there are many people of various backgrounds who moved there over the years,

[Translation]

particularly the francophone community in that part of the country.

[English]

**Mr. Loney:** Mr. Speaker, in response to the hon. member's question, Edmonton and northern Alberta in particular are areas where the descendants of many cultural and ethnic groups coming from many different countries settled, particularly as he pointed out the francophone community.

The amendments in the bill will give the descendants of the people who settled the west, particularly after 1905 when it became a province, the opportunity to pass on to the province, which is now their home province, some of things that their parents, grandparents and possibly great grandparents brought not only from eastern Canada and other parts of Canada when they settled that part of the country but also from their countries of origin.

**Mr. John O'Reilly (Victoria—Haliburton, Lib.):** Mr. Speaker, I am pleased to speak in support of Bill C-93, an act to amend the Cultural Property Export and Import Act, the Income Tax Act and the Tax Court of Canada Act.

Throughout Canada publicly funded organizations and institutions are being forced to re-evaluate their mandates, their operating procedures and their very reasons for being with increasing costs and reduced levels of financial support from both the public and the private sectors. The existence of many of these institutions is being debated. In my riding of Victoria—Haliburton it is a great worry for many cultural organizations.

The cultural sector in Canada has developed through a combination of public funding, private funding and volunteerism. In order to meet the targets to reduce the deficit the government believes all institutions that receive public funds must become more self-sufficient.

However, government is not going to just cut them adrift. Instead it will develop structural measures to assist them through this transition period. Tax credits, whether to assist in the development of a distinctively Canadian film industry or for the donation of cultural property to designated institutions such as those available through the Cultural Property Export and Import Act, are the one way the government is able to help through that transition time. It must be remembered that heritage institutions and related activities also contribute to the economy of Canada. The impact of heritage institutions and their activities are increasingly having beneficial, economic impacts on communities across Canada. A recent Nova Scotia study, for example, noted that the economic impact of the six major museums in that province significantly exceeded the

### *Government Orders*

direct expenditures associated with the operating of the facilities.

• (1235)

Similarly, data available from a series of studies conducted in Alberta show that spending by visitors to historic sites averaged \$50 million annually. These same studies have demonstrated that museums such as the Tyrrell Museum in Drumheller are often the top tourist attractions in a region.

Much of the activities of museums, archives and libraries also support research, knowledge and public education. The research conducted by the staff of these institutions often leads to seminal discoveries and the effect of this can have impact in other areas such as the production and dissemination of CD-ROMs and publications.

Exhibitions also educate the public, create employment and contribute to cultural tourism. Visitors who travel to other cities to view exhibits, stay in hotels, eat in restaurants, shop, attend events, take tours and spend money in a variety of sectors of the economy because they travel to a city or town to visit a museum.

The recent exhibit at the Art Gallery of Ontario of impressionist paintings from the Barnes collection is an excellent example of this and has provided concrete proof of the contribution cultural institutions can make to the economy.

During the three and one-half months this exhibit was on display in Toronto, almost 600,000 people visited the Art Gallery of Ontario specifically to see this exhibit. According to an economic impact study that was conducted afterward, almost \$75 million was spent in the province of Ontario on trips or excursions that brought these visitors to the exhibit. This \$75 million expenditure created ripple effects throughout Ontario's economy that resulted in the production of \$137 million in goods and services.

In addition to these impressive statistics, the Barnes exhibit produced employment and the amount of taxes associated with this event totalled almost \$22 million for the municipal, provincial and federal governments.

While these almost 600,000 visitors went to this cultural institution to see an exhibition they also had the opportunity to view works from the permanent collection of the Art Gallery of Ontario. The same is true for visitors to any other museum, art gallery, archives or library. Some of the works on display from the permanent collection would undoubtedly have been acquired as a result of the tax incentives offered by the Cultural Property Export and Import Act contained in Bill C-93.

This represents another side of the economic impact of cultural institutions. The idea that the foregone tax revenue that results from a donation of certified cultural property is some-

*Government Orders*

how lost money is simply not true. In the first place, the work of art or the artefact that is being donated to an art gallery or a museum will either have been with the donor's family for generations or it will have been purchased by the donor at some point in the past and is now being donated to a public collection.

If, in the case of a work of art, it was bought through a commercial gallery or an auction house, an open market transaction occurred. Money changed hands during that transaction and taxes were paid to governments both in the form of sales tax and income tax paid by the art dealer or the auction house.

Similarly, these objects, often of great cultural significance, were purchased with after tax dollars, that is, with the disposable income of the donor. It is important to remember that a donor of cultural property is not reimbursed dollar for dollar for the fair market value of the donation. Instead a donor receives a tax credit equal to 17 per cent of the first \$200 and 29 per cent of the fair market value beyond that. Simple mathematics indicate that the tax refund, the forgone revenue the donor receives is only a fraction of the fair market value of the object.

If a person buys an object with after tax dollars, donates it to a distinguished institution and then receives a tax credit for 29 per cent of the fair market value of the object, it is difficult to see how anyone can fault that individual. They will also have donated it to a public institution where it becomes part of Canada's cultural patrimony that is accessible to everyone.

• (1240)

Members of the third party have objected to tax credits for donations but they have not yet addressed the purpose and intent of this bill. Tax credits are not the issue. In any event, I believe I have adequately demonstrated that tax credits for donations provide an incentive and a modest acknowledgement of a donor's generosity. They do not, as stated earlier, even come close to reimbursing an individual and in fact can contribute to significant revenue gains in a variety of areas of the economy.

It is perhaps worthwhile reminding hon. members that the purpose of this bill is to establish an appeal of decisions of the Canadian Cultural Property Export Review Board to the Tax Court of Canada. It establishes two types of appeal: the right of review of a determination by the review board itself and then, if necessary, the right to appeal to the Tax Court of Canada.

This need for the right of appeal is not new however but a re-establishment of the right of appeal that was inadvertently lost in 1991 when the responsibility for determining fair market value was transferred from Revenue Canada to the review board. There has been concern that the right of appeal would simply add to the backlog of cases to the tax court. We do not know if this will happen but every effort has been made to ensure that it

does not. The redetermination process will allow the majority of disagreements to be settled directly with the revenue board.

Is the possibility of adding a few more cases to the workload of the tax court a reason to deny someone that right of appeal when they disagree with a decision that directly affects them? Is this a reason to open the reinstatement of right that was lost and now denies some individuals natural justice through their inability to appeal to the courts? I believe not.

It is also questionable if the reinstatement, and this must be emphasized, of a right of appeal will lead to an increase in appeals to the Tax Court of Canada. This right to appeal existed before when the responsibility for fair market value resided with Revenue Canada. Therefore, it seems reasonable to assume that the tax court is in a position to resume this responsibility.

People from every province and territory have made donations to institutions designated under the Cultural Property Export and Import Act and people from around the world are now able to share in the enjoyments of the works of art, archival collections, books and artefacts that are preserved in public collections as a result.

These cultural institutions both preserve Canada's heritage in movable cultural property and make a significant contribution to the economy. Culture is not a frill enjoyed by only a few people but a valuable economic activity as well. To ensure that it continues to play this vital dual role, our museums, archives and libraries must have vibrant collections that will both contribute to knowledge and attract attention and visitors.

The tax incentives offered by the Cultural Property Export and Import Act are an important means to ensure that the donations of significant cultural property will continue. Without a right of appeal, as contained in Bill C-93, some donors will feel that they have no recourse if they disagree with a decision of the Canadian Cultural Properties Export Review Board and they may not be prepared to make a donation.

The appeal process will contribute to the preservation of Canada's cultural heritage collections of international stature. Both activities are important to Canada as a nation. I encourage all members of the House to support Bill C-93.

**Mr. Peter Milliken (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.):** Madam Speaker, I have a question for the hon. member. I congratulate him on a very able speech.

The member must know that at second reading of the bill the members of the Reform Party voted against it. Some of us were kind of surprised at that because the bill does something to promote Canada's culture. It does quite a lot to promote Canada's culture I would suggest, particularly the culture that is contained in Canada's museums and art galleries.



*Government Orders*

Does the hon. member agree with me that the Reform Party policy on this matter is inappropriate and that Reform Party members should be supporting the bill since they must recognize, as we do, that culture is an extremely important part of Canada's political, economic and social life?

• (1245)

The culture represented by Canada's art galleries and museums is a very significant part of our heritage.

**Mr. O'Reilly:** Madam Speaker, I thank the member for Kingston and the Islands for his question. It is a very interesting one. I could not imagine not being in support of the bill.

Museums, art galleries, archives and libraries in every province and territory benefit through the receipt of donations of cultural property as a result of these tax credits.

I recently sent a collection of postcards, with no value or tax incentive for me, that I received dealing with western history, particularly in the province of Manitoba. It was sent in the 1800s to my riding of Victoria—Haliburton.

I came across it in a collection and managed to pick it up for very little and I donated it to the Canadian Heritage Museum in Manitoba. It sent me a thank you. I should have asked for a receipt but I did not feel the collection had a lot of value.

The collection significantly added to the heritage, the culture and preservation of culture in western Canada. It is very important for an eastern Ontario member to be concerned with western Canada and with the culture of western Canada, with the preservation of the culture in western Canada.

I have a lot of trouble understanding why the Reform Party would not support such a bill. I know quite specifically that the areas those members represent have gained from Liberal members such as me, the member for Kingston and the Islands and the member for London—Middlesex.

Somewhere along the line we have donated without any tax receipt. The collection I donated was postcards, but it was invaluable. I should have had it appraised. I felt it should be in a museum and was something people should be able to enjoy. It is preserved forever instead of being thrown in the garbage or kept in some personal collection where it is not seen.

I also collect guns, much to the dismay of a number of people here. The gun bill is still in the other place. I have a gun that was carried by an army doctor in the first world war. I guess we would call it an oxymoron that doctors were issued handguns in the first world war. I have had recent discussions with the museum in Lindsay to donate that gun. If I am lucky enough to get a tax receipt for it, that would be fair. It is the only one of its

kind registered in Canada and therefore should be preserved so that the public can see it.

Even going into the law and order issues Reform Party members seem to stand for, I cannot imagine why they would disagree with the bill. It is necessary. It will help preserve our culture and our heritage, a very important part of the fibre of our country.

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, I am happy to speak in support of Bill C-93, an act to amend the Cultural Property Export and Import Act, the Income Tax Act and the Tax Court of Canada Act.

The bill, as previous members mentioned, establishes two processes. The first gives the donor or the recipient institution the right to request that the review board reconsider its initial determination of fair market value.

If after receiving a redetermination from the board the donor is still not satisfied, he or she may take the second step of appealing the board's decision to the Tax Court of Canada. The fair market value of cultural property certified by the review board is eligible as a tax credit of 17 per cent on the first \$200 and 29 per cent on the balance over \$200. The donor can claim the fair market value of the gift up to the total amount of his or her net income and there is no tax payable on any capital gain resulting from this gift.

• (1250)

This is a technical bill, as was mentioned by colleagues earlier. The objective is the preservation of Canada's cultural heritage.

I understand from a tax policy point of view where Reform members are coming from. They have a system of tax reform not unlike my own approach, a single tax system in which they want to flush out from the entire tax act of Canada all the preferences given in the various sectors.

However, until we as a government get involved in total tax reform we cannot deprive sectors of our economy vital to the economic soundness of the country the opportunity of growth and participation in the economy. This is where the Reform Party is short sighted.

If we say to the artists, the cultural community, that we do not want to give them the opportunity to participate in the tax act through tax credits, we cannot say no to them without having the same approach for the energy sector, the forestry sector, the tourism sector and so on. I am philosophically supportive of where Reform members are coming from but they cannot oppose only one sector.

Until we get a commitment from the House for total tax reform we have to continue to do these tax credits on a sector by

*Government Orders*

sector basis. Otherwise we will be punishing one community while other communities get a free ride. That is wrong.

Do we want to punish the cultural community and let the very wealthy people have the ability to send their kids to ivy league universities where they get tax credits or estate tax redemptions of up to \$600,000 on property in the United States? It does not work.

I want to come at the bill from another point of view, what cultural properties contribute to the tourism sector. I will give a specific example of a museum in Toronto which I know the Speaker is very familiar with, Canada's Hockey Hall of Fame. This is an example of a museum that celebrates the cultural soul of the country, hockey.

About three weeks ago I had the opportunity of going through the Hockey Hall of Fame. I was absolutely blown away by the historical relics on display, with the feeling one gets as one goes through the hall of fame and looks at the history of hockey, its contribution in terms of job creation in hockey, the celebration of those magical moments in great Stanley Cup goals and so on. One walks out of that building with a sense of pride which I cannot describe on the floor of the House.

• (1255)

There is another feature to this museum on which we are not dwelling. It is relevant to all museums, all cultural property establishments across Canada. These are tourism assets. The spinoff we bring to our community when we celebrate and package our cultural properties is phenomenal. What industries are affected by these tourism assets? We are talking about hotels and restaurants. We are talking about replicas of these assets manufactured in small craft shops. These cultural property assets and historic museums exist right across the country.

I have been glancing through "On the Road to Quebec", a guide to the sightseeing attractions in Quebec. We are on the eve of a very important decision in our country. As I was going through this guide I could not help but feel emotional about some of the great cultural and historic sights and assets in Quebec. There is a litany of sights, tourist attractions and properties that celebrate the great history and the great contributions Quebec has made to Canada. Just going through those assets in Quebec right now alone make the bill worthy of merit.

I believe many Canadians right now are listening to these debates in the House because we are going through a very fragile time in our country's history. Many members are receiving calls in their offices by people concerned about the referendum on Monday. This is no secret. There have been many newscasts on television and radio and many newspaper articles stating that things are very fragile right now.

To Canadians not living in Quebec, if ever there was a time when they could celebrate the great cultural assets in Quebec, try to travel this weekend to Quebec to visit and celebrate some of these great Canadian cultural assets all over Quebec, especially in the outlying regions. We have great centres where our history and cultural assets are celebrated. This would be the weekend for Canadians, if they could find the time, to go and visit these centres, these communities and these small hamlets. While they are there they can go to the local manor, the local inn, stay for the weekend, talk to the community and express to them our hope and our wish that on Monday they vote for Canada.

• (1300)

If a lot of Canadians did something like that, they would be making a great contribution in making themselves feel comfortable in another region of their country, and probably the Quebecers would welcome it. It has been my experience that the hospitality that Quebecers show, especially to people from outside their province, is first class—the restaurants, the inns, all the activities that go on in Quebec.

I want to reflect for a second on the experience you and I have both had, Mr. Speaker, as fathers whose sons played in the Quebec pee-pee tournament, another great celebration we have in our country. Young boys from all across Canada go to Quebec City every February, a majority of them unilingual English, and play in the Quebec pee-pee tournament. One of the unique features of that Quebec pee-pee tournament is the fact that each and every member of the teams from across Canada lives with a family in a home in Quebec City.

We both know, Mr. Speaker, that there is a very special feeling, a very special emotional attachment that stays with those young men when they finish that tournament and come home to their communities right across Canada. This tournament, which has been going on for almost 80 years now, has been one of the unique experiences young boys celebrate. It is a substantial and concrete example of hockey as a cultural instrument pulling people together in the country.

I have absolutely no difficulty in supporting the bill before the House today. If our culture is strong, if our culture is celebrated in every aspect, our ability to galvanize and stay as a nation increases. In my mind, over the last few years we have had too little celebration, too little promotion of our history, of our culture and all those things that bind us as a nation.

As I mentioned the other day in the House, we have become so preoccupied and so focused on deficit and debt reduction that we are actually melting away some of the glue that has been holding us together as a community and as a country. When we see cultural instruments as just another expense and in the name of deficit and debt we have to cut, we have missed the whole point.

*Government Orders*

• (1305)

The celebration and support of culture is an investment in the community. It is an investment not only in an economic sense but also in a spiritual sense. If we were to spend more time celebrating that aspect of our cultural heritage, we probably would not have some of those parochial thought processes that seem to be so apparent today taking over the agenda.

I repeat that I celebrate the bill. I support the bill. I appeal to all Canadians who are looking for something to do this weekend to travel to Quebec and look at the great Canadian cultural properties that celebrate not just the heritage of Quebec but the heritage of Canada. It is those kinds of discussions, one region to another, one community to another, that ultimately will lead, I hope, to a great victory for Canada on Monday.

**The Acting Speaker (Mr. Kilger):** That is a bit out of the norm, but while I would not this day or any other day compromise the integrity or impartiality of the Chair, I want to associate myself with the member for Broadview—Greenwood, particularly his memories of our young boys going to Quebec City for the Quebec pee-wee hockey tournament. I thank him for including me in that statement.

**Ms. Roseanne Skoke (Central Nova, Lib.):** Mr. Speaker, I rise today to support and address Bill C-93, the legislation that establishes an appeal for a decision of the Canadian Cultural Property Export Review Board to the Tax Court of Canada.

The purpose of the bill is to amend the Cultural Property Export and Import Act with consequential amendments to the Income Tax Act and the Tax Court of Canada Act to establish an appeal of the determinations by the Canadian Cultural Property Export Review Board of the fair market value of certified cultural property.

In December 1991 the responsibility for determining the fair market value of cultural property donated to designated Canadian museums, art galleries, and libraries was transferred from Revenue Canada Taxation to the review board. The review board assumed this new responsibility at its meeting held in January 1992. No provision for appeal of review board decisions was included in the legislative amendments, despite the fact that the right of appeal had existed when this responsibility was with Revenue Canada.

Donors and custodial institutions expressed serious concerns about the lack of an appeal process. The Department of Canadian Heritage, in co-operation with the review board, then undertook a series of consultations within the community about the need for an appeal process. As a result of these consultations it was agreed that legislative amendments should be prepared to establish the right of appeal to the Tax Court of Canada.

The bill establishes two processes. The first gives the donor or recipient institution the right to request that the review board reconsider its initial determination of fair market value. If after receiving a redetermination from the board the donor is still not satisfied, he or she may take the second step of appealing the board's decision to the Tax Court of Canada.

It is appropriate that the bill is receiving third reading today, October 24, because today marks the 50th anniversary of the United Nations. It was 50 years ago today, within a few months of the end of World War II, that the United Nations formally came into being when its charter took effect. The United Nations has the difficult mandate of maintaining international peace and easing global suffering.

• (1310)

We are also approaching the end of the United Nations world decade for cultural development. Launched in 1988, this decade will conclude at the end of 1997. The purpose of the world decade for cultural development is to promote activities that enhance the cultural components of development and undertake research and pilot projects that focus on the relationship between culture and development.

Through agencies such as UNESCO, the United Nations Educational, Scientific and Cultural Organization, the UN also has responsibility for literacy, education and contributions to scientific and cultural development around the world.

Canada has played an active role in the work of both the United Nations and UNESCO and is recognized internationally for the work it has done to protect the cultural property of developing nations. During the 1960s Mexico and Peru in particular, but many other southern and central American countries as well, experienced heavy losses of cultural property through illicit trafficking. Their appeal to UNESCO for a method to stop this led in 1970 to the UNESCO convention on the means of prohibiting and preventing the illicit import, export and transfer of ownership of cultural property. This convention, while it deals with measures to prevent the import, export and illicit transfer of cultural objects, places the onus on each country to develop its own measures to protect and preserve its cultural heritage.

To join the international movement to protect cultural property Canada passed the Cultural Property Export and Import Act in September 1977. The purpose of the act is twofold: first, to ensure the preservation in Canada of significant examples of the nation's cultural, historic and scientific heritage; and, second, to protect in Canada the legitimate interests of foreign states concerned with the preservation of their cultural property.

These objectives are accomplished by the following features of the act: first, the establishment of an export control list of defined categories of cultural property, which restricts their

*Government Orders*

export without a permit; second, the establishment of the Canadian Cultural Property Export Review Board to review applications for export permits and applications for the certification of cultural property for income tax purposes; third, the establishment of income tax incentives for gifts or sales of cultural property to designated Canadian institutions; and, fourth, procedures for the recovery and return of foreign cultural property that has been illegally exported from its country of origin.

In 1978 Canada became a signatory to the 1970 UNESCO convention on the means of prohibiting and preventing the illicit export and transfer of ownership of cultural property. The convention, which contains measures to prevent the illicit import, export and transfer or ownership of cultural objects, places the onus on each signatory country to develop its own legislation to protect and preserve its cultural heritage and to establish measures to facilitate the return of illegally exported cultural property to its country of origin.

The Cultural Property Export and Import Act contains provisions whereby it is a criminal offence to import into Canada cultural property that has been illegally exported from a country that is a signatory to an international cultural property agreement.

Protection of another country's heritage is not sufficient if we do not protect our own. Canada therefore put into place export controls to regulate the export of cultural property from Canada. It is imperative that we discuss here today the control system. It should be noted that any object that is more than 50 years old and made by a person who is no longer living is subject to export control. For such objects, a cultural property export permit must be obtained before they can leave the country.

• (1315)

The Canadian cultural property export control list provides a detailed description of the classes of objects that are subject to control. It divides cultural property into seven categories or groups of objects. The first is objects recovered from the soil or waters of Canada. The second class is ethnographic arts. The third is military objects. The fourth is decorative art. The fifth is fine art. Sixth is scientific and technological objects. The seventh is books, documents, photographs and sound recordings.

To apply for a cultural property export permit, the exporter submits an application to a permit issuing officer who determines if the object is included in the controlled list. If it is not, the permit is issued forthwith. If it is included in the list, the permit issuing officer refers the permit application to the appropriate expert examiner.

The expert examiner must then determine if the object meets the criteria of outstanding significance and national importance found in section 11 of the act which reads as follows: "The

object is of outstanding significance by reason of its close association with Canadian history or national life, its aesthetic qualities or its value in the study of the arts and sciences; and whether that object is of such a degree of national importance that its loss to Canada would significantly diminish the national heritage".

It should be noted that if the expert examiner advises that the permit not be issued, the permit officer advises the applicant accordingly. The applicant either retains the object in Canada or appeals the expert examiner's decision to the Canadian Cultural Property Export Review Board.

The review board then hears the appeal and either overrules the expert examiner or affirms his recommendation. If the review board overrules the expert examiner, the permit is granted immediately. If the board agrees with him, a delay period of between two and six months is established.

There is an incentive system. The act establishes the Canadian Cultural Property Export Review Board which consists of nine members plus a chairman. It is composed of two representatives of the public at large, including the chairman, and four members each from the curatorial and dealer collector communities. As such, the board is an independent body of individuals with a recognized knowledge and interest in Canadian heritage.

The work that occupies most of the board's time is not export control. The certification for income tax purposes of cultural property donated to Canadian institutions is of primary concern.

At the time of passage of the Cultural Property Export and Import Act, the Income Tax Act was amended to provide an exemption from the payment of capital gains tax for gifts or sales of certified cultural property. In addition, the value of objects or collections that have been determined to be of outstanding significance and national importance is eligible as a tax credit up to 100 per cent of net income instead of up to 20 per cent of net income that may be claimed as an exemption for charitable donations.

Prior to these amendments, capital gains tax was payable for gifts in kind. Only federal and provincial government institutions could offer tax credits up to 100 per cent of net income.

From 1977 to 1990 the review board had only an informal advisory role in the determination of the fair market value of gifts of cultural property. In 1990 the responsibility for determining the fair market value of certified cultural property was transferred from Revenue Canada Taxation to the review board. This was confirmed by legislative amendments to both the Cultural Property Export and Import Act and the Income Tax Act in 1991.

No provision was made for appealing determinations of the review board. The right of appeal contained in the Income Tax Act was then lost. The need for an appeal process was identified and acknowledged in 1993. By establishing the right of appeal, potential donors will be assured that if they are dissatisfied with

the review board determination, they will have recourse to the Tax Court of Canada.

With the agreement of the Tax Court of Canada, the appeal to the tax court has been made retroactive to January 1992. That provides all donors who have made a gift since the right to appeal was lost and who wish to pursue an appeal with both the opportunity and the legal right to do so.

• (1320)

Determinations of fair market value are now being made by the members of the review board, people with professional expertise in the various domains of cultural property who are also active participants in the various marketplaces where it is sold. These same people already experience an expertise in a quasi-judicial capacity, that of hearing appeals when export permits have been denied. It is only appropriate and sensible therefore that they assume the additional responsibility as they are experts in the subject matter with experience as an appeal board.

An open and transparent process both at the time the review board determines and if necessary redetermines the fair market value of cultural property is essential. The right to pursue the matter in the courts if no other resolution can be found is consistent with both the Canadian legal system and the concept of natural justice.

As we celebrate the 50th anniversary of the United Nations, let us remember that Bill C-93 is very much in the spirit of everything the United Nations stands for. The Cultural Property Export and Import Act has its philosophical roots in the activities of the United Nations because it both protects Canada's heritage and allows Canada to become a signatory to the 1970 convention.

Bill C-93 is about fairness and natural justice, two principles that are fundamental to the United Nations. On this the 50th anniversary of the United Nations, it is only appropriate that all members of this House support this bill.

**Mr. John Richardson (Perth—Wellington—Waterloo, Lib.):** Mr. Speaker, over the past few years a number of donors and custodial institutions have felt uneasy about the arbitrary decision making upon which the value of the goods donated to a museum or an art gallery were executed.

In the mind of the member for Central Nova, are the protocol and processes that will allow for due process and the laws of natural justice to take place incorporated in the bill?

**Ms. Skoke:** Yes, Mr. Speaker. An open and transparent process at the time the review board determines and if necessary redetermines the fair market value of cultural property is essential and the bill provides for that. The right to pursue the

### *Government Orders*

matter in the courts if no other resolution can be found is consistent with both our Canadian legal system and our concept of natural justice.

**Ms. Susan Whelan (Parliamentary Secretary to Minister of National Revenue, Lib.):** Mr. Speaker, I would like the hon. member to expand very briefly on cultural property and the valuation and benefits to society in her area in particular. Could she expand on the benefits they receive?

I agree with her wholeheartedly that reinstating the right of appeal is necessary. I want to commend her for her comments today.

**Ms. Skoke:** Mr. Speaker, cultural property valued at approximately \$60 million is donated to Canadian institutions each year. In my riding we have the Nova Scotia Museum of Industry which is a very new facility. It is one which is relying on cultural property donations. We look forward to hearing from anyone in Canada who wishes to make a contribution to our industry, science and technology museum.

**Mr. Paul Szabo (Mississauga South, Lib.):** Mr. Speaker, I too am pleased to have the opportunity to speak in support of Bill C-93, an act to amend the Cultural Property Export and Import Act, the Income Tax Act and the Tax Court of Canada Act.

I also thank my French teacher, Madame Paré, for allowing me to interrupt my class to come to the House to speak on this important bill. To Madame Paré I say:

[*Translation*]

I thank you for being patient with me.

• (1325)

[*English*]

On Friday, October 20, the Ottawa *Citizen* carried a story with the headline: "Museums, historic sites become hot ticket". The story notes that museums and historic sites across Canada have been attracting more visitors and even a little more money.

A Statistics Canada study also discovered that 12,000 full time and almost 20,000 part time employees worked in heritage institutions in 1992 and 1993. In addition to these paid employees, over 54,000 people volunteered their time to work in these same heritage institutions. These people are all working for one purpose and that is to ensure that Canada's heritage is preserved and that it is preserved in public institutions where it will be available for the enjoyment of all Canadians.

Few collecting institutions today have any funds to purchase objects for their collections. As a result, they must rely on donations. The tax incentives available for donations to custodial institutions that have demonstrated they meet professional standards is one way in which the Government of Canada is able

*Government Orders*

to provide assistance to ensure that their collections continue to reflect Canada's heritage.

Donations to registered charities are eligible for tax credits, although the total value of gifts to charity in any one year cannot exceed 20 per cent of net income. Donations of cultural property that have been found to be, in the words of the act, of outstanding significance and national importance are eligible for a tax credit up to 100 per cent of net income and are exempt from the payment of capital gains tax.

That does not mean they receive a tax refund equivalent to the fair market value of their donation. Non-refundable federal tax credits are based on 17 per cent of the first \$200 of value of the donation and 29 per cent of any amount above that. When the exemption from capital gains tax is added to this, the best possible tax treatment a donor may receive is a refund equivalent to 50 per cent of the fair market value of the object or collection they are donating.

A donation to a museum means that a donor is donating both significant cultural property and 50 per cent of the fair market value to the institution. It would be more profitable to sell an object in the open market than to donate it to a cultural institution. Tax credits are a fiscal measure that provide an enticement and an acknowledgement of the importance of the donation, but they are not meant to represent financial compensation.

I will give a very brief example. I know that many Canadians who are watching the debate really want to know whether or not this is some sort of a scheme for rich Canadians, as the Reform Party would like to characterize it.

If a taxpayer had an object of art with a fair market value appraised at \$1,000 and that object of art cost only \$100 when it was acquired many years ago and the taxpayer sold that object of art to a museum for the \$1,000 fair market value, it would generate a \$900 capital gain, half of which is taxable. On that capital gain, even at the highest marginal rate, \$225 in income tax would be paid. That means the net proceeds to the donor would only be \$775.

If we compare that to the tax treatment that is being afforded to the donor under Bill C-93, the donation of the \$1,000 artefact would generate a tax credit of 17 per cent on the first \$200, or \$34, and 29 per cent on the remaining \$800, or \$232. In total, the cash value of the refund to the taxpayer would only be \$266. That should be compared to the \$775 they would have received had they sold the object outright.

In brief, what it really means is that the libraries, archives, museums and other cultural and heritage institutions of Canada are able to acquire for substantially less very important artefacts and cultural and heritage items for Canada. It is much more than

they would be able to afford by paying the fair market value in cash.

• (1330)

Approximately 1,100 applications for certification for tax credits are received annually with a total fair market value of approximately \$60 million Canadian. Because this is a tax credit it results in forgone revenue of approximately \$25 million to \$30 million annually. However, when compared to other tax incentive programs this is a very small amount of forgone revenue and has an impact far beyond the dollar value of the cultural property that is being preserved.

Much of the cultural property being donated because of these tax incentives would otherwise be lost to Canada, as it would be exported and sold on the international market. By keeping these objects in Canada and in public collections they become part of Canada's heritage.

Approximately 300 institutions in every province and territory of Canada have their collections enriched each year because of the existence of these tax credits. The Cultural Property Export and Import Act therefore plays an important role in the development of heritage collections in Canada. It encourages donations of significant pieces of our patrimony to the people of Canada through public collections and these donations are forever for our enjoyment and for the enjoyment of our future generations.

The legislation was meant to promote private donations as a means of indirect government support when acquisition funds could not be sustained. Many Canadians are unaware of the important role played by private collectors in the preservation of our national heritage. Objects formerly from private collections now enrich our public museums, just as the great museums of the world have been supported by private individuals for centuries.

In Canada we have our own unique examples: the donation of Sir William Van Horne to the Musée des beaux-arts de Montréal; the Zacks bequest to the Art Gallery of Ontario in Toronto; the collection of Lord Beaverbrook, now proudly displayed in the Beaverbrook Art Gallery in Fredericton; Dr. Norman MacKenzie's collection, which forms the basis of the collection of the MacKenzie Art Gallery in Regina; the magnificent and diverse collection of the Harvey family, which is now in the Glenbow Museum in Calgary; and the generosity of the Koerner family to the Museum of Anthropology in the University of British Columbia.

These museums now house the collections of their benefactors and founders. Some even owe their existence to these private individuals who had a passion for collecting a strong sense of Canada's history. Because of their generosity and their decision to enrich our heritage these works are now preserved and will be appreciated by future generations of Canadians as

they appear in exhibitions and are made available for research purposes.

Government has a legitimate role to play in these transactions and must facilitate the movement of cultural objects from the private to the public sector by taking reasonable steps that will encourage philanthropy.

Without the tax incentives offered by the Cultural Property Export and Import Act, collectors would cease to make donations to museums, archives and libraries and would instead sell their collections to the international market.

There is a perception that it is only wealthy Canadians who have objects or collections to donate to our museums, archives and libraries and that only the wealthy benefit from the tax credits for donations of cultural property. This is simply not true. It is not true because of the reasons outlined by the hon. member for Erie, the hon. member for Central Nova, the hon. member for Winnipeg St. James and the hon. member for Broadview—Greenwood, all who so eloquently spoke on behalf of this bill and on behalf of Canada's cultural heritage.

As a result, museums in Canada, from the smallest local historical association museum in rural Canada to the major collecting institutions in Vancouver, Toronto and Montreal are the product of a collective belief. The Cultural Property Export and Import Act and the tax incentives it offers for donations nurtures that belief and contributes to a shared vision of Canada.

In 1991 the Income Tax Act and the Cultural Property Export and Import Act were amended so that the responsibility for determining the fair market value of certified cultural property was transferred from Revenue Canada Taxation to the Canadian Cultural Property Export Review Board. Through an oversight the right of appeal that had existed in the Income Tax Act was not transferred at that time. As a result this right was inadvertently lost. Bill C-93 will reinstate the right of appeal that existed until 1991. That is what the bill does. It reinstates the right of appeal that existed before 1991.

• (1335)

It does not extend the existing tax benefits for donations of cultural property nor does it make any fundamental changes in tax policy. The appeal of determinations by the Canadian Cultural Property Export Review Board proposed in Bill C-93 will permit any donor of cultural property who disagrees with a review board determination the opportunity to pursue this first with the board and, if necessary, with the Tax Court of Canada.

The amendments proposed in the bill should also be viewed as a guarantee of the donor's right through natural justice to an appeal to the judicial system that it is warranted. The decision to transfer the responsibility for determining fair market value to the review board was made in haste and without consultation

### *Government Orders*

with the people it affected the most, the recipient institutions and donors.

The government learned from the mistake of the previous government and has consulted widely with the donors, museums professionals, dealers and members of the review board. During this consultative process we learned that many collectors were discouraged from making donations because they did not wish to become involved in a process they had perceived to be unfair.

The museum community is very pleased with the approach that has been taken with this bill and is convinced an appeal is necessary to ensure that donors will continue to support their institutions by making donations of cultural property.

The bill establishes two appeal processes, one that involves a reconsideration of all the relevant information by the review board and another that involves a formal, legal appeal to the tax court. The bill goes even further to ensure fairness with the agreement of the Tax Court of Canada. The appeal to the tax court is made retroactive to January 1992. Every donor who has made a gift since the right of appeal was lost and who wishes to pursue an appeal will have both the opportunity and legal right to do so.

The amendments proposed in Bill C-93 are extremely important because they offer a remedy to a situation that need not exist and should not exist. The right of appeal is a fundamental right and the bill proposes to re-establish a right that was lost through an oversight. These are technical amendments but are critical to the continued preservation of Canada's heritage.

That concludes my formal remarks on the bill. I am very happy to stand in support of Bill C-93. I reiterate the rationale for the bill which is the reason I am here speaking to the House. The debate that has been going on, particularly by the opposition, the third party, has tended to paint those who donate cultural and heritage artefacts to our institutions as people who are doing something wrong, people who are rich, people who are taking advantage of a situation.

In the example I outlined to the House it is very clear that in terms of cash in their pockets, those who have made that wonderful gesture to contribute part of Canada's heritage to libraries, to archives and to museums are doing it for much more than cash in their pockets and for substantially less than they would otherwise receive should they have sold those artefacts for fair market value.

I compliment the parliamentary secretary and the member for Mississauga East for her excellent work on getting the bill through the House. I know of nobody that is more fiercely loyal and supportive of the Canadian cultural and heritage institutions. She has demonstrated that with her work in the House and by her extensive travel across the country promoting Canada.

*Government Orders*

**Mr. John Maloney (Erie, Lib.):** Mr. Speaker, I have one brief question for my friend from Mississauga South who was an accountant in his former life.

The bill before us responds to the concerns of the artistic donor and custodial community with respect to review board procedures as well as to concerns that donations of cultural objects are sometimes made for the purpose of tax avoidance. In his experience as an accountant has he seen widespread use of the legislation for the purpose of tax avoidance?

• (1340)

**Mr. Szabo:** Mr. Speaker, I thank the hon. member for Erie for his important question. As a chartered accountant, having operated a practice for over 25 years, I must admit that I have not seen any reports or cases come before the courts with regard to problems of donations of cultural property.

The process outlined in the bill is a rigorous, independent one by people who are in the business of cultural and heritage artefacts and items. The process is meant to ensure fairness and equity in our tax system for Canadians who wish to make donations of cultural and heritage property. Because of that rigorous process there is no question in my mind that the determination of the values for tax purposes is fair and reasonable and represent fair values for all Canadians.

Some members have described this process as a win, win situation. It is win, win for all parties. Museums and other cultural institutions will be able to acquire for the enhancement of their collections important artefacts and objects of art for the enjoyment of all Canadians at substantially lower values than they would have to put out should they have to purchase those at fair market value.

That alone creates a situation of leverage. That leverage situation means that we get much more for the dollar. Donors of cultural property are not getting cash out of the deal. They are not getting, whether it be directly or indirectly through taxes on the transaction, more by the tax credit method. In fact, they are getting less. They are getting less than they would otherwise.

It is fair to say that people who come forward and donate, and the figure is some \$60 million a year, are not doing it because they are out to get something out of the system. They are, in fact, putting back into the system much more. It is a tremendous expression on behalf of Canadians who have been fortunate enough to acquire assets and objects of art that they are prepared to contribute to Canada, so that all Canadians can enjoy our wonderful heritage.

It is timely that we are talking about cultural and heritage artefacts. No province could be more proud of its cultural heritage and its contributions to Canada than the province of Quebec. At this point, as a member and as a Canadian, I would congratulate it for the wonderful contribution it has made to the Canadian culture and heritage. It is an outstanding example of

what we can do as Canadians together. For that we should all be thankful.

**Mr. John Richardson (Perth—Wellington—Waterloo, Lib.):** Mr. Speaker, I would like to ask a question of the hon. member, but he has disappeared.

The nature of Canadians is to give and support institutions within their communities, both at the lower level and to the senior levels of the museum chain. A country is known by its culture, not by its material aspects, and what it leaves behind for the world. Little by little the artefacts have been gathered together by small museums at the local level, the provincial level and the national level.

• (1345)

Does the hon. member feel strongly that the bill will ensure that those who give those valuable artefacts whether to museums or to art galleries would be given fair compensation under the rules of the Income Tax Act as the bill is presently written?

**Mr. Szabo:** I thank the member for the question and the comment.

Fair compensation is a relative term. For some Canadians fair compensation has to do with money. Bill C-93 provides for a tax credit mechanism with regard to the treatment or the non-treatment of capital gains. The donors are really getting only about 50 per cent of the equivalent of the fair market value. The donors are not getting in monetary terms fair compensation.

When \$60 million worth of artefacts are donated to Canada it must mean there are a lot of Canadians prepared to make those contributions so that all Canadians can enjoy the cultural and heritage artefacts we have.

Their compensation is knowing we live in the best country in the world and that we want to share it with all Canadians and with all who visit our great country.

**Ms. Susan Whelan (Parliamentary Secretary to Minister of National Revenue, Lib.):** Mr. Speaker, today we are continuing to debate the merits of the Cultural Property Export and Import Act.

When the act came into place in 1977 the time was ripe for lengthy debate on the measures necessary so that the symbols of our cultural heritage were not only recognized but preserved. In 1977, 10 years had already passed since Canada celebrated its centennial and it was time to take a hard look at who we are as Canadians, what we are as a country and consider what Canada could possibly become in the next 100 years.

The Cultural Property Export and Import Act was brought into force very much in keeping with the spirit of encouraging the development of our nation not simply for nation's sake but as a nation that can hold its own beside its neighbour to the south and among its neighbours that make up the world; to encourage the



*Government Orders*

development of a nation we call Canada, which peaks the interests of other nations.

If we consider today is the future, 30 years into the next 100 years of our existence as a nation, where do we stand today? We stand as a nation that can and does attract people from all over the world either to visit this country or to invest in it. Canada as a nation is respected around the world. Foreigners are impressed that despite our geographical vastness we are holding strongly together. Despite the diversity of our cultures we are keeping together. Despite the disputes we have had and will continue to have we are growing stronger together.

As we celebrate the 50th anniversary of the United Nations we in Canada are celebrating our commitment to developing all of those aspects integral to civilized nations.

Standing here today debating the merits of the Cultural Property Export and Import Act makes us sound like cultural barbarians; to think that we have to justify measures that have been in place for almost 20 years, measures that confirm our commitment to work with the United Nations to stimulate cultural growth, academic excellence, scientific achievements, beauty and peace and harmony.

How can we begin to presume that accomplishments and achievements can take place in a vacuum where the means to create awareness of progress are non-existent. Imagine our nation without our museums, art galleries, archival institutions. Imagine our 2,000 museums without collections that live and breath and grow to reflect who we are and how we are placed in the context of the rest of the world.

• (1350)

Imagine our nation without any symbols, without the pride our people can take in these symbols and share with our neighbours. Human nature is about interaction, linking history, the arts, science and our personal impressions, and sharing these linkages with our friends and colleagues so that we continue to learn, continue to seek, continue to live and continue to exist.

Let me point out some examples of symbols of our national heritage which thanks to the provisions of the Cultural Property Export and Import Act are now being preserved in Canada and, more important, are being exhibited to the public for the world to see and from which to learn.

In 1992 the Art Gallery of Ontario was successful in repatriating to Canada a magnificent painting by Franklin Carmichael, one of the founders of the Group of Seven, with the assistance of a grant provided under the terms of the very act we are here discussing today.

To give a sense of the importance of this painting, the Group of Seven in their day were regarded by the public as radicals, off the wall, artists who produce works of questionable artistic

merit. As recently as the 1920s Canadians found the bold and confident landscapes painted by the Group of Seven what we might call too difficult. Imagine that, a Group of Seven painting being too difficult at a time when the rest of the world has already gone beyond landscapes, when impressionists had already been putting challenging images on the canvas for the past 50 years. Nonetheless, Franklin Carmichael was a central figure in the development of the decorative symbolist wilderness landscape that actually led to the formation of the Group of Seven.

The painting the Art Gallery of Ontario succeeded in bringing back from England is a brilliant example of the kind of radical painting in Canada in the 1920s that Carmichael was so instrumental in bringing to public attention. Here was one painting that was so instrumental in giving the Group of Seven public recognition. This painting has therefore become a symbol of how one object, one artefact, can have such an impact on the further development on how the public perceives art.

To see this painting hanging in the Art Gallery of Ontario today is only one example of how important it is for us to open our minds and our hearts to those who have the courage to introduce us to new ways of doing what we as citizens have been doing since we were born. To have access to the formative symbols of the past is integral to the definition of the present and to the assurance of the future.

In the bill the establishment of an appeal should be viewed as a reinstatement of the right of appeal that was lost when the responsibility for determining fair market value was transferred to the review board in 1991.

These amendments will ensure that donors who disagree with the determinations of the review board will have the right of appeal to the courts and will not be denied natural justice.

The announcement of the establishment of an appeal process was received positively by donors, museums, art dealers and the media. These legislative amendments therefore enjoy a high level of public support.

The amendments are technical in nature and respond to strong concerns expressed by the heritage community. Their passage into law should be seen as part of the ongoing commitment of the Government of Canada to ensure the preservation of Canada's cultural heritage.

Further, I think of the Art Gallery of Windsor, of the many functions in my riding and in the neighbouring ridings in Windsor and Essex county, Art by the River in Amherstburg, Art in the Park in Windsor and many other charitable events. I know of the many dedicated volunteers who assist in these events and other displays of our culture. I also know the thousands of people who visit them benefit from the culture and the experience.

*S. O. 31*

The Art Gallery of Windsor has now moved into a shopping centre. At first it was met with large opposition but now it is in the shopping centre and thousands of people are visiting it.

More and more young Canadians are having the opportunity to see these displays of culture. More and more people are benefiting from what is being recreated in this act, continuing to be allowed their contributions worth up to \$60 million a year open to all Canadians in public institutions, institutions that promote our culture and our heritage.

• (1355)

During the summer when I was in Jonquière I had the opportunity to visit a display in Chicoutimi by a local artist. We have to remember how important it is to all of Canada to encourage Canadians to understand and benefit from the cultural aspects and to continue on. We are only in the 30th year of the next 100 years. There are 70 more years to go. I know that in Windsor and Essex county we continue to do that on a regular basis.

Art in the Park, for example, started small and has grown to such a large capacity it is now offered it in the winter as well. Thousands of people come through on Saturdays and Sundays and take the opportunity to purchase art. Many people in the local community have now taken and used art as a fundraising activity. Donations of art are used for auctions and other activities. It is important that we re-establish the appeal rights that were lost. The right of appeal should never have been lost. Unfortunately the last government decided that as a Canadian citizen one did not have that right of appeal.

We in this government believe that the right of appeal in all subjects is very important. No one should be denied the right of natural justice. When they do donate something they should be given their true value in the amount of effort and donations. I believe the value is many times more than the fair market value actually is of the object because thousands of people will come to see these objects in years to come and will all benefit from them and will go on from there.

Hopefully Windsor and Essex county can be a model for what is happening now and into the future.

**The Acting Speaker (Mr. Kilger):** Is the House ready for the question?

**Some hon. members:** Question.

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

**Some hon. members:** Agreed.

**Some hon. members:** No.

**The Acting Speaker (Mr. Kilger):** All those in favour of the motion will please say yea.

**Some hon. members:** Yea.

**The Acting Speaker (Mr. Kilger):** All those opposed will please say nay.

**Some hon. members:** Nay.

**The Acting Speaker (Mr. Kilger):** In my opinion the yeas have it.

*And more than five members having risen:*

**The Acting Speaker (Mr. Kilger):** Call in the members.

*And the bells having rung:*

**The Acting Speaker (Mr. Kilger):** Pursuant to Standing Order 45, the division on the question now before the House stands deferred until 5 p.m. tomorrow, at which time the bells to call in the members will be sounded for not more than 15 minutes.

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## STATEMENTS BY MEMBERS

[English]

### QUEBEC REFERENDUM

**Mrs. Brenda Chamberlain (Guelph—Wellington, Lib.):** Mr. Speaker, the people of Guelph—Wellington are proud to be Canadians. They look forward to a no vote on October 30.

Last year over 1,000 Guelph—Wellington residents signed a petition urging the Leader of the Opposition not to promote separatism when travelling abroad. Many other constituents have contacted my office expressing their hope in a united Canada and reminding Quebecers they are an important part of our country.

• (1400)

Members of the Bloc and the separatists in Quebec like to remind us of what is wrong with Canada. In Guelph—Wellington we like to remember and celebrate what is good about living in the best country in the world.

Guelph—Wellington residents know that Canada is great. We urge Quebecers to remember that the United Nations considers us to be the best and to vote no on October 30.

\* \* \*

### PRIVACY OF INFORMATION

**Mr. Philip Mayfield (Cariboo—Chilcotin, Ref.):** Mr. Speaker, the Privacy Commissioner of Canada estimates that Canadians have their names crunched through various computers, back and forth across the continent, about five to ten times a day. He further estimates that the buying and selling of personal information is a \$300 million a year industry. This is a serious threat to the privacy of Canadians.

The Information Highway Advisory Council released a report last month pointing to the need for legislation ensuring personal privacy in the growing area of information technology. The

Government of Quebec has led the fight to protect personal information by regulating the selling of name lists. Quebec's bold Bill 68 is designed after similar legislation in western European countries.

This Thursday Bill C-315 will be introduced in the House for second reading debate. Bill C-315 accurately reflects the growing need to protect Canadians' control of their personal information. Members of the House will have the opportunity to debate the issue then. I look forward to participating in the debate on Thursday.

\* \* \*

### CANADIAN UNITY

**Mr. Julian Reed (Halton—Peel, Lib.):** Mr. Speaker, as the referendum date draws near I would like to acknowledge a package received from a grade 13 politics class at Mayfield Secondary School in the riding I serve. Not only have over 450 students signed a petition stating the importance of Canada's unity, they have also put together a video cassette in which they have voiced their concerns over the referendum as well as their love of the province of Quebec. This is being sent to a secondary school in Quebec.

All Canadians are concerned about the Quebec referendum and its long term effects on Canada. Canada is not whole without Quebec, and it would be in everyone's best interest that Canada remain united.

We should realize that all Canadians, from the youngest to the oldest, have an enormous stake in the country. Our youth are concerned. They have every right to be. The rest of their lives hangs in the balance of the referendum. Canada's youth should not be overlooked or disregarded.

\* \* \*

### UNITED NATIONS

**Mr. John English (Parliamentary Secretary to President of the Queen's Privy Council for Canada and Minister of Intergovernmental Affairs, Lib.):** Mr. Speaker, today, October 24, is an anniversary that celebrates peace over war and unity over division. Fifty years ago 31 nations from around the globe ratified the UN charter. It was on that day that Canada and other like-minded countries sought to ensure the peace and security that had proven so elusive to their generation.

Today every Canadian from Quebec to Newfoundland to British Columbia can take pride in the accomplishments of Canada within the UN as exemplified by prominent Canadians like Lester Pearson, Major General Roméo Dallaire and Mr. Jules Deschênes at the World Court in The Hague. All have helped to build a strong and flourishing reputation for Canada.

### S. O. 31

The UN espouses the principles of unity and co-operation. As we approach an uncertain time in our own history, let us remember how we as Canadians have promoted such principles. October 24 marks an opportunity for all of us, from coast to coast, to reflect on what a united country can achieve and what a divided country will certainly lose.

\* \* \*

[Translation]

### CHÉTICAMP COMMUNITY RADIO

**Mr. Francis G. LeBlanc (Cape Breton Highlands—Canso, Lib.):** Mr. Speaker, on Sunday, I took part in the official opening of CKJM, the new community radio station that has just gone on the air in Chéticamp and the Cape Breton Highlands.

This is the conclusion of five years' work by Normand Poirier, Angus Lefort and Daniel Aucoin and many other volunteers, who wanted to give Acadians in the area their own community radio as a means of local development. Their efforts were backed by the Government of Canada and strongly supported by the 5,000 or so listeners in the station's coverage area.

The opening ceremony was followed by a show featuring a variety of local musical talent. The show proved the point, if proof is required, that French language and culture are very much alive in Chéticamp, Grand-Étang, Saint-Joseph-du-Moine and many other places in Nova Scotia.

The Acadian people here have roots, language and culture in common with the francophones of Quebec. They fervently hope they will continue to have a country in common after October 30.

\* \* \*

### FREE TRADE

**Mr. Benoît Sauvageau (Terrebonne, BQ):** Mr. Speaker, Claude Cheysson, former French minister of foreign affairs and former commissioner of the European Community confirmed yesterday that the European Union could sign a free trade agreement with a sovereign Quebec. Mr. Cheysson thus recognized Quebec's special position between North America and Europe.

• (1405)

Free trade agreements will soon be signed between the European Union and Mexico and Tunisia. The idea of strengthening Quebec's position as a special European partner in North America is particularly attractive.

So, as Quebec enjoys special ties with its North American and Latin American partners, could it be that Canada alone has yet to comprehend the virtues of partnership? The Government of Canada has been trying unsuccessfully for some time now to sell the idea of a free trade agreement between NAFTA and the European Union. Perhaps a sovereign Quebec will succeed where Canada has failed.

*S. O. 31**[English]***CANADIAN UNITY**

**Mr. Herb Grubel (Capilano—Howe Sound, Ref.):** Mr. Speaker, last weekend my wife and I visited Montreal, where her family lives and where she grew up as a francophone and raised her own children.

When we crossed the bridge back into Ontario her heart was heavy and the tears flowed. She is Canadian and Quebecois. She does not want to be anything else.

*[Translation]*

As a Canadian by choice myself, I do not want to lose my country. For goodness' sake, Quebecers, say no to the song of the separatist sirens. Your hopes for a strong and powerful Quebec may be met within Canada.

*[English]*

We Reformers in the west know what they want. We want the same. We want a smaller, less intrusive federal government. Together we can have it. Together we can get rid of the arrogant centralists with their failed visions. Together we will build a new Canada.

\* \* \*

*[Translation]***CANADIAN CITIZENSHIP**

**Mr. Raymond Bonin (Nickel Belt, Lib.):** Mr. Speaker, the honours and advantages Canadian citizenship confers upon Canadians are too numerous to list. Our country is a model for the international community and the envy of hundreds of millions of people.

Canada could not have become the great country it is without the will and determination of the women and men, in Quebec and in the other provinces, who have worked unceasingly to attain the common goal of constructing a country in our image.

The wonderful thing about Canada is that it allows all of us to be proud of our status as Canadians, while not preventing us from being proud at the same time to be francophones, anglophones, and Quebecers.

This coming October 30, the people of Quebec will renew with pride their confidence in, and attachment to, Canada by voting no.

\* \* \*

**QUEBEC**

**Mr. Réginald Bélair (Cochrane—Superior, Lib.):** Mr. Speaker, Quebec is now one of the world's most modern and most industrialized societies. Quebec's expertise is widely

recognized in a number of sectors and its products are increasingly sought after throughout the world. The people of Quebec enjoy a considerable standard of living, education is universal, and health care is one of the jewels in our crown.

The Quebec of today owes its success to the quality, ingenuity and determination of generation after generation of Quebecers. All of these accomplishments, all of this progress by Quebec, have taken place within the Canadian federation.

This coming October 30, Quebecers will refuse to compromise what it has taken them centuries to build. They will choose Canada; they will vote no.

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**FINANCIAL MARKETS**

**Mr. Jean H. Leroux (Shefford, BQ):** Mr. Speaker, the Minister of Finance is feeding the uncertainty on financial markets by claiming that sovereignists do not want a sovereign Quebec to continue using the Canadian dollar. However, there is absolutely no doubt that a sovereign Quebec will continue to use the Canadian dollar and that it is in the interests of both Canada and Quebec to maintain a currency union.

A sovereign Quebec will continue to use the Canadian dollar and, as the Minister of Finance himself pointed out, it cannot be prevented from doing so. A sovereign Quebec will also assume its fair share of the federal debt. If the Yes side wins, Quebec and Canada will be well-advised to start negotiations immediately on the sharing of the debt and federal assets.

The finance minister of Canada has a responsibility to contribute to the stability of the markets and to refrain from spreading doubt and uncertainty the way he is doing now.

\* \* \*

• (1410)

**UNITED NATIONS ORGANIZATION**

**Mr. Mauril Bélanger (Ottawa—Vanier, Lib.):** Mr. Speaker, Canada is proud to join all other nations in celebrating the 50th anniversary of the birth of the United Nations Organization.

We take particular pride in marking this anniversary, since Canada was directly involved in the founding of the UN. To Canada, the UN is an example of co-operation and openness.

It is no easy task to bring together daily some 200 countries with widely divergent interests and ask them to work on finding and developing ways to improve the lives of the people of this planet. Like the UN, Canada has always appreciated the advantages and potential of a relationship built on tolerance and the acceptance of diversity.

Today, Canadians are gathered together to wish a long life to the UN and to a united Canada.

### REFERENDUM CAMPAIGN

**Mr. Stephen Harper (Calgary West, Ref.):** Mr. Speaker, during the referendum campaign, I had the opportunity to travel to Quebec, where sovereigntist posters showing possibilities through symbols are everywhere.

I do not understand these ads.

One poster, for example, seems to convey the message that, if Quebecers vote Yes, peace becomes possible. But we already have peace. Vote No and it becomes a certainty.

The posters say that a Yes vote would make the Canadian dollar a possibility. Vote No and it becomes a certainty.

Vote Yes and the economic union becomes a possibility. Vote No and it becomes a certainty.

Vote Yes and NAFTA becomes a possibility. Vote No and it becomes a certainty.

Why trade certainties for possibilities? It will be up to Quebecers to decide, and to live with the consequences.

\* \* \*

### REFERENDUM CAMPAIGN

**Mr. Ronald J. Duhamel (St. Boniface, Lib.):** Mr. Speaker, we are only a few days away from the referendum. Quebecers will soon have to decide whether or not they want to leave Canada.

Before making a decision, they should know that Canadians from the other provinces do not want Quebec to separate. Quebec is more than just one province among others. It is the very source of our history, our culture, our identity.

Through its politicians, its thinkers, its reporters, its artists, its athletes, its entrepreneurs, its trade unionists, Quebec has always been closely linked to Canada's development.

On October 30, Quebec will say No to Canada's break-up and decide to carry on its exciting adventure with its Canadian partners and to continue to shape this society, which is the envy of all the people in the world.

\* \* \*

### QUEBEC SOVEREIGNTY

**Mr. Stéphane Bergeron (Verchères, BQ):** Mr. Speaker, yesterday, on the American television network CNN, French president Jacques Chirac reiterated his country's intention to recognize Quebec as a new state, if the Yes side wins next Monday's referendum.

This statement by the French president fully supports the comments he made on January 26, when he was a presidential candidate, namely that: "Should Quebecers decide to achieve sovereignty, France should certainly be among the first to tell Quebec that we are on its side".

### Oral Questions

There is no doubt that if Quebecers vote yes on October 30, the international community, headed by France, will take note and recognize Quebec. That recognition will take place as soon as the National Assembly proclaims Quebec's sovereignty, after formally proposing, in good faith, a new partnership to Canada.

\* \* \*

### QUEBEC REFERENDUM

**Mrs. Pierrette Ringuette-Maltais (Madawaska—Victoria, Lib.):** Mr. Speaker, with the referendum coming very soon, I want to quote a statement which, in my opinion, reflects what a majority of Quebecers think of Canada.

The quote is as follows: "I am among those who believe that Canada is not exclusively about failures. We did not live together for 125 years only to make mistakes. One of the great Canadian achievements is that we have cared about the poor and that we have tried to share our wealth. We set up social programs which are among the best in the world, and that must be preserved".

That very pro-federalist statement was made by none other than the Bloc Québécois leader, on June 18, 1993.

• (1415)

Quebecers are well aware of the merits and benefits of Canada. On October 30, they will choose to remain a part of that country by voting no.

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## ORAL QUESTION PERIOD

[Translation]

### REFERENDUM CAMPAIGN

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, Premier Clyde Wells of Newfoundland has entered the referendum campaign to set the record straight for the No side. It is out of the question that Quebec's status as a distinct society should be recognized constitutionally. Meanwhile, the Minister of Finance declared this morning that the distinct society clause should be enshrined in the Constitution.

Of course my question is directed to the Minister of Finance. Could he tell us the government's position on the issue of distinct society? Is it the position he, as the finance minister, took this morning or is it the one taken yesterday by Mr. Clyde Wells, whose position is known to be very close to the Prime Minister's?

**Hon. Lucienne Robillard (Minister of Labour, Lib.):** Mr. Speaker, on this side of the House our position is quite clear. We have always said, in fact the Prime Minister himself has said that he supported the concept of distinct society in the past, he supports it today and is prepared to support it tomorrow. The

*Oral Questions*

Prime Minister of Canada himself made that statement in this House. Is that not clear enough?

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, since the Minister of Labour was gracious enough to answer the question, I will ask her another one.

When the Minister of Labour says before this House and before all Quebecers who are listening that the Prime Minister is prepared to include in the Constitution the principle of a distinct society, is she referring—and this is my question—to the Charlottetown version preferred by the Prime Minister, in other words, a meaningless concept subordinate to the equality of the provinces and rejected by all Quebecers, or is she referring to the distinct society concept in the Meech Lake Accord, which the Prime Minister opposed? Which version is it, Madam Minister?

**Hon. Lucienne Robillard (Minister of Labour, Lib.):** Mr. Speaker, which distinct society is the hon. member for Roberval talking about? Is he talking about the distinct society of Meech Lake, which Mr. Parizeau said at the time was an empty shell? Is he talking about the distinct society of Charlottetown, which the hon. member and the Bloc Québécois refused to endorse?

Is he talking about that distinct society? Is he talking about the distinct society Mr. Parizeau referred to last week, when he said: “To hell with distinct society, I want the separation of Quebec”? What is he talking about? We on this side are willing to state quite clearly that Quebecers are a distinct society in Canada.

**Mr. Michel Gauthier (Roberval, BQ):** Mr. Speaker, today, this is a very serious question, a question to which I would appreciate an answer, not this beating around the bush by the Minister of Labour in full view of the whole province of Quebec.

My question—I will give her a second chance, and I would appreciate an answer—is this: Would the Minister of Labour be so gracious and so kind as to tell Quebecers who are listening, when she says she supports a distinct society, does she support a distinct society as defined in Charlottetown, which was rejected by all Quebecers, or does she support the distinct society defined in the Meech Lake Accord? Which one is the Minister of Labour, as a minister of this government, referring to when she says she supports this concept? We would like to know.

• (1420)

**Hon. Lucienne Robillard (Minister of Labour, Lib.):** Yes, Mr. Speaker, we have a very serious decision to make. It is serious because on October 30, we decide whether or not we will break up Canada. That is what we are all going to do on October 30.

When I hear the hon. member for Roberval, it sounds like he is saying: “Madam Minister, put the distinct society in the Consti-

tion and we will forget about our referendum”. I do not think that is what he meant. But the fact is that between now and October 30, we want Quebecers to think carefully. We know we have a distinct society in Quebec, and we are proud of it. We are also proud to be Canadians, and that is why we will say no on October 30.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, yesterday the premier of Newfoundland, Clyde Wells, said he considered that Quebec was indeed a distinct society but that there was no question of its having any particular status or real powers. These words killed the hopes of the no side, and especially of Daniel Johnson and Pierre Paradis, who are still begging the Prime Minister of Canada to commit himself to including this concept of a distinct society in the constitution.

Will the Minister of Labour admit that the government of Canada could not include the notion of a distinct society in the constitution, even if it wanted to, because there will always be the likes of Clyde Wells, Frank McKenna and Roy Romanow there to tell us to forget about any ideas of a distinct society?

**Hon. Lucienne Robillard (Minister of Labour, Lib.):** Mr. Speaker, I have never heard a worse example of twisting someone else’s words. Never.

Clyde Wells has acknowledged that Quebec is a distinct society. Mike Harris has acknowledged that Quebec is a distinct society. Why twist these facts on the eve of such a serious choice, a choice that concerns all of us, Quebecers and other Canadians both? What is going on? What is going on with the yes side? Are they running short of arguments for selling us on their option of Quebec’s separation?

This week is a week of great significance and we must reflect upon the meaning of this vote, and not allow Quebecers to think that they will still wake up Canadian the next morning. This is where the importance of the October 30 vote lies. I would like to see the yes side at least have the courage to tell Quebecers openly what their option is on October 30.

**Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ):** Mr. Speaker, at least now we know that the Minister of Labour shares Clyde Wells’ definition of a distinct society, as does the Prime Minister. Fine then. It goes over very well here in the House, but far less well in Quebec, as the minister is aware.

The people who are getting worried at this point are Daniel Johnson and Pierre Paradis, not those in the yes camp. Those in the same camp as her, her former colleagues if she can still remember.

Would the Minister of Labour have the courage to be frank with her friends in the no group, her former colleagues, telling them that should there be a no vote on the referendum the predictable outcome of the 1977 constitutional negotiations will again be a resounding failure, as the good buddy of the Prime

*Oral Questions*

Minister, and the new-found buddy of the Minister of Labour, the ineffable Clyde Wells, has clearly stated?

**Hon. Lucienne Robillard (Minister of Labour, Lib.):** Mr. Speaker, should there be a no vote in the referendum, you will see this country continue the transformation it began 30 or more years ago. And judging by how the people of Quebec have fared within this country over the past 30 years, we have every right to be proud of who and what we Quebecers are. This has been accomplished within the Canadian federation. We have always played a lead role in that federation. And after the no, we shall still be there, continuing to transform this country.

\* \* \*

• (1425)

[English]

### THE ECONOMY

**Mr. Preston Manning (Calgary Southwest, Ref.):** Mr. Speaker, in the past two days the value of the Canadian dollar has dropped by a cent and a half, interest rates have jumped alarmingly—the bank rate went up by 1 per cent today—and Canadian stock markets have witnessed the worst times they have had in eight years. The separatists are getting a foretaste of the economic consequences of their position.

Would the finance minister tell Canadians in plain terms what a vote against federalism on October 30 would mean for their bank accounts, their mortgages, their jobs and their economic future?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, there is a direct correlation between lower interest rates and a higher quality of life. Lower interest rates mean higher retail sales, therefore a stronger domestic market. It means more construction. It means more job creation. It means heavily indebted governments will have more money to spend on the needed social programs.

Markets react very negatively to political uncertainty. I cannot think of greater political uncertainty than arises out of those who would threaten to break up a country.

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

**Mr. Martin (LaSalle—Émard):** To answer the member's question, it will lead directly to higher mortgage rates, lower job creation rates, lower retail sales and less money available to governments. In the case of the people of Quebec it also means tremendous uncertainty over the fate of the economic union and over the fate of their creating relationships with the United States.

[Translation]

The fact is that a country cannot be destroyed without grave consequences for its people and their lifestyle. Those who deny the consequences of separation deny the truth.

[English]

**Mr. Preston Manning (Calgary Southwest, Ref.):** Mr. Speaker, the separatists have been trying to downplay the economic consequences of the instability of the past few days. They have been trying to chalk it up to federalist fearmongering but money markets are not easily swayed by emotion or scare tactics. As the minister says, they react negatively to instability while they react positively to stability, certainty and positive initiatives.

My supplementary question is for the Minister of Finance. Will the minister tell the House what positive steps can be taken to restore the faith of investors and lenders in the future of Canadian federalism?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, fearmongering is the result of those who espouse an option and who are afraid to tell their people the consequences of the option they are espousing.

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

**Mr. Martin (LaSalle—Émard):** However, there is a very clear way. It is the only way to reduce this uncertainty. There is only one way to reassure the markets and that is to unequivocally vote no on October 30.

**Mr. Preston Manning (Calgary Southwest, Ref.):** Mr. Speaker, it seems to me there is one other thing that disillusioned Quebecers and sceptical money markets are both missing, which is the good news that Canadian federalism is going to change for the better. Canadians want it to change, the provinces want it to change, reformers in all political parties want Canadian federalism to change for the better.

Quebecers can develop their language, their culture, their resources, their destiny within that federation. They do not need a yes vote and they do not need constitutional lawyers to guarantee that federal security.

Will the finance minister make it clear the federal government is open to substantial positive changes within the federation, changes that do not require constitutional change, so that a no vote can mean both no to separation and no to the status quo?

• (1430)

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, I have been attending federal and provincial finance minister meetings over the course of two years. I can say that without any exception at every single one of those meetings, every finance minister representing his

*Oral Questions*

or her province or territory has expressed fundamentally the need for change in the way in which governments relate to each other, the way in which our economy works and the way in which we approach the next century.

Right across the country, in Quebec most certainly but also in western Canada, Ontario and Atlantic Canada, there is a deep desire for change, progress and improvement. We have seen that in the way the government has acted. Every single government department has begun to change the way in which it operates focusing only on the most essential.

We are seeing it in our new trading relationships and in fact the minister is rarely here. Canada is in the process of opening new trading relationships right across the country. I take that back; the minister is always here in spirit.

It is seen in the way the government is working with small business and the great degree of flexibility.

[Translation]

One thing is very clear: we have a choice on October 30 between progress and change for our country or a backward step, as represented by the Yes side.

\* \* \*

**CANADIAN DOLLAR**

**Mrs. Pierrette Venne (Saint-Hubert, BQ):** Mr. Speaker, my question is for the Minister of Finance.

The Premier of Quebec and leader of the Yes side clearly expressed his intention to continue to use the Canadian dollar once Quebec achieves sovereignty. He also committed a sovereign Quebec to assuming its share of the enormous Canadian debt.

Does the Minister of Finance not believe that he too should be clear and, rather than allow uncertainty to pervade the financial community, he should indicate that he has in fact prepared a plan "B", should the yes side win on October 30, as it likely will, which he has stubbornly refused to confirm up to now?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, the only thing that is clear in what the separatists say about the use of the Canadian dollar is their ambiguity.

A week ago, the Leader of the Opposition said, at the Ahuntsic CEGEP, that he wanted a separate Quebec to use its own money. A year ago, in Portneuf, he asked what point there was in separating if Quebecers were not going to have their own money. In *L'Actualité*, where it appears in black and white, the Premier of Quebec said that keeping the Canadian dollar was simply a ruse, that he wanted a Quebec dollar. So who is speaking the truth? The Leader of the Opposition today or the Leader of the Opposition last week?

**Mrs. Pierrette Venne (Saint-Hubert, BQ):** Mr. Speaker, that is totally false. The Leader of the Opposition did not say that.

Will the Minister of Finance admit he has a responsibility to make a commitment that, the day after a yes vote, he will argue in favour of negotiations beginning quickly with Quebec to reach a partnership agreement, as the interests of both parties dictate?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, we have said repeatedly that Canada's interest would be to protect its rights within NAFTA. And, in order to protect its rights within NAFTA, Canada could not sign a special agreement with an independent, that is, separated, country. It is not that Canada would not, it is that Canada could not.

Second, is the member saying that the Leader of the Opposition was incorrectly quoted on *Canada AM*, was incorrectly quoted in Portneuf and that the leader, the Premier, was incorrectly quoted in *L'Actualité* when, in each instance, they said clearly that they wanted to give up the certainty of the Canadian dollar for the uncertainty of the Quebec dollar?

\* \* \*

• (1435)

[English]

**JUSTICE**

**Mr. Art Hanger (Calgary Northeast, Ref.):** Mr. Speaker, convicted murderer John Lee received an out of court settlement of \$12,000 after suing Correctional Service Canada because he was beaten up in jail. Lee's victims, Mrs. Tutin and the rest of the family, received no compensation and are demanding an explanation from the justice minister why he received this out of court settlement.

Why is the justice minister giving money to murderers?

**Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada, Lib.):** Mr. Speaker, the individual in question sued Correctional Service Canada for negligence after being seized as a hostage by other prisoners and beaten with an iron bar.

He sued for \$60,000. When the case came to court, there was a pretrial conference and the presiding judge strongly urged that the case be settled. The case was then settled for \$12,000 of which about \$8,000 went to the inmate's lawyer.

This was a step that was taken in light of the advice from the presiding judge. The court indicated that a settlement was in order and this is what happened.



*Oral Questions*

**Mr. Art Hanger (Calgary Northeast, Ref.):** Mr. Speaker, by this action the minister tells an outraged public that crime pays.

There is no justification for rewarding John Lee, a murderer. It is disgusting. A victim's rights must be paramount, yet again the victim's family is forgotten. Justice is when the criminal pays for his crime.

Why does the minister make crime such a profitable business for lawyers and criminals, yet ignores the pain and isolation of the victims?

**Hon. Herb Gray (Leader of the Government in the House of Commons and Solicitor General of Canada, Lib.):** Mr. Speaker, Correctional Service Canada is mandated by the law to carry out the sentence imposed by the court. The courts have held on many occasions that if there is negligence in the way that it is done, then there is a cause of action for negligence.

That is what happened in this case. The inmate was taken as a hostage. He was beaten with an iron bar. He sued for \$60,000. The settlement that was advised as a result of a pretrial conference by the presiding judge was not \$60,000; it was \$12,000.

There is no reward for murder or for acting illegally. It is simply a matter of following the precedents in previous cases.

\* \* \*

[Translation]

### CANADIAN DOLLAR

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, my question is for the Minister of Finance.

The Canadian dollar and the stock market are now on a roller-coaster ride as a result of various national and international factors.

Will the Minister of Finance admit that the financial markets' first source of uncertainty and concern about Canada is the enormous size of its deficit and its growing debt, which will exceed \$600 billion next year?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, the last budget was very well received by the international markets. Interest rates have fallen since then. The question we must ask is this: What will occur in four or five days? It is very clear that the referendum debate has had an enormous impact on savings, on our way of life, on job creation in this country.

**Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ):** Mr. Speaker, the Minister of Finance has a short memory. Two weeks after he tabled his budget, the Bank of Canada rate reached a high of 8.6 per cent, which was higher than the current 7.65 per cent rate, because that budget was poorly received and because

government finances were in bad shape. That is the main factor, as Moody's recognized in January.

How can the Minister of Finance give such answers when the Governor of the Bank of Canada himself declared on October 12, 1994: "It is only because of the high debt and deficit levels that political uncertainty has become another concern"?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, if one listens to currency traders and the other parties involved, the cause of the problem becomes very clear. The hon. member and his separatist colleagues are only doing this in order to dodge the real issues, as their option will create political uncertainty, which will lead to economic uncertainty. The hon. member should say that he is in fact endangering Quebecers' and Canadians' savings, jobs and economic development.

If this has nothing to do with recent events, why has the gap between Quebec and Canada savings bonds increased so much in the past few weeks? It is because the Quebec government refuses to accept its responsibilities, which involve managing for its own people?

\* \* \*

• (1440)

[English]

### GUN CONTROL

**Mr. Jack Ramsay (Crowfoot, Ref.):** Mr. Speaker, my question is for the justice minister.

The justice minister recently accused the Ontario solicitor general of pandering to the gun lobby. I have evidence which strongly suggests that the minister is pandering to the Canadian Gun Coalition.

Did the minister provide the Canadian Gun Coalition with copies of letters addressed to him supporting Bill C-68 without the consent of the authors?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, if anyone is pandering it is members of the third party who see, for some reason which escapes the rest of us, some purpose in pursuing this subject at a time when the majority of Canadians and the House of Commons have spoken. We have already enacted legislation to act on the public will.

As to the question which the hon. member puts, I will take the matter under advisement and investigate the facts. I do not have a factual answer at this moment. I will find one and I will furnish it to the hon. member.

**Mr. Jack Ramsay (Crowfoot, Ref.):** Mr. Speaker, I have in my office a package containing a number of letters addressed to the minister from the city of Gloucester, the city of Nepean and

*Oral Questions*

so on. These letters were sent along with a covering letter signed by Wendy Cuckier of the gun coalition to all Ontario MPPs.

Would the minister explain as soon as possible how the Canadian Gun Coalition obtained these letters which were addressed to the minister?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, so desperate is the hon. member for anything to argue in his cause, so profoundly devoid of merit is his position on this issue, that he is now pretending to find in the commonplace events which he described some reason to become righteous and indignant.

The fact is that people, organizations, cities and governments across the country have written to me in support of the gun proposals. My office is flooded with faxes and letters in support of Bill C-68. Those people who write in support of the legislation either expressly or implicitly authorize and urge me to spread around their position so that everyone might know the extent to which these proposals are supported.

\* \* \*

[Translation]

**CANADA SOCIAL TRANSFER**

**Mrs. Pauline Picard (Drummond, BQ):** Mr. Speaker, my question is for the Minister of Finance.

Yesterday, in reference to Canada's future, the minister said that the No side was the one promoting change, as evidenced by the new Canada social transfer.

With this surprising statement, is the Minister of Finance telling Quebecers that, following a No vote on October 30, Canada's proposed change would be the implementation of the social transfer through which Ottawa will, over a two year period, deprive the provinces of 7 billion dollars, including 2.5 billion in the case of Quebec?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, first, the figures used by the member are not valid.

Second, the Canada social transfer will provide the provinces with a great deal of flexibility to innovate and find their own solutions to problems.

This initiative truly shows the flexibility of the federal government regarding the involvement of the provinces in social programs. Indeed, what we see here is a fundamental change of attitude for the federal government and for the country, and the member opposite should congratulate us.

**Mrs. Pauline Picard (Drummond, BQ):** Mr. Speaker, are we to understand that the Minister of Finance believes that tomor-

row's Canada is simply a matter of Ottawa deciding and the provinces paying, as confirmed by the establishment of the new Canada social transfer?

• (1445)

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, our attitude is reflected in the statements made by the premiers of the other provinces, who not only recognized Ottawa's flexibility but also recognized that the country as a whole wants changes and wants co-operation between the provincial and federal governments, and said so.

Whether the issue is harmonization with the minister responsible for public service renewal, harmonization in regional development or discussions on human resources, all the other provinces are co-operating to improve life for Canadians.

One government refuses to co-operate and will not look for solutions to help its population: it is the separatist PQ government in Quebec.

\* \* \*

[English]

**CANADIAN RESERVES**

**Mr. John Cannis (Scarborough Centre, Lib.):** Mr. Speaker, my question is for the Minister of National Defence.

It seems that budget cuts are threatening the existence of the Queen's York Rangers, a Canadian reserve unit with a 250-year history. A special commission will report in the next few weeks on the future of Canada's reserves.

Could the minister confirm that no decisions with respect to the future of the reserves will be made before the commission reports?

**Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.):** Mr. Speaker, the Queen's York Rangers is but one of many distinguished regiments that have contributed much over the years to Canada's security with long and noble traditions going back, in the case of the Queen's York Rangers, to the time before Canada became a country in assisting the British in the American revolution.

This heritage is vital to Canada's military preparedness. Earlier this year when we were discussing the rationalizations taking place in national defence I asked Hon. Brian Dickson, former Chief Justice of Canada, to chair the commission on the reserves but in the meantime gave instructions to the department not to effect any changes that would have an impact on reserve regiments until such time as the commission has reported and the parliamentary committee of the House and the Senate reviews the commission's conclusions.

## MINING

**Mr. Chuck Strahl (Fraser Valley East, Ref.):** Mr. Speaker, my question is for the Minister of Industry.

Two years ago the minister promised regulatory reform to help industry in Canada. Last December he tabled a report in the House in which he offered specific changes to the mining industry in order to help it some time in 1995.

Will the minister table those reforms now, soon or can the mining industry expect something in its stocking by Christmas?

**Hon. Anne McLellan (Minister of Natural Resources, Lib.):** Mr. Speaker, the Minister of Industry and I are working very closely with the mining sector to ensure an efficient regulatory system.

Last Thursday my department organized in co-operation with the Mining Association of Canada a regulatory reform workshop which brought together representatives of the Minister of Industry's department, the Department of the Environment, the Department of Fisheries and Oceans, and the Department of Transport.

Very constructive recommendations came out of that day-long workshop which we will be working on to ensure that the regulatory regime supports and does not interfere with a viable, productive mining industry.

**Mr. Chuck Strahl (Fraser Valley East, Ref.):** Mr. Speaker, I think the day-long workshop is already a two-year workshop. We need action more than just words.

New regulations being considered by the environment department have scared officials within the Minister of Natural Resources' own department so badly that they have leaked a 75-page memo to the press saying, among other things, they are scared to death of what this will do. It may harm the Canadian economy, inflame federal-provincial relations and may even affect Canadian sovereignty.

Will the minister table that 75-page memo in the House and does she share the concern of her officials?

**Hon. Anne McLellan (Minister of Natural Resources, Lib.):** Mr. Speaker, let me assure the hon. member that neither my officials nor I are scared in relation to what I think he is referring to, the recommendations of the standing committee on the environment.

My commitment as Minister of Natural Resources is to work collaboratively, co-operatively with my colleagues, the Ministers of the Environment, Industry, Fisheries and Oceans, and Transport. At this point I am willing to go on record to the minister that working together we will ensure a regulatory regime that supports the mining industry.

## Oral Questions

[Translation]

## CANADA SOCIAL TRANSFER

**Mr. André Caron (Jonquière, BQ):** Mr. Speaker, my question is for the Minister of Finance.

Despite the efforts made by the government to keep bad news under wraps until the day after the referendum, we know that unemployment insurance and old age pensions will be affected considerably by federal government cuts.

• (1450)

When the Minister of Finance states that a no will make it possible for Canada to continue to evolve since change is already underway, as he says, is he giving us confirmation that Canada will continue to evolve along the path of cuts to education, health, unemployment insurance, old age pensions on which it has already set out?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** Mr. Speaker, first of all the Minister of Human Resources Development has indicated very clearly with respect to the whole consultation process on unemployment insurance that it is far from finished, but that our objective is employment insurance, i.e. getting Canadians back to work. That is, moreover, the goal of his reform.

On the other hand, concerning old age security, the Prime Minister has already stated very clearly here in the House that the federal government will never, never do anything to compromise the economic security of our seniors.

**Mr. André Caron (Jonquière, BQ):** Mr. Speaker, will the minister admit that the federal government's choice to transfer its enormous deficit to the provinces by cutting Canada social transfer payments promises nothing positive for the future if Quebec were to say no, for Ottawa will be the one to set the national standards and Quebec will have to manage as best as it can to apply them, with consequences one can well imagine for social programs?

**Hon. Paul Martin (Minister of Finance and Minister responsible for the Federal Office of Regional Development—Quebec, Lib.):** First of all, Mr. Speaker, with respect to the Canada social transfer, it is very clear that the national standards involved are the principles of health insurance, to which Quebecers strongly subscribe. Secondly, a great deal of flexibility has been built in to allow the provinces leeway for innovation and for tailoring their programs to their own population.

As for dollar figures, the difference between today and the first year will be \$350 million, or less than 1 per cent of Quebec's revenue.

*Oral Questions*

[English]

**GUN CONTROL**

**Mr. Garry Breitkreuz (Yorkton—Melville, Ref.):** Mr. Speaker, I would like to get back to the issue of gun control which the justice minister says enjoys such wide support.

Opposition to Bill C-68 continues to grow: 100 per cent of the chiefs in the province of Saskatchewan are opposed, 85 per cent of the RCMP in Alberta, justice ministers in four provinces and territories.

Does the justice minister not realize he is destroying the trust people have in the criminal justice system by forcing through a law that a large segment of society, including the police, does not support?

**Hon. Allan (Minister of Justice and Attorney General of Canada, Lib.):** No, Mr. Speaker.

**Mr. Garry Breitkreuz (Yorkton—Melville, Ref.):** Mr. Speaker, last Thursday the Ontario Provincial Police Association at its annual meeting voted on a motion to not support Bill C-68, the gun control bill. That motion passed nearly unanimously.

We have been saying all along that the frontline police do not support the justice minister's bill and yet he repeatedly says he is bringing in the gun registration and that the police requested it.

Now that it is obvious the police oppose gun registration, will he act on the wishes of the police even though they conflict with his personal views?

**Hon. Allan Rock (Minister of Justice and Attorney General of Canada, Lib.):** Mr. Speaker, it is telling that on an occasion when the rest of us are engaged in debate on important matters of the future of Canada, when we speak of the economic future of Canada, indeed the future of the confederation, the hon. member for Yorkton—Melville rises to ask questions about the right to bear firearms. It is fitting.

If I must address the substance of his question, the group to which he referred forms part of the Police Association of Ontario which represents all the frontline officers in Ontario. The Police Association of Ontario forms part of the Canadian Police Association. I was present on March 30 of this year in Ottawa when the Canadian Police Association, the national group of frontline officers, debated and voted on Bill C-68 and I was there to see it support the bill.

• (1455)

I was in Markham, Ontario, on August 14 this year when the Police Association of Ontario voted in support of Bill C-68. I was in Regina in late August when the chiefs of police voted in favour. The police of this country are behind this bill.

**QUEBEC REFERENDUM**

**Mr. Ted McWhinney (Vancouver Quadra, Lib.):** Mr. Speaker, my question is for the Minister of Foreign Affairs.

Has the minister seen the text of remarks on the Quebec referendum attributed to French President Jacques Chirac in New York yesterday? Is the minister in a position to comment now on those remarks?

**Hon. André Ouellet (Minister of Foreign Affairs, Lib.):** Mr. Speaker, I looked at the transcript of President Chirac's remarks yesterday.

At the outset I want to say it was far from the endorsement the hon. member for Verchères was pretending at the beginning of question period.

President Chirac said: "If the referendum is positive the government will recognize the fact". In other words, the French authorities will arrive at the same conclusion as everybody else, that they obtained the majority. That is all.

[Translation]

President Chirac's policy on Canada and Quebec is one of non-indifference and of non-interference, as has always been the case with him and with the French authorities.

\* \* \*

**RESEARCH PERIODICALS**

**Mr. René Laurin (Joliette, BQ):** Mr. Speaker, my question is for the Minister of Industry. In July, the Social Sciences and Humanities Council implemented a new policy on funding for research periodicals, which would cut funding to French language periodicals in half.

Will the Minister of Industry confirm that, as the result of the Social Sciences and Humanities Council's new policy, research periodicals in French will bear the brunt of most of the cuts, whereas the ones in English will escape them for the most part?

[English]

**Hon. Jon Gerrard (Secretary of State (Science, Research and Development), Lib.):** Mr. Speaker, it is important to recognize the important role the Social Sciences and Humanities Council has played in social science and human research. This role is well recognized from coast to coast.

In looking at how it deals with the fiscal situation the council has drawn on its experience and has made very careful, fair and peer reviewed decisions for the best interests of Canada.

**CANADIAN BROADCASTING CORPORATION**

**Mr. Monte Solberg (Medicine Hat, Ref.):** Mr. Speaker, many people are employed making commercials and videos and that kind of thing for businesses and advertising agencies.

Unbelievably the CBC has recently announced it will be going into direct competition with these private sector audio and video production houses, specifically in Toronto. It is actively today trying to steal their clients. Clearly this is a violation of the CBC mandate.

Why is the minister allowing the CBC to kill jobs in downtown Toronto? Why are Toronto MPs not standing up in outrage about this? Why in the world are we allowing the CBC to kill these businesses which pay the taxes that actually fund the CBC?

**Ms. Albina Guarnieri (Parliamentary Secretary to Minister of Canadian Heritage, Lib.):** Mr. Speaker, the hon. member does not have to convince the House the Reform Party does not support public broadcasting. The hon. member can lip-sync my answer by now that the CBC is in charge of its own management and makes its own decisions to the best of its ability.

The hon. member should well know that on the committee we have been looking for ways the CBC can look for new efficiencies. That is exactly what it is doing.

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**ENVIRONMENTAL PROTECTION ACT**

**Mr. Len Taylor (The Battlefords—Meadow Lake, NDP):** Mr. Speaker, my question is for the Minister of Industry.

Since the release last June of the environment committee's proposal to overhaul and update the Canadian Environmental Protection Act, some industry officials have said the committee proposals are a threat to the country's investment climate, costly to implement and grounded on shaky science.

• (1500)

It is important these myths be dealt with.

Will the minister join with his colleague, the Minister of the Environment, who is expected to respond positively to the committee's impressive set of recommendations and take the opportunity to turn Canada into an international leader in green legislation or is he going to accept the arguments of some of the officials in his department and back away from the committee's critical recommendations on pollution prevention?

**Hon. John Manley (Minister of Industry, Lib.):** Mr. Speaker, I can really do no better than to associate myself with the remarks of my colleague, the Minister of Natural Resources. In responding to an earlier question she made it clear that we in government believe that both sustainable development and economic growth are important parts of our mandate as government.

*Government Orders*

As we prepare the government's response to the standing committee's report, we will ensure the concerns of the sustainability of development are front and centre.

I remind the hon. member that when the Department of Industry Act was introduced in the House it contained a mandate to pursue the objectives of sustainable development. That was a mandate I sought to add to the old industry, science and technology department act. I am proud to say that I was able to introduce it in the Department of Industry Act.

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**PRESENCE IN GALLERY**

**The Speaker:** Colleagues, as you are all aware, today is the 50th anniversary of the United Nations. We have in our galleries today some 17 Canadian recipients of the United Nations Association of Canada Medals of Honour recognizing their outstanding contributions to the UN.

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

**GOVERNMENT ORDERS**

[English]

**SMALL BUSINESS LOANS ACT**

**Hon. Herb Gray (for the Minister of Industry, Lib.)** moved that Bill C-99, an act to amend the Small Business Loans Act, be read the second time and referred to a committee.

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, even before the red book came into being during the last election, the Liberal team in opposition made a commitment that if we were to be given the trust of the people after that election, the small and medium size business community would be the centrepiece of any policy development that would be part of our agenda.

• (1505)

We believed in opposition and we believe now that the greatest hope Canadians have for putting other Canadians back to work rests with the small business community. It is the small businessmen and women who, in many cases with very few resources, created, through their own ingenuity, creativity and sweat and toil, products and services that grew not only into businesses but became a very important and vital ingredient in the economy of this country.

When we were elected about two years ago we started immediately to deal with the number one difficulty that small businessmen and women had in trying to meet their objectives which was getting access to capital.

*Government Orders*

It is very important for me to recognize the critic for the Reform Party. One of the very unique experiences that we had in the industry committee was the fact that we worked as a team. We have many differences with the Reform Party. I for one do not feel as committed as they are to their attack on the deficit and debt. I find their approach too radical and too swift. However, one issue which we have consistently agreed on is the fact that small business is the hope of this country when it comes to putting Canadians back to work. It was because of our teamwork that we have been able to move an agenda forward on the access to capital front.

The amendments in Bill C-99 before us today, which is an act to amend the Small Business Loans Act, are from feedback we have received from the men and women in the House who have been working on this issue. They are the result of feedback we have had from industry and the banking community. They are also the result of the feedback and the success we have had with the Small Business Loans Act.

Some members will recall when we were in opposition that the then Conservative government initiated, in its last budget, amendments to the Small Business Loans Act. At that time, we supported those amendments because we believed that they were instruments for trying to break up the hardened attitude that many people in the financial community had toward taking risks with small businessmen and women.

This bill is not meant to be a cure all for the difficulties that businessmen and women are having. It is a bill where we told the financial community that we would develop an act in Parliament where 90 per cent of the risk that it takes on a small business project, up to \$250,000, the Government of Canada would guarantee if that business should fail.

Since the Small Business Loans Act started, over many years, it has been used to help just under 500,000 small businesses in this country. Many people have had, through this act, the opportunity to take a shot at their dreams, create jobs and ultimately help create the economic fabric of this country.

• (1510)

When the Government of Canada is guaranteeing such a large amount, the number one question obviously is what is the down side for the taxpayer.

Until two years ago, on a loan float of about \$3.5 billion, the loss to the crown was approximately \$26 million. A loss of \$26 million on a \$3.5 billion float is pretty respectable. In the last year and a half, the float has increased considerably. The float right now is closer to about \$8 billion. On that float, the estimated losses are approximately \$100 million.

Because of that increased loan loss, that \$100 million, and because of our commitment to fiscal responsibility, the govern-

ment has decided to listen to the Reform Party, to listen to the banks and others. It has decided that the act has to be redesigned in a way where those costs are recovered.

The essence of this bill deals with a new formula so that those loan losses can be covered. Essentially the three components in the bill to recover the loss on that rather large float would be the following: the major elements would be first, a reduction in the minister's liability to pay a loss on any business improvement loan from 90 per cent to 85 per cent. The second point is the establishment of an annual administration fee and a restriction on the passing on of the fee to borrowers except through interest rates, the establishment of a claim processing fee and the granting of authority to make regulations respecting the release of security taken for the repayment of any business improvement loan.

What we have done is this. Previously the guarantee was 90 per cent. It has been reduced to 85 per cent. If this is the way that the Small Business Loans Act can continue to be viable so that it is not going to be a drain for the taxpayer or a strain on the treasury or something that would generate too much nervousness with officials in the Department of Finance, then I naturally support all these amendments. These amendments are all good, solid amendments.

The most important thing that the Small Business Loans Act did was this. Because all of us worked together on the Small Business Loans Act, it led to another journey that we all went on in the last two years. That journey happened in the industry committee where the Bloc Quebecois, the Reform Party, and government members all worked together on this total review of the difficulties that small business men and women were having in accessing capital.

Members would probably recall that almost a year ago, the committee published virtually a unanimous report "Taking Care of Small Business". That report dealt with all of the various experiences men and women were having when dealing with financial institutions.

• (1515)

All of us in this House heard over the last few years story after story after story of the difficulties many of our constituents were having in dealing with the various banks or other financial institutions. It was through that feedback that we became united in dealing with this issue.

Some of the key recommendations in the report are now being implemented. As of the end of this month there will be a common quarterly reporting chart and statistics on the whole thrust of each individual financial institution's lending to small business by sector, by gender, by municipality and the size of the loan. That kind of accountability is going to change the whole bank culture and attitude toward small business.

*Government Orders*

That has been the biggest accomplishment of our committee. We have made a very strong impact in causing the men and women who are managing the banks to reflect and review the way they have been dealing with business. Not big business. We all know that whenever big business wants a \$500,000 or a \$3 billion loan the banks trip over themselves trying to lend those larger businesses the money. In the past few years some of those loans the banks were tripping over each other to give to the larger businesses ended up coming back in their faces, or part of them came back in their faces.

We were not really concerned with the larger corporations. We respect the larger corporations and the job creation contribution they make to the community, but we were concerned with the small business community and the fact that the small business community represents virtually all of the new job creation that is happening in this country. I believe and I know many members opposite believe that those quarterly accountability sessions are shifting the attitudes of the banks.

Ultimately, it does not matter what side of the House we sit on, we are here for one reason. We are here to get the economy of this country going again. The economy is only going to start going again when collectively we can work at creating an environment where business can flourish and give men and women the dignity of a job. That is the most important thing we can be working on today.

It is no secret that there are just under three million men and women who do not have work. I cannot imagine getting up in the morning and not having a job to go to. Many of us here have been blessed with the fact that not only do we have a terrific opportunity to serve our country right now, but we have also had the opportunity to work throughout our careers. Very few of us have felt the pain or the assault on our dignity of not having a job. That assault on dignity is the toughest thing a man or a woman can face. Our number one responsibility is to assist in creating an environment where business can take those risks and chances to get the economy going. That is why we on this side of the House, supported by members opposite as well, believe that whenever we can pass an act of Parliament that will improve on creating more jobs, even if they are minor improvements, then we are on it right away.

• (1520)

It is important that a bill like this does not take a long time to go through the House. That is why it is important to work together. If we can work together and get the proper amendments in this bill, then this kind of cohesion gives confidence to the marketplace and the people who execute this bill, the banks.

This bill is not executed by the government. After it is passed by this House this bill will be implemented by the financial institutions in Canada. The bank managers make the decision as to whether or not that taxpayer guarantee should be given to a

small business man or woman. The implementation of the act is totally delegated to the financial institutions. Because of this guarantee those bank managers can take a bit more risk. Ultimately that is going to assist in getting the economy going.

The small business sector represents the greatest hope we have for putting Canadians back to work. It is going to accomplish that once the proper environment is put in place. Also, the small business man or woman does not tend to create a lot of bureaucracy and therefore can be more efficient when operating a small business. They tend to have much closer relationships with the men and women who work with them. The family-like environment which happens in a small business in many cases generates the kind of activity that allows creativity to flourish, that allows productivity, which allows business to create better products at better prices.

That is ultimately the reason our exports are going to be our hope as well. In the last few months our exports have been holding the economy together. Many of those exports, for example in the automotive sector, came from small and medium sized corporations. Some of them are organized in larger institutions but many of them are small, individual plants with a maximum of 30 to 50 workers.

We have to stop thinking of small business in the traditional way it has been thought of in this Chamber. For many years in Ottawa most of the attention was given to the larger businesses. The larger businesses had the resources to come to Ottawa and lobby their MPs or they had the resources through accountants and lawyers to do the work on the basic grants and support systems that were in place. Larger businesses had the resources to get their tax credit put into the tax act because they could afford to lobby the various departments including the Department of Finance.

• (1525)

In the last two or three years we have discovered that a lot of these larger businesses with all the great contributions they have made in terms of job creation and research, are not creating the same kind of economic thrust. Now it is the small business community. Many of us have had to reorient ourselves, go back to basics and reacquaint ourselves to try to understand what the small business community really needs.

Even though I frequently talk about access to capital, there are a couple of other things the government is going to have to address as well. We have to take up the challenge to reduce the paper burden and red tape. How many times do we hear that small business men and women are spending more time pushing paper and government forms than on their own businesses? We have become a nation of paper pushers. We have to realize that along with access to capital we must reduce the red tape and paper burden.

*Government Orders*

The Department of Industry, the Department of National Revenue and the Department of Consumer and Corporate Affairs have been working very hard in the last few months trying to create a one-all form. They are trying to organize various forms for business. They are working on a system that will be on one form, a simplified system for business reporting on various aspects of government responsibility.

That is also another realization we have come to accept and support as a result of our continued campaign on the access to capital front. In other words, that journey on access to capital has led to the realization that reducing the paper burden is something we must also work on very diligently.

The last thing I will touch on in terms of policy is where small business is crying out for our attention, which is the whole area of tax reform. Small business is telling us that the tax system is complex and inefficient. Many of them argue it is not fair.

As a government we are committed. Our red book stated quite clearly that the whole GST regime we fought so vigorously against in opposition is something the government has to address in its mandate. There is absolutely no way any Liberal member of Parliament could ever expect to go back on the campaign trail to get re-elected unless the whole issue of the GST is dealt with.

My goodness, in opposition we fought against the GST to the point that it nearly caused a riot in the other place. We challenged the government because of the complexity, the paper burden and the inefficiency of the GST. We on this side of the House are working very hard on total tax reform. It is a very complex issue to dismantle an entire structure the previous government set up. As the Prime Minister would say, it is not a matter of saying "poof" and it is gone. It has to be done responsibly, in a way that will not create a bigger problem than already exists.

• (1530)

We believe that dealing with the issue of tax reform is central to the requirements of small businesses and their ability to work in an environment that allows them to maximize their potential. Bill C-99, an act to amend the Small Business Loans Act, is another example of where the government is fine tuning by working with small businesses and the financial institutions and dealing with the financial markets, the currency traders, who have control on our interest rates and our dollar.

There is an issue I wish we could one day debate in Parliament. With the various challenges we take on in the House, whether related to industry, social programs or fiscal responsibility, deficit and debt with all the cutbacks, I would say the one challenge that we as a House of Commons have yet to face is the challenge of how we work with these currency traders who are essentially running most of the central banks of the world. These

unaccountable, unelected currency traders move literally a trillion dollars a day, pushing paper, playing the derivative games. I have referred to them before as the private casinos in the financial institutions of the world. These men and women who move that currency around in an unaccountable way are affecting our interest rates, which in turn affect the investment activity and the job creation activity.

I do not know how we can call ourselves a sovereign nation when we think of the fact that we have essentially lost control of our currency. We are sitting here as elected people, but every day we bow down to the currency traders, asking what the dollar is going to be, what the interest rates are going to be.

Do the men and women in this room have anything to do with what goes on with those currency traders? No. Those currency traders are controlling the agenda. No matter how fiscally responsible the government is in the House, they could say that it is not good enough. Then suddenly they give us another squeeze and drop our dollar or cause a jerk in interest rates.

I would love to have a debate in the House one day on how the currency traders of the world manage their affairs and what their accountability is. It would be not unlike the challenge we took up two years ago when we wanted to see what was going on with the financial institutions in the country and what they were doing with small business. These financial institutions were not initially receptive to our exchange, our views and our attempts to try to make their attitude and their culture more responsive to business. However, because we worked together I believe we now have a constructive relationship with the banks. I now believe those banks are actually starting to enjoy the growth and the improvement they are experiencing in their small business relationships.

I would put to the House that an even bigger challenge would be how we could take on the currency traders of the world so we can once again get control of our economic agenda.

In closing my remarks on the bill once again I thank members opposite, members of the Reform Party and members of the Bloc for working with us on these amendments so we can hopefully get them through the House before the end of the week.

This is probably the last time I will be on my feet before the referendum vote on Monday. I appeal to those small businessmen and women who hopefully are watching or are participating in this debate to think between now and next Monday about anything they can do to help make sure this campaign for Canada is won.

• (1535)

I personally believe that one of the things small entrepreneurs can do, because they have flexibility, is maybe find a bit of time to get into their vans, cars or trucks and take their families to visit our great province of Quebec this weekend.



*Government Orders*

When I was a small businessman I did a lot of business in Quebec, and I never had any difficulty doing work in that great province. I believe that one of the ways we can make sure Quebec votes for Canada on Monday is to make sure that a majority of those people, especially in the outlying regions of Quebec, feel comfortable with those of us who are outside Quebec.

I know it is a precarious moment right now. Things are very tenuous. However, I think the greatest asset we have in the country is people from one region of the country talking to another, one on one, not through television ads. I respect these rallies, but the best way to bring togetherness is when people sit down and have a constructive, warm and caring relationship.

I do not think it is too late to make a tremendous turn in those numbers we all read in the newspapers right now. I believe the best way to turn those numbers is by making sure this weekend, if one is from Ontario and maybe planning on driving north to a cottage or east down to Buffalo or Niagara Falls, to travel instead to the outlying regions of Quebec. Together, when we talk about all the assets we have as a whole nation, we will end up staying together.

Thank you very much, Mr. Speaker, for giving me the opportunity to speak on the bill. I pray God that next week everything is all there for Canada.

[*Translation*]

**Mr. André Caron (Jonquière, BQ):** Mr. Speaker, I welcome this opportunity to speak on behalf of my party to Bill C-99, an Act to amend the Small Business Loans Act.

The parliamentary secretary made it very clear that small businesses play a very important role in the Canadian economy and, of course, the economy of Quebec. Both the government of Canada and the government of Quebec have set up programs to support small business, because one of the problems facing people who want to launch a small business is the financing.

Often these people are very keen and have interesting ideas, and if governments do not find ways to support them, their ideas often remain undeveloped and the business never materializes. Both the government of Quebec and the Canadian government have taken steps to provide assistance to entrepreneurs.

Of course there are private investment funds in various provinces including Quebec, such as the FTQ's Fonds de solidarité which has some impact in this sector. However, the parliamentary secretary said that today in Canada a total of nearly \$8 billion is invested under this program, which is an indication of its importance.

• (1540)

Another indication is the fact that the program is popular among entrepreneurs. In our riding offices, we often see people with good ideas who decide to ask their member of Parliament for information on programs that could help them start a business.

Canada has legislation, the Small Business Loans Act, which was adopted several years ago. This legislation has made it possible to lend money and start businesses. The bill before the House today proposes a number of amendments to this legislation.

Originally, the purpose of this legislation was to provide guarantees for bank loans to entrepreneurs who wanted to start a business. This guarantee could vary from 85 to 90 per cent, and in fact varied from year to year.

The cost to the Canadian government is what it costs someone who wants to guarantee loans. If the individual's business is not as successful as he expected, if he goes bankrupt, then the government of Canada has to pick up the loss incurred by the banks. In 1992, these losses totalled \$44 million. The maximum was changed in legislation adopted in 1993 and a number of provisions were changed as well, so that in 1995-96, the government of Canada could be faced with picking up a total of as much as \$100 million in losses.

Considering the current state of federal finances, it is understandable that the minister should be concerned and that the debate on small business in the Standing Committee on Industry had to consider this aspect as well.

That is why we have a bill before the House today. The purpose of the bill is to reduce the maximum for guarantees provided by the federal government. The maximum would be reduced from 90 to 85 per cent of the loans approved. By reducing the maximum, the government of Canada is of course reducing its responsibility for amounts to be paid in case of bankruptcy.

There is of course a corollary to all this: if the guarantee is less extensive, people with higher risk projects that may be more innovative will have more trouble obtaining guarantees. This is not unusual, and if the banks are unwilling to take the risk, some projects may be rejected.

In fact, the 85 per cent rate goes back to before the amendments in 1993. It is of course an area where the government could save money. We hope there are no business people with clever and brilliant ideas, who are refused loan guarantees because of this provision.

Also, an important aspect of this provision concerns us in the Bloc Québécois considerably. With the amendment, the ceiling could be lowered even further, should the government decide to

*Government Orders*

regulate it lower. As one of my colleagues was saying earlier, for the moment it is at 85 per cent. It could drop to 60 per cent. It could drop to 50 per cent. We really do not know.

What is of concern in all this is that the government is giving itself the option in the bill before us to lower the ceiling by regulation. Government by regulation is reprehensible. I think the House of Commons has to take measures to ensure that the bills passed are good for the country. I think, when legislation gives the government the option to decide things of this importance by regulation, we are running the risk of hurting the country's business people.

• (1545)

There is also another provision in the bill that causes us some concern. Basically the aim of the amendment in the bill is to have moneys paid by the Minister of Finance in the event of a bankruptcy absorbed some other way. In other words, the Minister of Finance does not want to see the \$100 million planned for this year back again next year. Another way for the government to ensure that losses are cut or even eliminated is for the program to be self-sufficient.

My colleague, the Parliamentary Secretary to the Minister of Industry, said it well: "How are we going to go about recovering costs?" Administrative measures will be taken. An annual administration fee will be charged. There will also be a claim processing fee.

The bill provides that these administrative fees are not to be paid directly by the business people. It does provide that they can be paid by the business people indirectly. In other words, the interest rates on loans could be raised to cover the administrative fees that the banks would have to pay.

This means doing rather deviously or hypocritically what cannot be done directly.

I would like to think that government finances are important, but the program's efficiency is going to be reduced by this measure. It will be reduced, because the banks are not going to go out of their way for business people. By definition, the banks want to be profitable and they charge the highest interest rates the market will bear.

As a result, entrepreneurs will have to bear higher costs in order to meet program requirements. This is one measure that causes serious concern among the members of the Bloc.

There are some items that we would certainly have liked to see included in the bill which are not there. The Parliamentary Secretary to the Minister of Industry has said that the measures proposed in the bill were discussed in the Standing Committee on Industry and are contained in its report tabled in October 1994: *Taking Care of Small Business*.

Although the Bloc was considerably involved in the drafting of this report and endorsed the bulk of its recommendations, it made a number of comments, in the form of recommendations, amendments or notes, which we felt improved upon the proposals for making the Small Business Loans Act more efficient and effective. One of these proposals was that "the Small Business Loans Act ought to provide guarantees for small business operating capital loans. To implement such a measure, the government should carry out a cost analysis of such a program and take a responsible fiscal approach".

We know that the loan guarantee given is intended to help businesses meet expenses related to very specific aspects such as buildings and equipment, but not working capital. The problem is that, in recession conditions and crisis situations, and as a result of certain changes in the Bankruptcy Act as well, there are many small businesses which need financing for their working capital for a time, but they cannot take advantage of the act as it stands to obtain either financing or a guarantee of financing.

• (1550)

To improve the way we help our small businesses, the Bloc Québécois would have favoured an amendment saying that the operating capital of a business could also be financed with a government guaranteed loan under the Small Businesses Loans Act.

There are a number of things we find disturbing in this bill. I mentioned the reduction in the maximum rate, which means fewer businesses will have access to the program or those that do may have to meet more requirements. Second, there is the matter of administration fees which we think will be passed on to businesses through an increase in the interest rates they will have to pay. And third, there are aspects that are not covered by the legislation such as the financing of operating capital.

That is why the Bloc Québécois will discuss the bill in committee, and propose amendments that will probably be along the lines of the comments I just made.

I would like to make a few more comments as I conclude my speech. This may annoy some government members who will probably think that I am not on topic or other members who will say: "Duplication and overlap, here we go again. It is the same old sovereigntist or separatist refrain from the Bloc". In any case, as I mentioned in my introductory remarks, in Quebec we have a number of programs with substantially the same objectives. Take the Paillé plan, named after the present Minister of Industry, which also provides for loan guarantees. Take what is being done by the Société de développement industriel du Québec. Since I became a member of Parliament, I noticed that many constituents who want to start a business are told to go to the provincial office and the federal office. In fact the situation is not quite clear. Often there is out and out competition.

Who is responsible for this competition or overlap? I do not want to get involved in all that, but I simply want to point out that there is some overlap that is counterproductive. It does not do the entrepreneurs any good because they often do not know where they stand. And when governments at the provincial and federal levels do not belong to the same party, people often believe that if they go to one government, the other government will be annoyed and that will get them in trouble. I myself have never noticed that since becoming a member, but there are people who think they can play one government off against another or people who think there may be difficulty applying to one level of government when application or representation has also been made to the other government.

So I think that, when measures such as this are before the House, we should note—and I am not saying criticize, but we should at least note—that there are overlaps, which could hurt business people and the government's budget.

The same taxpayers, whether they are from Quebec or Canada, are helping to fund these programs through their taxes. And I really think a number of people use this sort of competition to try to get the best out of both programs. I think, in the long term that governments put themselves in situations where their expenditures under these programs will increase because of the competition, because of the overlap and because people try to take advantage of the opposition or even the competition between governments.

With bills like this one, it is important to point out problems of overlapping created by such programs.

In concluding, I would like to make one comment. More and more in the business community in Quebec and Canada, in the government and even in the Liberal Party, which did not follow such policies in the past, we are hearing talk of how the government should step aside, and the people who go into business should take on their responsibilities.

• (1555)

There is a movement to re-establish the laws of free competition, to promote globalization, to pare down the size of government. The Minister of Finance is often seen to support such ideas.

When the time comes to make cuts in social programs, in education, in unemployment insurance, we hear “the government is overspending, it is too costly, the government must interfere less and less in the economy”. On the other hand, when we come to bills like this one, when we realize that when it comes down to it the government is guaranteeing eight billion dollars worth of loans this year, and I think that the legislation allows up to \$12 billion. We realize that the neoliberal discourse of the governments was the same; it is the Liberals this time, but it was the same thing when it was the Conservatives. I cannot see

### *Government Orders*

much difference in practice between the policies of the former Conservative government and those of the present Liberal one. They both took a neoliberal stance, calling for government to withdraw from the economy, but yet when we get down to practicalities, to instances where according to the very theories they espouse the government's presence might be questioned, then we see that they are continuing the same kind of intervention as before.

Not that I condemn such intervention—the Bloc Québécois is in favour of a healthy government involvement in economic affairs—but, on examining the bill and everything that goes with it and looking at what the Small Businesses Loans Act has done in the past, despite the fact that it has been extremely effective and much appreciated by entrepreneurs, I am forced to conclude that the government is saying that cuts must be made, the government must withdraw. In situations like these one realizes that not only is the government not withdrawing but it is even becoming increasingly involved.

A few years ago there were \$2 to \$3 million in loan guarantees annually, and this year the figure will be \$8 billion. Perhaps, the way things are set out, the figure next year will be even higher. There is one big question mark: the government is acting in such a way that it will not cost anything on the budget. All the better, one might say. It is the banks and the entrepreneurs who will pay, but basically it is the government which gives the guarantees but wants to arrange things so that it will cost nothing. In the long run, the businesses themselves pay, because of the interest rates charged on the loans.

One wonders really what purpose these programs serve. This morning I was looking at the industry committee's report “Taking Care of Small Business”. Experts appeared before the committee stating that there was no certainty that businesses started up under the projects in question would not have started up anyway.

I heard, in fact I listened carefully to the speech made earlier by the Parliamentary Secretary to the Minister of Industry. He talked about a lot of things, but I would have appreciated it if he had tried to be more specific about the rationale underlying this bill. Is it effective? Is it true that about three-quarters or at least half of the businesses that were started with the help of this legislation would have been started in any case? What use is a program that guarantees loans but which basically does not cost the government a penny? We could say this is wonderful, it does not cost the government a penny, but on the other hand, if that is true and if the impact is neutral, why is the government involved in this kind of program?

Do not get me wrong. As a member for the Bloc Québécois, I will debate the bill in committee, we will ask questions and we will propose amendments, but I am very disappointed that a government that wants to make cuts everywhere and has not

*Government Orders*

done so in this sector although, according to its ideology, it probably should, has introduced a bill like this one.

I am very disappointed when a government introduces a bill providing for measures that, as was pointed out in the standing committee, were ineffective, and in the presentation given by the parliamentary secretary is incapable of proving otherwise.

• (1600)

One wonders what the government is doing. Basically, it extends legislation, changes maximum guarantees and tinkers with details. Personally, I think this kind of legislation is effective and that the government has a role to play in the economy, but I would have liked to see the people who administer or claim to administer billions of dollars of taxpayers' money be more consistent and more credible when they introduce bills like this one.

We will probably vote against the bill, considering my comments on this legislation, but once again, in concluding, I am inclined to be rather wary of a government that again is asking us to extend and restructure a bill, although it is incapable of demonstrating the bill is effective and produces the desired results for entrepreneurs and the Canadian economy.

I will conclude my speech after comments that have indicated I am somewhat disillusioned with a government I thought would be more consistent in the way it manages the affairs of the state. After two years as a member of the House of Commons, one becomes increasingly convinced there will have to be some major changes made in Canada, starting with the Canadian federation—or with the government that now claims to head that federation.

[English]

**Mr. Werner Schmidt (Okanagan Centre, Ref.):** Mr. Speaker, I stand to enter the debate on Bill C-99, a bill to amend certain sections of the Small Business Loans Act.

I want to pay particular tribute to the Parliamentary Secretary to the Minister of Industry for his very kind remarks and his description characterizing the industry committee that dealt with the report "Taking Care of Small Business", which was tabled about a year ago, and also some of the recommendations in the report, some of which are included and recognized in the bill.

I would like to follow up on some of the suggestions he made about the significance of small business in the economy of Canada. It is not a secret to us or anybody who follows the economy of Canada that approximately 80 per cent to 85 per cent of the new jobs created in Canada are created by small business. When it comes to the Small Business Loans Act it is precisely that sector of our economy that this act addresses. In

my opinion, these amendments are not sufficient. They do not go far enough and some of them are counterproductive.

We must recognize that in the new economy that is developing, the important issue and the characteristic of a business is the ability to apply knowledge in a way that will provide for new services, new products, and particularly the application of new technology and the most recent discoveries of science. It is very clear that in the globalization of the economy and in the international competition that is developing it will become increasingly significant that the science and the technology of a nation will become a determining factor in that particular competitive environment.

One critical factor in developing the ability to transfer knowledge and apply it to new products or new ways of processing and doing things will require a skilled and very knowledgeable workforce. That does not come by accident. It comes as a result not only of good technical schools and good universities, but begins in primary school, kindergarten to grade 12. It is here that we need to change our educational system so that it will become far more geared to science and technology, and particularly the science area, and that we all become sensitive and recognize that it is really science that is going to make the difference in the next century.

• (1605)

We also know from past experience that it is the small business that is most able to apply this new knowledge, because it is not fettered with all this bureaucracy. It is not fettered with all these regulations and things that are internal and the internal politics that stand in the way of new ideas and adapting to change. We need to develop that kind of awareness and recognize that it is the small business group that is going to be the leader in this particular area.

The whole idea of small business rests on entrepreneurship. Unfortunately, today in this country we have what is known as bureaucratic entrepreneurship. We all know what that is. That means that a bureaucrat sees how many more bureaucrats he can get under his supervision. That will mean that his salary and power will increase. Therefore, the entrepreneurship is one of developing larger and larger departments. We have a very well developed entrepreneurship orientation, ability, and skill level in that area. However, we do not have that same level of expertise, that same skill, that same fully developed attitude in the developing of entrepreneurship in business and the application of knowledge to produce new products and adapt to new processes in developing those products.

Right down into the kindergarten level, all the way up through the universities, we need to develop this attitude, this orientation toward entrepreneurship. The Small Business Loans Act is directed precisely to that area. We must recognize that the Small Business Loans Act is not a new idea. It has been around since

*Government Orders*

1961. It has been amended many times. It was designed in the original instance to provide for innovation to our economy in Canada.

I want to hearken back to a moment ago when we talked about developing entrepreneurship, the skill and so on. We now need to recognize that it is this legislation that initially was designed to do just that. We should look at some of the provisions of this particular piece of legislation and ask ourselves whether the new amendments will facilitate or will stand in the way of that kind of development.

We all know that small business has as its major impediment to further growth and development, very often in its initial establishment, access to capital. There are two kinds of capital to which business requires access. One is equity capital, which establishes the machines, the facilities, and those kinds of things. The other is loan capital. There are two kinds of loan capital. Usually it is centred around operational capital, which allows the business to operate from one day to the next. We discovered in the last year that even though everybody says there is all kinds of capital available, we have story after story of business telling us that it is the access to capital that is its stumbling block. It is not getting the access it needs.

I want to draw to the attention of the House some of the elements that came to our attention when we studied this problem in the industry committee.

With the amendments that were implemented in 1992, the loans provided under the Small Business Loans Act increased dramatically. Between 1993 and 1994 the number of loans grew to 42,500 from 13,000 in 1992. The new lending reached almost \$2.5 billion and averaged \$58,500 per loan, from a previous average of \$37,000 per loan.

There was a sad note in the evidence that was heard before the committee. A 1988 study concluded that two-thirds of the loans would have been made even without the government guarantee, which at that point was at 90 per cent. Since the revisions, however, Mr. Al Cotton of the Toronto-Dominion Bank told the committee that 75 per cent of the bank's small business loans would not have been made in the absence of the guarantee. Shortly after his presentation, Mr. Kluge of the Canadian Imperial Bank of Commerce stated that most SBLA lending would have been granted in the absence of the program, but that in certain high risk sectors, such as new restaurants, the guarantee was important.

• (1610)

We were left with a dilemma. Here we had two bank officials from two of the major banks, one saying that the loans would not have been given without the guarantee of the loans act, another bank official saying that they would have been granted. It

becomes a real dilemma. Did this loan act really produce the kind of result desired or did it not?

**Mr. Mitchell:** Sure it did.

**Mr. Schmidt:** My worthy opponent says of course it did. He comes from one of the banks that was not represented by those other two, so I suspect he would agree.

The cost of administering the program exceeds 2 per cent of administration, which is another problem. At the present time the Small Business Loans Act tacks on to the loan a 2 per cent administration fee, which becomes part of the principal and can be amortized over the length of loan, or I suppose the individual can pay it off up front if he wishes to do so. In any event, the 2 per cent is not sufficient to cover the loss or the administration of the loan.

The third point is institutional loans. Under this provision it suggests the loan level is rather high in this way of doing business between financial institutions and their various lenders. I want to draw the Haines-Riding study into this a little later in my remarks, when I will get into this in more detail.

I now want to go on to the specific provisions of this act as it is before the House today. The first of these is the reduction of the government's liability from 90 per cent to 85 per cent. In other words, the loan guarantees are now no higher than 85 per cent of that loan. That is one provision.

The second provision, to which we should all pay very special attention, says that future changes to the rate of the liability of government are transferred from Parliament to cabinet. This means that in the future the liability that will be incurred by this government and will rest on the shoulders of every Canadian who pays taxes will be decided not by the people's representatives but by the cabinet. That is an abrogation of democratic responsibility. I want to take very strong exception to this. In fact I want to introduce right here the notion and the statement that the Reform Party will not support this bill on the basis of that provision alone. Unless an amendment is made to withdraw that provision and that transfer of power from the Parliament to the cabinet, we will oppose this bill, even if we would agree with everything else in the bill. We do not agree with everything else, but that is sufficient in my opinion to oppose the bill in its entirety.

Why do I take such a strong view of this? This is a democratic country. This country is based on the principles of democracy, which means that the people in this House who are elected to represent the Canadian people have been elected to look after the best interests of those people who have elected us. That means we should represent them as honestly as we possibly can, and do so fairly, justly, and equitably. That is what I was elected to do.

*Government Orders*

This kind of amendment takes away the right of parliamentarians to represent their people on the floor of this House. That is wrong. It is wrong in principle. The time has come for us to take very strong exception to this kind of amendment.

We all know that within the platform, the philosophy, and the principles of the Reform Party of Canada we stand for precisely the ability to represent our people. We want more free votes in this House. We have had some examples of free votes in this House, and the government is to be commended for those few instances. However, the government is to be severely chastised for those moments when its members did exercise their free vote and were punished for doing so. That is a fault, a blemish on this government's record in terms of its democratic principles and the application of democratic decision making.

• (1615)

We talk about a referendum. There are certain instances when every person in Canada should exercise their right directly and immediately not only at the time of exercising a ballot in favour of a particular person but also in favour of major social, ethical or moral issues on which they feel very strongly and about which the majority should decide what the issue in Canada ought to be.

One which has been well publicized is capital punishment. We go on from there as well. There is the other place, the Senate of Canada, and we believe there is also responsibility that it be democratized; that the individuals who sit in that chamber to provide and exercise sober second thought be elected and that they fairly and accurately represent the various regions of Canada so there can be fair representation not only by individuals but by the various regions of Canada as well.

Therefore within that framework of deep philosophic orientation we oppose the provision in this bill which would amend the act in such a way that the power moves from the House of Commons, the Parliament of the country, to the cabinet.

Another provision is the application of an annual fee of 1.25 per cent to the administration of a loan, the outstanding balance, paid by the lender. It is very interesting how this fee is to be administered. It is to be paid by the lender and the lender may not recover the cost of that 1.25 per cent except through an increase in interest rates.

It is interesting what the act does. The earlier limit on the interest rate was 1.75 per cent above prime. The amendment proposed says the new limit is 3 per cent above prime. It does not take a mathematical genius to add 1.75 and 1.25 and come up with 3, which now means very clearly that the bank or any lending institution may increase its interest rates 3 per cent above prime and thereby recover its full 1.25 per cent. That is what this provision is.

Another provision provides for a claims processing fee. When we ask the various department officials how much that fee will be, when will it be applied, under what conditions will it apply, will it be a standard fee across any loan, will it make any difference, they say they do not really know because they have not yet decided whether they will apply such a fee.

Why does the act have this provision in it? They might want to recover certain costs associated with claims. That is very interesting but it begs the question of what kinds of conditions must a lending institution meet in order to avoid being assessed a claims processing fee.

There is absolutely no provision in the act that would suggest the parameters, the guidelines, the details under which a claims fee would be applied. It is dangerous when we have open ended legislation of that kind when nobody knows how much, nobody knows under what conditions, nobody knows under what guidelines it will be applied.

I was absolutely astounded when I read this. When we got the briefing, it sounded very different. When I went back to the actual act I discovered that really the slant was quite different. I want to read this exactly as it is written. Section 4(1)(e.1): "The minister may prescribe the terms and conditions on which a lender may release any security, including a personal guarantee, taken for the repayment of a business improvement loan".

• (1620)

We were told in no uncertain terms that this dealt with guarantees, the actual phrase being personal guarantees. I can see where a small businessman getting started who becomes a little bit desperate will actually provide a personal guarantee. He will say: "Here is my house and my personal effects. I will stand good on a personal basis for this part of the loan". When half the loan is paid the lender says he will now take the personal guarantee away.

That is only one small part. It includes the release of any securities, which includes anything else. It could be a facility, a building, equipment, land, a variety of things. If there is a loan outstanding of \$250,000 and half of it is repaid, that is a \$125,000 liability. If at that point the lender can now release security, where is the security left for the balance of that loan? I can see the understanding that it goes to the personal guarantee because the building is probably worth the \$125,000, but if the lender cannot take that off too and the act allows him to do that then I ask myself what kind of protection there is for the Government of Canada on the hook for the guarantee of 85 per cent of that loan.

So much for a review of the particular provisions. There are some issues we should be aware of. I referred earlier to the Haines-Riding study from Carleton University in Ottawa. It makes some very interesting observations. I think we should go back into history a little. The Small Business Loans Act up until this point had a ceiling of sales of \$2 million; in other words, a

business that had sales of more than \$2 million would not qualify for the SBLA loan. Under this act now that level is \$5 million.

The Haines–Riding study shows very clearly that businesses with sales of \$2 million or less have a much lower failure rate when it comes to the repayment of loans than those with sales between \$2 million and \$5 million. The differential between those loans is a failure rate increase of 14.7 per cent. That is pretty significant.

We need to combine that with the increase in the amount of loans outstanding as well. In the past the maximum SBLA loan one could have was \$150,000. That has now increased to \$250,000, which means, although we cannot say for sure, if the size of the business and maximum loan has increased we can conclude the loss rate will increase proportionately. Therefore if it costs \$100 million now on an annual basis to run this program what will it be under the new provisions? I think the answer is very obvious. It will be higher than it is today.

That brings us into a very serious conundrum. On one hand we have an act that is supposed to build and encourage businesses. It will do that in a variety of cases. It should then generate more tax revenue and things of this nature which would then increase the economy of Canada and everything would roll along more smoothly than it did before.

The maximum of the SBLA loan ceiling has now moved from \$4 billion to \$12 billion, a threefold increase. If it now, under the \$4 billion ceiling, runs at \$100 billion, what will it do under the \$12 billion? If the proportion remains constant it will also be a threefold increase. We cannot afford that.

The national debt is somewhere around \$560 billion, growing at about \$1,000 per second. About \$45 billion to \$60 billion is paid out in interest, much of which is foreign currency denominated. With the Canadian dollar being where it is today, can anyone imagine what this is doing to our social programs? That is why we are in trouble with the health care system. That is why we are in trouble with transfer payments. That is why we are in trouble with welfare payments. That is what makes this kind of bill questionable.

• (1625)

Yet people say they were told at the beginning that 80 per cent to 85 per cent of the new jobs are created by small business. Right. Should we not encourage small business? Right. Should not our government programs to the greatest degree possible be self-financing? Right. This bill is supposed to do all those things.

If it does that, then we can support that. However, we still want to go back to the earlier point I made about this democracy. That is absolutely at the heart of this issue and we cannot, we dare not allow that to get in the way of implementing this bill.

### *Government Orders*

I want to address one final point, competition. I want to read a very extensive point made very effectively by our study on small business. We were told by Mr. Doug Robbins of Robbinex that financial institutions are increasingly using the Small Business Loans Act—get a load of this—to finance assets, for example cars and trucks, that are able to obtain financing without a government guarantee.

Data provided by the Scotiabank on its small business lending portfolio show that SBLA lending is more heavily concentrated in areas of transportation by as much as 25 per cent than the bank's total small business lending portfolio in which transportation and communication lending represents only 6 per cent. The representatives of Newport Credit and the Canadian Financing and Leasing Association, specializing in asset based financing, told the committee they are having difficulty competing with lenders who benefit from government guarantees.

Since when has the government become that great and wonderful arbiter to determine winners and losers in the marketplace? The government has no business getting into this area. If a business cannot succeed in the marketplace it should not be there. That is the part that bothers me more than anything else in a bill of this kind, this orientation. We need to recognize this is not a simple, easy answer to our economic problems.

The committee received conflicting views on the future of the Small Business Loans Act as well. It was suggested the act be expanded by extending it to working capital. Neither the Small Business Loans Act nor this bill does that. It was also suggested that it be restricted by focusing on rapidly growing business that enhances the country's knowledge base and generates skilled employment, which we already talked about.

With increase lending comes increased taxpayer exposure. We have already dealt with that. This amendment, although it goes part of the way, does not go all the way. It should go further.

The committee suggested we reduce the percentage of government guarantee, which has been done, reduce the percentage of assets that can be financed, and reduce the maximum loan amounts, which the bill does not do. In fact it goes in the opposite direction. It doubles the exposure that would have been happening under the act as it is now.

The bill has numerous shortcomings like releasing securities, any kind of securities as well as personal guarantees. We need to be very clear and an amendment is needed in this area.

This bill also increases the liability of government even though the minister stood up in the House and said the bill, because it is a self-financing or a cost liquidating kind of a program, does not increase the liability of government. I dare suggest the experience will show that it does increase the liability of government. If it does not increase the liability of

*Government Orders*

government then I ask the minister whether there is any need for a program of this kind.

Let me emphasize once again that the most serious flaw in the bill is that it disenfranchises parliamentarians. It moves the authority to make decisions and obligations on behalf of the people of Canada from the House to the cabinet. That is wrong. Democracy must never be denied.

I reiterate that unless that provision is removed from the bill we will oppose it.

• (1630)

**Mrs. Brenda Chamberlain (Guelph—Wellington, Lib.):** Mr. Speaker, I am pleased to have the opportunity to speak to Bill C-99, an act to amend the Small Business Loans Act and to share with the House the concerns and hopes of small business owners and managers throughout Guelph—Wellington.

At this important time in Canadian history I remind all Canadians that it is the hope of small business people in Guelph—Wellington, their families and their employees that Canada remains united. They recognize the imperfections of our confederation, but they realize, as we have in the past, that we can continue to evolve to make our country always stronger. They are confident that a united Canada, one that includes Quebec as an active member of our nation, will continue to be regarded worldwide as the best country in the world in which to live.

Bill C-99 is part of our ongoing effort to reduce the deficit, fulfil the promises we made to Canadians two years ago and provide the support that is necessary to enable small business to grow and to create jobs. I congratulate the Minister of Industry and the Minister of Finance who have directed and focused our efforts to strengthen small business in Canada. The Minister of Industry visited my community last year. He was welcomed by small business people who encouraged him to continue his initiative of providing support and assistance to them, so that they can continue to build a strong community in Guelph—Wellington and elsewhere.

Small business people in Guelph—Wellington, when talking to me, remind me that they have hope in our future. They talk to me as women and men who have taken risks in order to build a life for themselves and their families. They are creating jobs in my community and in every riding across Canada. They look to us, the federal government, to assist them in that important responsibility.

The Small Business Loan Act is part of our efforts. Since 1961 more than 420,000 loans, totalling over \$15.5 billion, have been made to small businesses. These loans have helped small

business gain access to capital for start-up, expansion and growth. The program's success lies in its ability to serve as an economic development tool and as an example of public sector and private sector co-operation.

Guelph—Wellington recently hosted, through the efforts of small business leaders like Catherine Billings, Anne Redfearn-Grobbo, Richard Zinck and Valerie Poulton, Community Spirit '95, a small business expo, which brought together business people to exchange ideas, share expertise and celebrate the successes of small businesses in Wellington county. The message that I received at Community Spirit '95 and wherever I meet small business leaders is: We need government to get out of the way where it causes us unnecessary burden; to listen to us when we have ideas for our future and to provide the assistance necessary for us to weather uncertainty and to expand our resources when we want to create jobs and strengthen our achievements. The Small Business Loans Act program allows every small business in Guelph—Wellington whose revenues do not exceed \$5 million annually to ask for that assistance.

Small business people in my community understand the seriousness of our financial crisis. They know that deficit spending is not the way to sustain our economic future. They are concerned about taxation and they want the government to manage its money as well and as carefully as they manage their own money. They recognize the need to reduce expenditures and to refocus spending.

The Minister responsible for Public Service Renewal visited Guelph this fall where he spoke to representatives of small business about the program review that will redesign government. They welcomed the change because they support our efforts to spend what we have and not to mortgage our future.

Recently, the Small Business Loans Act program has suffered tremendous losses for the government. Assuming continuation of the historic losses that have occurred over the past few years, the annual program cost would increase by over \$100 million. Clearly this is a threat to the future of the program. The potential cost of the program given these circumstances, and the government's need for deficit control required that the program be brought to full cost recovery.

• (1635)

The federal government included an examination of the Small Business Loans Act in its program review process. During the months of October and November 1994 the review included extensive consultations with major stakeholders, representing lenders and those who borrow. As part of our efforts to encourage more participation by members of Parliament, the recommendations of the industry committee and the small business



working committee were also taken into account. All stakeholders supported the move to full cost recovery.

Small business people in Guelph—Wellington know that in order to survive as a nation we will have to choose. They have told me that we can no longer afford the luxuries and excesses of the past. As they have had to do in their businesses, they have asked me to work for them to make decisions on what is important to us and for our future and to concentrate on what will make us strong again.

They do that in their businesses each and every day and they welcome a federal government that from the day of its election in October 1993 does the very same in order to secure a strong future for this country.

As part of our efforts we have introduced a new 1-1/4 per cent annual administration fee on each lender's average outstanding balance of the Small Business Loans Act made after March 31, 1995. We have also announced that the maximum interest rate that a lender can charge under the program has been increased by 1-1/4 per cent.

Bill C-99 also includes changes which will complete the move to full cost recovery and improve the administration of the program. These changes will mean that the Small Business Loans Act will be better targeted toward small business which really needs its help. These changes go hand in hand with our efforts to improve access to loans to small business by our financial institutions. While we aim at cost recovery, our commitment to strengthening the future of small business in Canada is unchanged.

Small business recognizes the need for co-operation. Each and every day in Guelph—Wellington small business leaders rely on distribution, transportation and communication in order to survive. They have called on me to bring a message to Ottawa. Let us work together: government, industry and labour to get the job done.

In Guelph—Wellington we know the importance of listening and working together to build a stronger community. This summer, Wendi Bacon of the Royal Bank Business Centre brought me together again with the leaders of financial institutions throughout my riding. We discussed the concerns of small business people, their frustrations in obtaining capital and their suggestions for strengthening their relationship with the banks.

Everyone recognized that there is more to be done. But it was also an opportunity to review what has happened in the past two years and to remind ourselves that we have met with some success.

Also this summer I had the opportunity to meet with small business people, leaders like Phil Greenway of Danby Products and Dwayne Mott of Orbex Computer Systems who reminded me that they want deficit reduction and they demand that the government plan carefully, consult extensively and act responsibly.

### *Government Orders*

Community leaders like Michael Henry, general manager of the Guelph Chamber of Commerce, Ralph Macdonald of the Rockwood and Eramosa Township Business Association and Mike Lazarakos of the Guelph Small Business Association, bring together business and government in order to work out solutions and most important, to listen to one another in order that we improve and enhance small businesses in Guelph—Wellington.

Small business leaders throughout Canada have told the government that the primary lending issue for them is access, not the cost of financing. We believe that by making the Small Business Loans Act self-sustaining, these changes will ensure that access will continue.

• (1640 )

In the past two years I have participated in the ground breaking of a new Purolator facility, welcomed the Minister of Industry as he visited Skyjack and Linamar, walked with the minister of agriculture as he toured Semex, visited countless businesses and congratulated our business leaders on their successes. Guelph—Wellington supports its businesses and it celebrates their successes.

As a former small business manager I share the frustrations of individuals, couples and partners who have a dream and who work hard to establish that dream in a business of their own. I also share the fulfilment and know how enriching owning, operating and working in a small business can be.

I am excited to tell small business owners, managers and employees that the federal government recognizes that it must create a better environment for jobs and growth in the small business sector.

We have eased restrictions on internal trade, proving to the world and to ourselves that federalism works. Removing these barriers is good news to many of the businesses that sell products and provide services to other parts of Canada. This is welcome news to Sleeman's Brewery, which knows that various provincial liquor boards practise selective listing policies. Mackinnon Transport should welcome this initiative. It is aware that transportation regulations differ from province to province. D&J Construction in my riding saw new opportunities because construction procedures are different from one province to another. Trodat Canada, Clear Choice Manufacturing and Auto-sparks are companies that have told me that our patchwork of regulation standards and various provincial laws are unacceptable to them and to their employees.

We have also opened doors through exports. Canada is a major exporting nation. By forging partnerships with the provinces and working as Team Canada we have built a new approach to selling Canada to the world.

Nipponia Export Limited of Puslinch is one example of this success. During a recent trip to Brazil it sold 200 cattle in a deal worth almost half a million dollars. The University of Guelph re-signed an agreement with a university in Chile. Valcom

*Government Orders*

Limited recently negotiated joint ventures and recruited distributors at Telecom 95.

The message from the business community of Guelph—Wellington is loud and clear: we can compete, we can produce and we can succeed.

Bill C-99 is not the sole solution to the concerns raised to me by my constituents. It is a part of our strategy to further our commitment to our future. It is legislation which fulfils promises, makes government more accountable through cost recovery and strengthens the relationship that exists between government and business.

We have more to do. Together we must address the problems of the GST and we must eliminate the underground economy. I am proud to be working with union representatives in Wellington county to give suggestions to the Minister of Finance and the Minister of National Revenue to address an underground economy which costs us revenue and costs us jobs. The underground economy does no Canadian any good. With it we prolong the deficit and we prohibit Canadian men and women from their responsibility of providing for themselves and their families. At the same time the people of Guelph—Wellington look forward to the government fulfilling its promise to replace the GST. We will do that.

We know that it will require all 10 provinces and the federal government to work out a solution to the GST which will make it fairer and simpler and ease the administrative burden on business. Again, my constituents have provided me with suggestions which I have been pleased to forward to the Minister of Finance.

The government remains strongly committed to small business as the main engine of economic growth in Canada. We have been told repeatedly and we are listening. The best that we can do for business, large and small, is to get the deficit under control. The changes that are included in this legislation are a step in the right direction. The user-pay system which is being adopted will mean that it is no longer a contributor to the government's deficit.

• (1645)

The changes ensure that the Small Business Loans Act will continue to be an important public policy tool to foster the growth of small businesses in Canada.

In Guelph—Wellington we like to celebrate our success. We believe we have a workforce that is second to none because we live in the best community in Canada. We know we can accomplish much when we all work together, stay positive, and keep focused. The enthusiasm evident throughout Guelph—Wellington is there because we want to succeed.

Two years ago the people of Guelph—Wellington helped to elect a Liberal government with a mandate for change. I say to my Quebec colleagues that the best anniversary present we can imagine is a united Canada committed to change, change that will result in jobs and growth for Guelph—Wellington and in all 295 ridings in this great country. As part of that mandate, Bill C-99 deserves our support.

**Mr. Andy Mitchell (Parry Sound—Muskoka, Lib.):** Mr. Speaker, I appreciate having the opportunity today to talk about the Small Business Loans Act. Obviously as a government and as a party we believe the small business sector plays an important part in the economy.

The last time statistics were compiled, in 1993, showed that 911,700 businesses in this country had fewer than 100 employees, which is actually 99 per cent of the businesses that operate in Canada. So we can see the importance of the small business sector. In fact that number represents a 30 per cent increase in the number of small businesses over the previous 11 years. Not only is small business an important part of our economy, but it is an increasingly important part of our economy.

These small businesses with fewer than 100 employees—some are micro-businesses, with between one and three employees—account for 44 per cent of the jobs. More important, small business accounts for the vast majority of the new jobs being created in this country today. As a government, we recognize that.

We as a government understand that we need to assist the small business sector, that we need to create a climate, an environment within which the small business sector can operate successfully, so it is able to be profitable. By being profitable they are able to create employment, which is the bottom line. We want to ensure employment is created. The government has done that in a number of ways. It has done it in terms of the fiscal policy. It has done it because we have addressed Canada's fiscal deficit and we have worked as a government to bring some economic order to this House.

By the end of this fiscal year we will have come close to reducing the annual deficit by half. In the last budget the Minister of Finance had a plan that would see our expenditures reduced by 19 per cent. The public service is being reduced by 14 per cent. We are bringing economic revitalization to this country and we are bringing some sanity to our economic house, but we are doing it in a way that recognizes that behind every expenditure line on the government's expenses there are real people, real Canadians. We are determined to do this economic exercise in a fair and equitable way for every Canadian.

The second area we have worked in to create a favourable climate for the small business men and women is on the regulatory regime under which they have to operate. There is no

*Government Orders*

question that if we overburden the small business men and women with regulation after regulation they spend more time doing that than they do taking care of their business, creating wealth and jobs.

Already this government has eliminated 250 regulations that have served their purpose and are no longer applicable, and we have amended another 300 plus. We are very cognizant of the need to refine our regulatory regime and we are working every day to make sure we are protecting the interests of Canadians where those interests need to be protected by regulation while at the same time making sure we do not do it in a manner that overburdens the small business sector.

• (1650)

We come to the third component of the strategy for small business, which is the issue of access to capital. The Small Business Loans Act and the bill we have in front of us, Bill C-99, deal very much with the whole issue of access to capital.

Along with colleagues in the House, I sit on the industry committee. That committee has worked for close to two years on the issue of access to capital. We have worked with the private sector, with the Canadian chartered banks and with others to try to ensure that they take measures to increase capital to the small business sector. To some extent, we have met with some small successes.

The banks listened to much of what we said and agreed that there needed to be a code of conduct that clearly outlined the relationship between the small business sector and the financial institutions. That code is now in place in all of the banks. It defines things like if a person is turned down for a loan he or she has to be told why. A reason has to be given. Alternatives have to be given. It talks about when a loan is called and the amount of time that has to be given in order to do that. It is helping to take some of the surprises away. I was glad to see that was the recommendation of the industry committee and that the chartered banks followed that.

A second thing the banks have done is put in place an alternative dispute resolution system, the ADR. Basically it is a mediation process. It gives small business men and women who have a relationship with a bank and who are not happy with what is happening with that relationship the ability to appeal what is going on to an independent panel. This is a positive step. It was long overdue. I was pleased to see that it was with the initiation again of this House through the industry committee that the banks are in fact doing that.

We still have many challenges. One of the things that we know as parliamentarians is that in order to evaluate whether or not there is sufficient lending to the small business sector, whether there is indeed proper access to capital, we need to know exactly

what is being lent and how much that is either increasing or decreasing. One of the things we have worked on in the last four to six months with the chartered banks is that they will provide statistics on how much they are lending. And that is not just a gross amount of how much they are lending, but broken down by region, by industry, and by a number of other factors, so that we as parliamentarians and representatives of the Canadian public, and in this particular case the small business community, can tell whether or not small business is experiencing a credit crunch.

One of the greatest difficulties we had in examining this issue in the last two years is we did not really have access to good statistics. We had a lot of anecdotal evidence, and when we called the banks they often said that was the exception rather than the rule. By insisting that we get these statistics, by insisting that this information be provided to us, we will have an opportunity to see not the exception to the rule but what the rule is and whether there is more capital out there available to the small business sector.

Complementing the private sector and their lending to small business, the government also has a role to play. Bill C-99 is one of several components of the government's interaction with the small business community in terms of access to capital. We have the Business Development Bank, formerly the Federal Business Development Bank of Canada, which lends to small business, we have the business development corporation that used to be part of the human resources development department and now is part of the industry department, that lends to small business in rural areas, and we have something that is a very important project, the Small Business Loans Act.

I am probably one of the few if perhaps not the only member of this House who has actually used that program as a lender—not as a borrower but as a lender. I can say unequivocally that in the 20 years I operated in a private financial institution, this program helped provide capital to the small business men and women. Indeed, there were incremental loans that happened as a result of the existence of this program. It was not simply a duplication. It was not simply providing loans that would have otherwise been made. It actually allowed for loans to be made under this guarantee program that otherwise would not have been able to take place.

• (1655)

It is an important program. It can really help people in very meaningful ways. For instance, if you are a long distance trucker and you want to buy your rig—they sometimes cost well over \$100,000—this program will help finance that. It will finance that type of equipment up to \$250,000. It will allow somebody to get into business who might not otherwise have been able to.

*Government Orders*

If you are a retailer, one of the things you have to do when opening a retail shop is the leasehold improvements in the business. This program allows for financing of leasehold improvements. That is a tough thing to get financed in the private sector. Through the Small Business Loans Act, a lot of people who otherwise might not have been able to get the credit to do that, who otherwise might not have been able to open their shops, are able to. It is because of this program and the good this program is doing.

If you are a manufacturer, often you have to go out and buy the equipment. It might be a stamp machine, a conveyer belt, some sort of equipment. Again, this program can help that business do it.

This is not, as one of the members of the Bloc mentioned before, a duplication of an existing program in Quebec, the Paillé program. That program provides credit up to \$50,000. This program provides it up to \$250,000. That program is for start-ups. The small business loan is for start-ups as well, but it also allows us to finance existing business expansion. That is an important source of new wealth creation, an important source of new job creation. Not only are we helping start-ups, but we are also helping existing businesses find capital for their expansions.

In addition, the Small Business Loans Act has a longer amortization than the Quebec program. It has a relatively short amortization of three years, whereas under the Small Business Loans Act you can amortize up to 10 years. For the small business person who is starting off with a new business or with an expansion, it is important to have that longer amortization so that the payments, at least in the beginning, can be relatively low and the cashflow can be reserved for expansion and to keep the company going in what usually are the most difficult years, either at the start-up or after an expansion.

I want to talk a little about the cost of this program. I believe government has a role in creating an environment for small business. I believe government has a role in certain circumstances to assist directly, such as in the Small Business Loans Act. I also think it is important that we do this in a way that is revenue neutral, that recovers costs and is not going to place a large burden on the Canadian taxpayer.

We have seen this work. The Federal Business Development Bank, now the Business Development Bank of Canada, has for many years worked on a mandate of cost recovery. It has to structure its programs, its guarantees, its collateral, its fees, and its interest rates so that it recovers cost. It works, and it is proven that it works.

This SBLA program now is moving along the same basis. It is going to be a cost recovery program. There is always going to be a certain amount of loss that is going to be created with any loan

program. If you lend money, you are going to have a certain amount of loss. The objective as a prudent lender is to make sure there is a provision for that loss and there is the revenue to carry that.

I know that one of the members opposite talked about the great liability that was going to be incurred by the government through this program. In a five-year time frame this program is going from \$4 billion to \$12 billion. That is \$8 billion more capital for the small business men and women of this country. That is important to remember. It is happening over five years.

• (1700 )

The potential liability is 10 per cent of \$12 billion. To suggest that is the true liability of the government, that that is what is at risk, is like going to a chartered bank and saying that the risk is the total loan portfolio. Of course we do not say that. We do not suggest to any lender that the risk is the whole loan portfolio.

What lenders do, what we are doing as a government and what the Department of Industry and the Minister of Industry are doing is figuring out through prudent assumptions that the loan loss history is likely to be based on historical data and on economic performance. It is the same thing the banks do. They make a loan loss provision and as a government we ensure that the revenue stream is sufficiently large enough to cover potential losses.

In reality it is not a burden on taxpayers. It is a cost recovery program that ensures capital is provided to the small business sector.

I will comment on a couple of things that were said about how we will go about recovering the costs. The program has always had a 2 per cent fee that is paid up front. It can either be paid in cash or it can be amortized over the length of the loan.

In doing that examination and trying to ensure that it is a cost recovery program, it was determined that additional revenues would be required. Therefore a new fee was put on, an administration fee of 1.5 per cent.

One of the members of the Reform Party was complaining that the administration fee was being passed through not as a direct fee but rather through the interest rate. A small business person will prefer that it happens that way because the fee will be paid on a declining balance, as opposed to the full amount at the time it was borrowed. In reality the fee will be less, because it is on a declining balance calculated through the interest rate, than if the 1.5 per cent was paid up front.

The minister acted prudently and in a way where business people can have some control over their fee based on the speed at which they pay back the advance. That was a good way of doing it. The minister structured it so that the banks pay the administration fee. Then they have the option to collect it from their clients. I hope the chartered banks, as part of their

commitment to helping the small business sector, would absorb a part or all of that fee.

When the plan was originally amended back in 1993 the maximum rate was 1.75 per cent, but the banks charged prime for the most part. They were anxious for the business. They went out there and they got it. Even though there was a maximum rate they did not charge it. They charged prime.

Now that we have added another 1.25 per cent or 1.5 per cent to allow for the fee and put the maximum rate up to 3 per cent, I do not understand why all of a sudden it was not good enough to charge prime or prime plus a half or prime plus one. They seem to be jacking up the rates to the maximum. I do not think that is what they should be doing. They have to take care of their profits. They have to take care of their shareholders. However I believe they have a responsibility to the small business community, and one way they can show that is by absorbing a portion of the fee.

The way they have structured the fee is appropriate. It allows for small business people to save some money through their declining balance.

In summary, it is a good piece of legislation. It is an act that has been in place for many years. It has helped a lot of small businessmen and women. There are many businesses today. All we have to do is walk down Main Street in my hometown of Gravenhurst or any other community in my riding, and I dare say in any community in any member's riding, to see businesses operating today that would not be operating if this loan program did not exist. It does its job. It creates and helps small businesses. It creates and helps employment.

Not only does it do that. With these amendments it will do it in a way that will not cost the taxpayers of Canada anything because it will be a cost recovery program. I applaud the Minister of Industry for the bill. I applaud the Minister of Industry for the changes. I know they will be good for Canada.

• (1705)

**Mrs. Dianne Brushett (Cumberland—Colchester, Lib.):** Mr. Speaker, we all know that small businesses exist throughout Canada, both in rural and urban centres.

In Atlantic Canada, small business is the backbone of the economy. It sustains the economy. The majority of small businesses, whether they are in Nova Scotia, New Brunswick or Quebec, are owned by local people employing young people and older people. The businesses have been there a long time, are part of the community and are sustainable.

My question is for the hon. member from Parry Sound—Muskoka. From his experience in the lending side of financial

institutions and his experience with the Small Business Loans Act, could he elaborate on the value of small business to the Canadian economy to ensure the money stays in Canada for Canadians and provides a sustainable economy that supports our future?

**Mr. Mitchell:** Mr. Speaker, I will try to be as brief as I can.

The hon. member makes the excellent point that small businesses tend to create employment locally, tend to purchase locally and tend to form part of the local economy. The profits earned from those businesses are retained within the community as opposed to going elsewhere.

As someone who was involved in economic development initiatives in a rural area, organizations would look for the big hit. They would look for the big 500 to 600 person plant to come in and create employment. Those days are long gone. That is just not in the cards any more, or if it is it is a rare occasion.

We have to build the local economy one small business at a time, one job at a time, and this act provides an important tool to allow that to happen in rural communities.

**Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.):** Mr. Speaker, last summer I had the opportunity of driving around with the member for Parry Sound—Muskoka. We were on a little mission called the access to capital for small business task force.

Over the past two years I have been here, I have seen that the federal government only has the capability to create the atmosphere for the creation and the enhancement of small business. We do not have the money any more to throw at jobs because of deficit reduction, et cetera. One thing we have done is establish the small business centre in Toronto to cut through the red tape.

Bill C-99 is only one part of the overview. The Federal Business Development Bank and business development corporations play very important and crucial roles in the formation and enhancement of small business.

Could the member give us any information on what is being done with them to improve that part of the overview?

**Mr. Mitchell:** Mr. Speaker, I will address a couple of examples the member mentioned. One is northern Ontario where we have a regional development fund called FEDNOR that is able to provide funding for small businesses.

One way to be creative is to combine the money from FEDNOR with the money available from the Business Development Bank of Canada. If FEDNOR is able to provide funding to cover contingencies, for example losses of 5 per cent, the Business Development Bank of Canada can lend with a higher risk profile. We are looking at taking approximately \$500,000 from FEDNOR and leveraging that through the Business Develop-

*Government Orders*

ment Bank, or through a private financial institution, up to \$20 million.

Government has the ability to use some creative tools in the way it finances and uses some of our programs. It is the same with the Small Business Loans Act that we are talking about in Bill C-99. It can work in conjunction with other credit facilities provided by private lenders. The term credit can be covered by the Small Business Loans Act and the bank or the private institution can come along and be happy to provide an operating credit. In a lot of cases we work in conjunction with various programs.

• (1710)

**Mr. Walt Lastewka (St. Catharines, Lib.):** Mr. Speaker, I take this opportunity to congratulate the hon. member for Parry Sound—Muskoka for his efforts on the bill. As part of the industry committee and as part of various task forces, he has travelled widely in Canada to receive information from small businesses.

Actual consultation with small businesses is an area that has been overlooked in the past. They do not have a large staff or a lot of money to spend carelessly. Every penny they spend in their budgets is very important to them.

My question for the member concerns communication and information to small businesses once the bill is passed. It is very important that the consulting process and improvements continue to go forward. Getting the information out to the many small businesses around the country is very important. The member might want to comment on that.

**Mr. Mitchell:** Mr. Speaker, I thank the hon. member for the question because it makes an excellent point. Not only is it important to have the programming, it is also important that the small business sector knows the programming exists and how to use it.

One initiative of the government and the Minister of Industry is the single window approach to providing information so that instead of having to go to maybe five or six different offices to gather all the information, small business people can go to one location to talk to an individual and learn the various programming aspects they need to know to help their small businesses. There are many vehicles for doing that. It can be done through chambers of commerce. Most communities have a chamber of commerce. It can also be done through economic development offices.

The idea of a single window approach to provide information to the small businessmen and women is one that we recognize as a government to be important and are working on to ensure it takes place.

**Mr. Philip Mayfield (Cariboo—Chilcotin, Ref.):** Mr. Speaker, it has been a pleasure for me to participate in the work of the Standing Committee on Industry. With a businesslike attitude committee members have gone about their work for the benefit of all Canadian small businesses and of assisting them in competing in the world economy of today.

I was particularly appreciative of the comments of the Parliamentary Secretary to the Minister of Industry regarding his concern for the amount of red tape, the paperwork and the difficulties with taxes faced by small businesses. It is with this kind of attitude we approach many of the difficulties our business people are facing with a view to assisting them to make our Canadian economy as competitive, as viable and as profitable as any in the world.

Small business is the cornerstone of the Canadian economy today. Using a definition of small business being a concern with less than 100 employees, there are about a million small businesses registered in the country. This means that small business makes up nearly 99 per cent of all business enterprises in Canada. Small business accounts for about 60 per cent of the economy's private sector output. These are substantial figures.

As well, small business entrepreneurs presently create eight out of ten new jobs. In a day when we depend on new ideas being translated into new jobs, and new products and new services being translated into a larger market share of our highly competitive business world, we do not need to argue the value of small business to the Canadian economy. Rather we need to learn how to encourage entrepreneurs to develop new ideas and new products.

• (1715)

As a nation Canada has historically been highly creative. We have learned how necessary it is to adapt to both the economic and physical environments. However, we have been less successful in taking our ideas and inventions from the laboratories and basements of entrepreneurs and getting them into the national and international marketplace.

It was extremely educational for me before I was even on the committee to attend some of the hearings and listen to the difficulties small business people were having in securing loans, securing the capital they needed to get their ideas and concerns off the ground. In some instances there were business people with many orders in their order books, ready to sell but with no money to work to produce the product. One very significant reason for this lack of success has been the shortage of loan capital, of equity capital, available to someone to take a well developed idea or an advanced product prototype and make it a commercially viable asset of the Canadian economy.

So often we have heard stories of how someone had this great invention but after years of struggle to get it marketed they

finally gave up and went to the United States where there was capital, resources and an invitation waiting, all that was necessary to make it a marketable product. These are sad stories, sad because they tell of a loss to our country not only of the product, but more important, the loss of the people who took what they had and left.

The Small Business Loans Act was an initiative by the federal government in 1961 to help remedy this situation. By and large this has been a successful intervention by the government. The Small Business Loans Act has provided a 90 per cent government guarantee to banks, credit unions and other lenders that make loans to small business people. Loans that are properly made and placed under the umbrella of this act will not be a write off to the lender if they are not repaid.

The Small Business Loans Act guarantees loans made to small business interests that qualify. There is an interest by government for which I want to offer some congratulations in supporting this sector of our economy. Today about \$6 billion in loans to small businesses is guaranteed in this manner. Under these proposed amendments to the act, the amount of money available with this government guarantee would substantially increase.

However, in the real world where not everything works out or goes quite as planned there are some aspects of the Small Business Loans Act that do need updating from past experience. There need to be corrections; there need to be some changes.

The amendments brought forward in Bill C-99 are being proposed by the government. One of the problems the government faces is there is about a 5 per cent failure rate in these guaranteed loans. Estimates are that without some means of recovering these losses, this loan guarantee program could cost the government in the order of \$100 million each year which would be an unacceptably high cost. To its credit, the government is proposing amendments to the act to rectify this problem.

One amendment would reduce the size of the loan guarantee from 90 per cent to 85 per cent. In this move the government quite properly is telling the money lenders that they have to bear some of the risk in lending to small business enterprises. This should not make a significant difference in the willingness of lenders to make loans under the Small Business Loans Act for in many instances, lenders have already said that they are including fully secured loans under this act when it is hard to explain why this need is there.

A second amendment which I support is the establishment of a 1.25 per cent annual administration fee that can be passed on to the borrower in the interest rates that are applied. It has already been said that this would increase the premium on the interest rate to about 3 per cent, which is significant. After listening to people looking for capital, it seemed to me that more often it was

### *Government Orders*

not the interest rate which was so important to them but the fundamental access to capital which they needed.

● (1720)

It is my opinion that it is completely in order for the borrower to bear some of the cost of this guaranteed loan program. The borrower is perhaps the one who will benefit most from it. When the lenders are competing with one another for loans, the interest rate is always a negotiable matter. Therefore, when competition is keen and the lender really wants to get the money out into the marketplace, the borrower may get the benefit of a loan interest rate which is significantly lower. I do not have the same difficulty with this amendment as do some other members of the House.

A third amendment which Bill C-99 would make to the Small Business Loans Act would allow a borrower who has repaid one-half or more of the loan to be released from the personal guarantee held by the lender. This would not leave the loan unsecured by any means. The collateral and physical assets held by the lender would remain in place until the loan was repaid.

Often a loan is made to a partnership and over time the partnership may dissolve. In an instance such as this, where a former partner is no longer part of the business, there may not be a strong desire to stay and there also may be a serious financial need to free the guarantor of the burden which he has taken on. These amendments would conditionally allow that to happen. They would also allow a borrower in some way to separate his or her corporate and personal interests.

My interest here is not to add more burden or more risk to the government. Far be it from that. However, with the withdrawal of the personal guarantee, the borrower is free, which allows more opportunity for the expansion of business and of commercial activity.

There is an amendment regarding a claims processing fee which is troublesome for me in that it is poorly defined. How would it be implemented? When would it come into place? These amendments need careful attention and further revision before they can be supported.

Bill C-99 has one essential flaw. The bill gives the Minister of Industry the power to make future regulation changes without the consent of Parliament. The Minister of Industry will argue that this transfer of power allows the department to act more expediently in response to the rapid rate changes of the financial markets.

Parliament could transfer every policy change away from the elected members to senior bureaucrats and ultimately to cabinet ministers. Then we would not be called a democracy, would we? This trend by the Liberal government is a very serious challenge to the authority of Parliament.

*Government Orders*

This portion of Bill C-99 must be amended to respect the rights of Canadians to have future regulatory changes soberly examined by their elected officials and not left in the hands of the executive or the bureaucrats. Without the amendment of this portion of the bill the Reform Party cannot give its support to this otherwise sound piece of legislation.

There are over 4.2 million Canadians employed by small and medium size businesses in Canada. The Canadian Federation of Independent Business recently surveyed its membership on job creation. Catherine Swift, vice-president of the organization, recently claimed that small firms and new businesses are the ones which have created all the new jobs over the past couple of years. This is an accurate claim. In the 1980s, 85 per cent of new jobs were created by small and medium sized businesses. This trend is continuing to grow as more and more Canadians explore the possibility of starting their own businesses.

• (1725)

The Liberals must make good on an election promise they made in their red book. They promised “to focus on small and medium sized businesses because they can and must be the determining factor in turning around what has so far been a jobless recovery”. By creating a more efficient financing model for small businesses, the government is becoming more responsible for the development of small and medium sized businesses in Canada. The long term financing of these businesses becomes even more assured with these cost recovery amendments.

The minister needs to amend Bill C-99 to give Parliament the right to make future regulation changes. Parliament must not give this power away. This is necessary because losing the right to make future changes could in the long run harm not only the democratic process but even the small business loans program itself.

Members of Parliament are elected to examine programs such as this one in the interests of their constituents. To lose that ability would be inexcusable. I encourage the Minister of Industry to cease seeking such executive control. With this aspect of the bill eliminated, the small businesses of Canada can get to work and access a plan that is working well and could be improved on to make its viability assured even during these highly competitive times.

**Mr. John Williams (St. Albert, Ref.):** Mr. Speaker, I am pleased to rise to speak on Bill C-99, the amendment to the Small Business Loans Act.

The summary of the bill concerns me. The bill states: “This enactment amends the Small Business Loans Act with the objective of moving the small business loans program to full cost recovery”. I thought that the whole concept of the Small Business Loans Act was for the government to try to provide some underlying guarantee of picking winners and losers,

because let us face it, it has been in that business for a long time, through grants, subsidies, contributions and giving away money by the millions and billions. As an aside, did you see my waste report where \$11 billion in grants and contributions are given away by this government every year?

Getting back to the bill, the concept of the Small Business Loans Act was to provide a guarantee to higher risk businesses that had the potential to generate jobs and economic growth. The government was prepared to underwrite that program to try to foster development. It is not a bad idea, although we Reformers always felt that a dollar in the hands of an investor was far better than a dollar channelled through a bureaucrat and back into the economy. Nonetheless, the government is now going to channel this money through the bureaucrat back into the economy on a full cost recovery basis. The first question which comes to mind is: Why are we doing this?

**Mr. Mills (Broadview—Greenwood):** That is not the bill.

**Mr. Williams:** Bill C-99, an act to amend the Small Business Loans Act, is the one I am talking about. That is the bill that is on the agenda at the moment. My hon. colleague from the Liberal Party says that is not the bill. I am quoting right from the bill. Does he not know what we are talking about right now and what the bill says? The bill states “small business loans program to full cost recovery”. Let us talk about this full cost recovery.

The government has lots of power. It is going to establish an annual administration fee to collect money from the lenders, put it in a pocket and it is going to restrict the lenders from passing on the fee to the borrowers, except through interest rates. The government is going to say to lenders: “We are going to charge you an administration fee of maybe 1 per cent or 2 per cent of the amount of money that you are lending out. You are prohibited from charging your borrower an administrative fee but you may include it as a mark-up on your interest rate”. Remember full cost recovery.

• (1730)

The lenders will have to pay to the government 1 per cent or 2 per cent of the total money they lend out. The government will take this pool of cash and reimburse the lenders who make bad choices because they are the ones who are going to collect the guarantee from the government.

I scratch my head trying to figure out the logic because I cannot find any in this particular bill. It says that the government, by skimming money off the prudent, intelligent lenders who made intelligent, prudent investment decisions are required to pay a premium to the government so that it can build up a pool of cash to reimburse the lenders who made poor and irrational decisions. It does not make sense. We are penalizing good and competent lenders and subsidizing incompetent lenders. The poor businessman does not get one nickel's worth of a break



*Government Orders*

because this is on a pooled cost recovery basis to the government.

I cannot understand the logic. That is why the Reform Party says that a dollar in the hands of an investor, a businessman, an entrepreneur, a consumer, is far, far better than a dollar in the hands of a bureaucrat. The amendments to this act are living proof of the justification of Reform Party policy.

I cannot understand the government which talks about creating jobs, jobs, jobs. I recall that was its slogan during the election. The Liberals were going to spend \$6 billion on the infrastructure program. Let us take the money, channel it through bureaucrats, lend it out or give it away to try and create jobs. It did not work.

The President of the Treasury Board appeared before the government operations committee trying to justify the infrastructure program. After spending \$6 billion, by his own admission he has created 8,000 permanent jobs. That works out to \$875,000 per job. He would have been far better off putting the money in the bank, taking the interest and giving it to the people, saying: "Do not bother going to work" because they would have had a lot more money. Ten per cent on \$750,000 is \$75,000 a year just by writing a cheque.

This type of policy is no good. It is not going to generate economic growth. It is not going to do anything for the lender. It is not going to make the lender more willing to give money to the small businessman. It is not going to make the small businessman accept any more risk because the successful small businessman is now going to end up paying an insurance premium through the lender into the government's pocket so it can bail out the guy who does not make it. That is just another tax on the competent and the successful small businessman who is trying to create jobs, pick the country up and generate some economic growth so we have a chance of digging ourselves out of the economic morass that the Liberal government and the Tory government have put us into.

The government talks about moving from this House and into cabinet the opportunity to make regulations. This is an affront to the powers of this House. We have seen a continuous and continual erosion of the powers we have in this House being passed over to the executive, to cabinet. Pretty soon the House will be an irrelevant debating society where we talk about these bills but have absolutely no control whatsoever over them.

• (1735)

If we approve this bill as it is being proposed, we are passing all the authority to cabinet. What good is that? When will the bill come back for public debate? When will we be able to find out that this bill is not working, that it is not creating jobs, except bureaucratic jobs? When? That is why this type of bill must be opposed at every opportunity.

As Reformers we believe in having accountability and responsibility. It is about time this Liberal government introduced some cost benefit analysis to tell us what in its opinion will be the outcome of the amendments it is proposing. How many jobs is it going to create in the civil service? How much is it going to cost the taxpayer? How many jobs will be created through this in the private sector? How much tax revenue will it produce? How many new jobs will it create in the small businesses that it intends to help?

Conversely, is this actually going to shut down jobs in the private sector? That is going to happen as we find it detracts from the motivation of small businessmen to borrow money through the Small Business Loans Act. The whole concept is recognizing that there are opportunities. A chance has to be taken. A risk has to be taken.

That risk is going to be avoided because the government says it does not have the money any more. It is going to skim the money off the successful entrepreneurs, channel it through the lenders back to use as write-offs on the bad loans and bad decisions. That is a dreadful decision.

In the last decade small business has accounted for the largest share of the net new job creation in the country. It employs almost half the labour force. Small businesses create eight out of every ten new jobs in Canada. They do it because of entrepreneurial spirit, not channelling money through the bureaucracy back out in some complex formula that Liberal members want to bring into cabinet so they can change and modify it if they so desire.

Give entrepreneurs freedom from rules and regulations. Give them freedom from red tape. Let them go out there and create jobs. By giving them the motivation and incentive to do so, unemployment will come down. New jobs will be created. Additional taxes will be paid without any tax increase. The deficit will come down. Our competitiveness will improve on the international stage. We will have all these things by getting the government out of the lives of small businessmen and women and not into it more at their expense.

The Department of Public Works and Government Services has found that small companies accounted for 79 per cent of the suppliers to the federal government in 1993-94 fiscal year. At least we are glad to see that the federal government recognizes that small business provides products that compete with the best in the world and are worth buying for the Government of Canada.

However, despite the excellent contribution small businesses make to the Canadian economy, the Liberals have not come through on their electoral promise to create a better environment for small business to work in.

*Government Orders*

I heard some comments from the other side of the House. I am sure they were not too complimentary on our position but I hope my remarks will cause them to think about the spirit of the bill. I would love to talk to them afterward and find out how they can see the logic and benefits in here.

• (1740)

These are the points I would like to make on this bill. I do not think that when it gets into committee and we hear witnesses—the banks that are going to be paying the fee to the government—that they will be complimentary. Some small businesses that use the program will be sceptical about why they should pay the premiums. Therefore, I hope the government will give some serious thought to redrafting the amendments to recognize that small business wants to provide the motivation.

I agree with the idea that the government should be involved in creating an environment for small business to create jobs. That is great. But the underlying philosophy here is that the government wants to be seen doing that but with the small businessman's money. On that point, I totally and absolutely disagree.

**Mr. Alex Shepherd (Durham, Lib.):** Mr. Speaker, I was somewhat astounded by the discussion of the member for St. Albert about the aspect of guarantees somehow being circulatory moneys that small business has to pay in order to support these loans.

Most of us understand the concept of bad debts. I understand the member is an accountant. We all understand that small businesses have accounts receivable and usually make provision for bad debt losses. Indeed, bad debt losses under the Small Business Loans Act have been very small. I think they average out at about 2 per cent.

The member does not seem to understand that in order for the government to protect itself from bad debt losses it needs to find a method to recover a certain amount of cash flow from successful loans. This is no different from any other normal business operation. These are the things I thought the Reform Party would applaud the government for because it is taking a business approach to lending.

The member does not seem to be able to understand the whole concept. It seems to elude him that somehow we are taking money from one pot and putting it into another at the behest of small business operators. Quite frankly, it is normal business practice and something for which the government should be applauded.

The member talked about creating jobs. This program has been around for a considerable length of time. We are now fine tuning it, allowing it to expand. The jobs the member talks about being created by the small business environment, in fact, were assisted by this program. Some of the great jobs he spoke about

which have increased over the last number of years have been as a result of the small business loans program.

The member also talked about infrastructure spending and how it is a terrible waste of government money. If we look at the public assets and the whole concept of why there is public administration in the country, it is to build certain public assets that for whatever reason businesses did not want to build, such as airports, roads, sewer systems, et cetera. The member does not seem to understand that is still a commitment of government in most places in the country and it does create jobs.

I would like to ask the member whether he understands fully the concept of guarantees and of making provision for guarantees?

**Mr. Williams:** Mr. Speaker, I will be glad to respond to the member who I understand is also an accountant.

The point I am trying to make is that the small business community is being provided this guarantee courtesy of themselves. It will have to pay for the guarantee. The successful entrepreneur will pay higher interest rates to the bank, which will in turn pay a fee back to the federal government, which will use the pot of money collected to reimburse the lenders for the bad decisions they make or for the loans that go sour and the small businessman who does not make it. The successful businessman will pay a premium to underwrite the bad debts incurred by the lenders.

• (1745)

This will no longer be an underwriting by the federal government. It states “loans program to full cost recovery”. Therefore there will be no underwriting except a great paper war by the federal government. That is the point to which I am trying to object. There is no guarantee by the federal government. It is only a guarantee to be paid by the guy who wins to pay the guy who loses.

I know that up until now the federal government has picked up the tab for the losers who have not paid back their loans, and the winners have gone on to create jobs and build this economy. Now they will be asked to do that with another chain around their legs as they try to climb up above high taxes, high interest rates which will be even higher now because they now have to pay the federal government, the high Canadian dollar and so on. How can we expect them to compete? That is the idiocy of this bill.

Getting to the member's other point on infrastructure, of course taxes pay for infrastructure. Of course we need infrastructure. However, the promise at the last election was jobs, jobs, jobs through the infrastructure program. The President of the Treasury Board said: “Six billion dollars netted us 8,000 permanent jobs”. That, by simple math, is \$750,000 per job, which is far more expensive than any job costs in the private sector.

**Mr. Dennis J. Mills (Parliamentary Secretary to Minister of Industry, Lib.):** Mr. Speaker, I was listening attentively to the member. I could not help but get frustrated when he kept referring to the small business men and women who failed as losers.

I would like to know how the member would propose that the banks, which administer this program, would choose who would get these small business loans in a way that there would be an absolutely perfect track record? What special insight or ability to judge entrepreneurship, what special formula does the member have that would allow him to never make a mistake on judging a small business person's ability to absolutely be—

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

**Mr. Williams:** Mr. Speaker, again the hon. member really has not applied his mind to the subject matter at hand.

Bankers incur losses and bad debts every year, billions worth. Their customers have to pay that through lower interest rates on deposits and higher interest rates on loans and they are required to make a profit in the meantime.

Let us take two lenders. One is a prudent lender who can make solid investment decisions and the other is careless and reckless and invests money not nearly as wisely. The one who is prudent and careful and analyses the lending applications his or her losses will be less. He or she may still have losses but they will be less.

**Mr. Mills (Broadview—Greenwood):** How do you know?

**Mr. Williams:** Because one is prudent and more careful and analyses the applications. The losses will be less. The customers will pay the premium, passed on through the interest rates. The borrower will pay a higher rate. The money will flow into the government coffers.

• (1750)

On the other side there is the reckless lender who is not too careful about the application he approves. His losses skyrocket. It will not cost the reckless lender any more money because he is reimbursed from the fund the government has. Now we are separating the risk and the reward because the prudent lender who analyses the applications will have lower losses, hence higher profits, and the reckless lender will not suffer any consequence of his recklessness with lending because he will be reimbursed by the successful entrepreneur who borrowed at a different bank.

That is the whole point I am trying to make. We are just moving this money from the successful borrower through the lender into the government's pocket to subsidize and reimburse the lender who makes the bad decisions, who lends the money to the business that may fail. That is the point I am trying to make. It is fairly clear, it is fairly simple and I hope the hon. member realizes that.

### *Private Members' Business*

**Mr. Alex Shepherd (Durham, Lib.):** Mr. Speaker, I will try this one more time. The member talks about its being a simple concept. Indeed it is a very simple concept.

In his hometown I am sure there must be an insurance broker who in his daily operations will have a provision for doubtful accounts. It is a fact in the course of doing business. That insurance broker will say: "It is a normal operation that I will lose 2 per cent to 3 per cent of my accounts receivable every year. If I were so perfect as to have a 0 per cent, I would be a very unusual business; I would be a business that did not take any risk". Small business is about taking a certain degree of risk.

Those bad debt losses within that business are shared and borne by all the other customers by definition. Therefore there is nothing strange or unusual about the government's orientation to this and I am really quite surprised the member does not understand it.

Have I made it any clearer for the member?

**Mr. Williams:** Mr. Speaker, I will try to be brief and lucid. He used the example of an insurance broker. If the broker has 2 per cent or 3 per cent of his debts go bad which he has to account for, that is fine and he builds it into his margin. However, the point I am trying to make is why should he have to build into his margin an amount of money which is channelled through the government to reimburse his competitor across the street who may be reckless and have a 10 per cent bad debt situation? That makes no sense.

[Translation]

**The Deputy Speaker:** It being 5.53 p.m., the House will now proceed to the consideration of Private Members' Business.

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## PRIVATE MEMBERS' BUSINESS

[English]

### NATIONAL HORSE OF CANADA ACT

**Mr. Ian Murray (Lanark—Carleton, Lib.)** moved that Bill C-329, an act to provide for the recognition of the Canadian Horse as the national horse of Canada, be read the second time and referred to a committee.

He said: Mr. Speaker, I am very pleased to have my private member's Bill C-329 reach the floor of the House of Commons today. Unfortunately the bill has not been chosen as a votable item, however it certainly represents a part of our history which deserves to be celebrated.

The purpose of the bill is to bring appropriate recognition to the Canadian horse, the official designation of the breed. I believe it is a symbol of Canadian heritage. I believe we should take every opportunity to celebrate those aspects of our history which make Canada unique.

*Private Members' Business*

There are several precedents for the kind of recognition I have proposed for the Canadian horse. Some years ago Parliament passed a bill which designated the beaver as Canada's national animal. Recently we recognized hockey and lacrosse as our national sports. That kind of celebration of our heritage is neither frivolous nor unimportant. We need more symbols to add to the rich tapestry which is Canada's history.

As we debate the bill today Canadians are watching with concern the debate taking place in Quebec which is so important to our future. When I introduced Bill C-329 I was well aware that the history of the Canadian horse began in New France, now the province of Quebec, and I believe if we embrace the goal of the bill it would make some small contribution to national unity.

Alex Hayward, a Canadian horse owner who lives near North Gower, Ontario, brought to my attention the idea of giving the Canadian horse national status through a private member's bill. Mr. Hayward grew up with the Canadian horse and insists "they can do everything but dance".

After researching this breed we did note in several documents that the Canadian horse was declared our national breed by Parliament on March 17, 1909. Unfortunately nowhere in the debates of Parliament could this be verified. Therefore I set out to bring some attention to a breed of horse which has worked our lands as far back as the 1600s.

The introduction of the Canadian horse to Canada dates back to King Louis XIV of France in 1665. The horses were delivered to the governor of New France at Stadacona, now known as Quebec City. King Louis felt a knight should not be without a horse, and the horses were presented as noble gifts in order to keep his colonists happy.

The exact breeding of this horse is unknown. It was not until 100 years later that accurate breeding records were kept by horse breeders. However, historians believe that the blood lines are from the Arabian, Barb and Andalusian stocks. In 1667 and 1670 further shipments of this horse were received and their numbers reached 12,000 strong by the year 1760.

It has been noted that the Canadian horse was the first to clear Canadian soil. This versatile breed cleared, ploughed and cultivated the soil. In addition they were used as carriage, riding and race horses. This small, swift, rugged and strong horse seldom reaches 1,100 pounds and is from 14.3 to 15.2 hands high. Therefore the average Canadian horse would be about five feet high.

As the years went on France was constantly at war and was unable to support its colony. For the next century and a half the horses in New France were bred and multiplied, with no outside blood lines changing the breed. However, when the British arrived in the late 1700s they brought with them other breeds of

horse. Upon arrival of the British many French settlers moved on to Manitoba and the United States and took their Canadian horses with them.

The American civil war created great demand for cavalry mounts. The Canadian horse was the right size and was well known for its tough constitution. This made it well suited to the hardship and rigours of war. Exports from Canada increased greatly and prices were very high. Many horses were killed in the war and those that survived never returned to Canada. By the late 18th century these factors threatened the continuation of the Canadian horse and so action was taken then to preserve this fine breed.

In 1885 a stud book was started to keep accurate records of the breed and in 1895 the Canadian Horse Breeders Association was formed. The federal ministry of agriculture maintained a breeding centre from 1913 until the second world war forced its closure in 1940. The Canadian horse has supplied foundation stock to many breeds, in particular the Morgan and the standardbred. It has been estimated that by 1850 half of the horses in Canada carried some trace of Canadian blood.

In *The Canadian Horse* by Gladys Mackey Beattie the strength and endurance of the breed are well described. There are recorded instances of Canadian horses trotting from Quebec city to Montreal and from Montreal to Cornwall, stopping only when their drivers needed refreshment.

Another example was noted in the *Breeders Gazette of Chicago* written in 1914: "A wood merchant, owner of Canadian horse weighing approximately 1,050 pounds, harnessed it on the same pole beside another horse, 200 pounds heavier. The Canadian horse always kept its harness traces well stretched and never showed as much fatigue as its heavier mate. After two years of common work, the heavy horse died. Questioned on the cause of this death, the driver answered 'It is the Canadian horse that made him die of overwork'. Another heavy horse teamed with the same Canadian horse died after a year and the Canadian was still in perfect condition".

● (1800 )

We should also pay tribute to that small band of Canadian horse breeders past and present, without whom this important part of our heritage would have been lost. In this respect I would like to thank Alex Hayward and his friend, the late Don Prosperine, from Dunrobin, Ontario, which is in my riding of Lanark—Carleton. Those two gentlemen decided in 1978 to become partners in a project to breed the Canadian horse. They spent a year and a half searching in Quebec for suitable specimens. From their beginning with one stallion and two mares their stock increased to 28 Canadians. Don Prosperine's son, Frank, continues the family tradition on his farm in Dunrobin where he has 18 Canadians.

*Private Members' Business*

In conclusion, I want to thank those of my colleagues who have shown an interest in this part of our heritage and who are taking part in the debate today. I also want to thank the people from across Canada who wrote their member of Parliament in support of Bill C-329. Finally, congratulations to the Canadian Horse Breeders Association as it celebrates its centennial this year.

**Mr. Monte Solberg (Medicine Hat, Ref.):** Mr. Speaker, I thank the hon. member for his words on the Canadian horse. From what I have read about this horse it seems like an outstanding candidate for the title of national horse of Canada.

The hon. member has talked about the history of this animal: how it came from France; its ability to stand up in Canada's cold weather and the varied seasons; its strength and its intelligence. All of those things are wonderful. It is a lot like Canadians in that sense. For that reason I cannot say anything against the bill. I do not have a problem with the Canadian horse or even with the concept of having a national horse for Canada.

However, I am wondering, when we are six days away from a referendum on the break-up of the country, why we are talking about these types of issues. It is an issue which the hon. member could handle in a member's statement or in a letter writing campaign. There are ways of handling these types of issues.

Frankly, when we are bringing Private Members' Business to the House of Commons, it should be a little more relevant to the national agenda. For crying out loud, in six days we are going to have a referendum about the break-up of the country. That is the type of thing members should be bringing to Private Members' Business to discuss. There is no reason in the world we could not have had a bill today regarding the devolution of powers and how that might affect Canada and the possibility that Quebec would remain in the country. There is absolutely no reason we could not have had that debate.

All kinds of excellent legislation has come from private members. That is the type of thing we should see in this hour.

We have a debt of some \$560 billion and it is going up \$90 million a day. It will be going up more now that interest rates will be spiked as a result of all the uncertainty over the Quebec referendum. To me, that is the type of thing we should reserve this time for.

Last night on television I saw that a transit worker was stabbed to death in Toronto. He was the first ever transit worker to be murdered in Toronto. This Ontario member could have brought forward legislation to deal with that type of thing.

I truly do not want to denigrate what the hon. member has done. However, I believe that Private Members' Business should be set aside for things which are more germane to the public agenda in Canada. I know that Canadians are outraged at

some of the things which are going on and that nothing is being done. We cannot prod the government to do it, so let us prod private members to do it. Let us get them to bring forward the legislation.

There are 97 or 98 government MPs from Ontario in the House. The hon. member brought forward a bill to make the Canadian horse the national horse of Canada. Fine. But a lot more essential legislation could have come forward to deal with the issues I have just talked about.

• (1805)

Would it not be great if a Toronto MP, along with 19 or 20 other Toronto MPs, brought forward legislation to deal with crime. We could point to the example of what happened in Toronto the other night, where we saw that man stabbed to death on TV. It was outrageous. We have to do something about those types of things. We cannot continue like that.

In small ways almost every day we are seeing the erosion of the rule of law, not the breakdown, but the erosion in a lot of ways. Some people are becoming so disrespectful for the rule of law. Let us have legislation to deal with that sort of thing.

Another thing we could be dealing with today and it would help the hon. member and his cause, would be to see Parliament and individual parliamentarians bring forward legislation through Private Members' Business to free up MPs to vote the wishes of their constituents on certain pieces of legislation. There is no reason in the world that we could not have legislation like there is in Britain today. They can defeat their own government's bill without bringing down the government. In other words, there would be a motion of non-confidence after defeating a specific piece of legislation.

Imagine how Canadians would feel about their House if that is what happened here. It would be astounding. It would be a revolution. People would have new confidence in this place. As politicians, I think members across the way would agree that we have a vested interest in doing what we can to improve the very poor reputation of politicians. That would go a long way to doing that.

One thing we could bring forward is balanced budget legislation. The situation today is that we are going in the hole approximately \$19 million a day. Every day that goes by we go into the hole a little further. To me that is absolutely immoral when we consider the effect it will have on our children.

I have two boys back home; one is seven and one is eleven. Many members have young children. It is really immoral for us to be living today at their expense. We must move quickly if we are to be worthy of our title as parliamentarians to make sure that comes to an end. We have to quit spending them into poverty down the road.

*Private Members' Business*

I do not want to talk for a long time. I want to say again that Private Members' Business should be set aside for very important issues, for issues that are important to the country as a whole.

I appreciate the argument that this horse is part of our heritage. I also know and the member has noted that this horse was recognized by cabinet I believe in 1909. I would argue that because of the fact that the horse already has the title Canadian horse, because of its proud history, we have certainly already given it a lot of profile. I would argue that there are other ways, through statements under Standing Order 31, through a letter campaign to other MPs, through recognition by provincial legislatures and that kind of thing that we could make the point.

I will conclude by thanking the hon. member for his initiative. I also encourage members across the way, in my own party and in the Bloc, to bring forward the best possible and most important legislation they can think of when they deem it appropriate to bring a bill forward through Private Members' Business.

[Translation]

**Mrs. Pauline Picard (Drummond, BQ):** Mr. Speaker, the bill to provide for the recognition of the Canadian horse as the national horse of Canada affects many Quebecers and particularly breeders. It is therefore a pleasure for us to represent them by taking part in this debate.

In perusing Bill C-329, we learn that the horse was sent by the King of France, was invaluable to settlers in their efforts to survive and prosper. We learn that the horse has a number of fine qualities, including strength, endurance, intelligence and good temper.

We also learn that it was nearly lost at one point through interbreeding and casualties in war. Allow me to add a few points, because I believe it is important to understand the history of this exceptional animal and see how it developed.

• (1810)

The very first horse to touch the soil in New France arrived in Quebec City on June 25, 1647. At that time it was called the Canadian horse, and there were no horses in this part of North America. The region's dense and broad forests effectively prevented crossbreeding with other types of horses. There was no possibility of interbreeding with the breeds of horse brought in by the English and by the Spaniards in the south.

It was only after 1759 that export to the United States and crossbreeding with other types of horse became a possibility, and the numbers of the purebred Canadian horse began to decrease.

Sometime around 1880, faced with the real threat of the breed's disappearance, people decided to act. Quebecers like François Pilote, Édouard Barnard and, particularly, Dr. J.A.

Couture, a veterinarian, decided to ensure the species' survival by selecting and breeding the best of the remaining horses. Dr. Couture, among others, gathered in a breed book all of the subjects combining the breed's distinctive characteristics to ensure their protection.

Thus, through this brief history, we can see that the Canadian horse arrived and was bred in Quebec. Those who raised and trained them were the inhabitants of what would become Quebec. These same people took steps to ensure that this symbol of strength and pride would not disappear from our continent.

In the light of these facts, it would be a good idea perhaps for any future recognition of this horse as the national horse to contain greater reference to Quebecers' contribution to its survival and conservation.

Furthermore, since the government of Quebec is currently considering a similar request, it seems more in keeping with history that any recognition of this breed as a national emblem should come from the Quebec National Assembly rather than from the House of Commons.

[English]

**Mr. Alex Shepherd (Durham, Lib.):** Mr. Speaker, I am pleased to enter the debate on Bill C-329 to recognize the Canadian horse.

I must admit I am not knowledgeable about horse breeding. One of my constituents brought the bill to my attention. As I read over the history of this horse in Canada, I realized it is part of our identity, part of our cultural history. The member from the Reform Party who went into great dissertation about the irrelevance of the legislation, I believe, misses the very important point that cultural identity is what makes a nation.

Looking at the history of this horse, in 1665 it originally came from the royal stables of King Louis XIV. It was situated in New France. During that time the breed strengthened and became larger until 1759 at the time of the collapse of New France.

It is interesting to study political economics. It is something I have always been fascinated with. There is always so much concern about what happened on the Plains of Abraham in revisiting our history of those days. If we were to study the history of New France prior to the Wolfe-Montcalm battles, we would discover an economy that was rampant with inflation, high debt and high unemployment. It is interesting that these are some of the very problems we have today.

After the collapse of that economy, many French speaking people of New France left the province. They went to Manitoba.

• (1815)

Do we see any similarities between some of these things and some of the debates that are happening in our House today? The Canadian horse typifies Canada itself, often struggling against tremendous forces of nature and social situations, sometimes

becoming almost extinct, and from the brink of that extinction fighting back, becoming stronger, becoming more proficient.

I often like to view art. The members of the Reform Party do not seem to have much interest in art. If we go to the National Gallery we will see a number of paintings there by Cornelius Krieghoff. Cornelius Krieghoff of course was not a Quebecer, but he painted at the time of New France. In those pictures you will constantly see the Canadian horse. That is very much part of our cultural identity. That is also why it is very important that this nation continue to exist, because we have something very special to protect. A horse clearly cannot run on three legs. The Canadian horse is not just part of Quebec; it is part of all of Canada.

As a previous speaker has mentioned, there is quite a breeding operation not far from the Hill, in North Gower. When I read the background of this horse, that also rang a familiar bell with me, because the last time I went horseback riding was in North Gower.

In conclusion, in looking at the struggles this horse has been through, it is very appropriate that he is called the Canadian horse. More important, it is incumbent upon us in this House to look at those things that make us a nation rather than those things that divide us.

The struggle for Canada in this part of North America has not always been easy and has often been met by trials and tribulations and indeed death. Often our concern in this country was to protect ourselves from the Americans south of the border through wars and now even the consistency of cultural identity in Canada. We continue to resist the imposition of American culture in our society and we continue to strive for the dominance that is Canada's culture. This horse is a symbol of that.

I am very happy to support this bill. I want to remind some of my colleagues in the House that we must always fight for a united Canada.

**Mr. Murray Calder (Wellington—Grey—Dufferin—Simcoe, Lib.):** Mr. Speaker, it is indeed a pleasure to have this opportunity to speak on the bill before the House by my colleague from Lanark—Carleton, Bill C-329, an act to recognize the Canadian horse as the national horse of Canada.

The history of this breed is impressive. The Canadian horse was introduced into Canada in 1665, when the King of France sent horses from his own stables to the people in his North American colony. The breed thrived and multiplied in its new home from 145 head in 1679 to over 5,000 in 1720, in that short period of time.

The history of the Canadian horse is also the history of Canada's agricultural pioneers. These animals became an invaluable ally to the settlers in their efforts to survive and prosper in their new homes.

### *Private Members' Business*

I want to talk about this for a minute, because I found it very interesting. When the member from the third party was here he said we should be talking about more important things in the House right now. We have a motto on my farm back home. The motto is very simply this: mindful of the past, planning for the future. It goes to show members how important our history is to us in this country. If we have no past, we really do not have much to look forward to in the future.

• (1820)

In these days of tractors and modern machinery, when a farmer goes out to plough his field he hops into a 100-plus horsepower tractor that is pulling anywhere from six to ten furrows behind him in an air conditioned cab. He is listening to the radio and the markets as he is doing his job. However, back in the days of the Canadian horse, a farmer went out and had a single furrow in front of him, the horse in front of him, the reins around his neck, two hands on the handles, and he went out ploughing.

Today, with the equipment we have we can plough 15 to 20 acres a day. Back then, a farmer ploughing a field with a horse in front of him could do two acres a day. Members might be interested to know that for every acre he ploughed behind a horse he had to walk 10 miles. For the farmer to do two acres a day he would walk 20 miles. I should be getting more exercise like this.

The horse has always been there. I come from Grey county in Ontario. When the surveys of Grey county were first being done there were two surveys. One was called Rankin and the other was called Trainer. The distance from Owen Sound down to Hamilton is about 150 to 180 miles. When these gentlemen were setting out the surveys to lay out the townships and the roads and everything in the early 1800s, which does not seem all that long ago, the fields were not there. It was all covered with forests. These gentlemen came with backpacks and horses from Owen Sound. They worked their way down and set up food caches all the way through. They came from Hamilton and worked their way up so they could start to do these surveys. The surveys took quite a while.

When the surveys were done, of course, there was still a forest to clean away so we could get into agriculture with open fields. The horse was there again. The farmers were cutting down trees and were using horses to pull those trees and stumps away.

This summer I was up in Collingwood, which is part of my riding. They have a fair called the Great Northern Exhibition. They show horses. It is part of our heritage, our past. I watched and handed out trophies this year for the horse pulls. It is a very competitive atmosphere.

In my own village of Holstein, we have a Santa Claus parade every year. One of the prerequisites to be in that parade is to have a horse-drawn float. There are Mennonites and Old Order Mennonites in my area who use horse-drawn equipment, the horse and buggy, the democrat. Maybe the pages do not know

*Private Members' Business*

what a democrat is. It is a long wagon affair with a number of seats in it, which a sizeable family can sit in. Some of these families have eight to ten kids, all behind the horse.

In the Depression years our family lived on a farm. We had a large stand of timber on the farm and we sold wood. How did we get it to town? We hauled it with a horse. This was all part of agriculture.

The Canadian horse is known for its strength and endurance. There have been a number of historical accounts of the horse's performance and ability to outperform animals of much greater size. I am talking about Belgians and Percherons, horses of that kind, which are sizeable horses when you get beside them. Never get stepped on by one. I did when I was a child.

One story tells of a butcher who hooked his Canadian horse to a buggy and travelled 250 kilometres from Quebec City to Montreal in less than 12 hours, outracing the overnight steamer that was racing against him to collect an unpaid bill.

There was another account from the *Breeder's Gazette* of Chicago in 1914. I think the hon. member touched on this, but I will say it again, because we have to show how good the Canadian horse is. It is not very often that we in this House beat our own drum on how good we are as Canadians. I think we should do it more often. The Canadian horse is a good example. A wood merchant was the owner of a Canadian horse weighing approximately 1,050 pounds. He harnessed it to the same pull against another horse about 200 pounds heavier. The Canadian horse was always kept in its harness traces, well stretched and never showed as much fatigue as his heavier mate. After two years of common work the heavier horse died. "The question on the cause of death", the driver answered, "is the Canadian horse made him die of overwork".

• (1825)

That goes to show how good this breed is that we are trying to recognize as something that is Canadian. Canada should be very proud too because as a united country we are number one in the world today. Again I have to stress the fact that my colleague from the third party seems to miss this point. I find it unfortunate that he and my Bloc colleagues they do not understand how good they have it right now.

Despite its qualities the Canadian horse almost faced extinction through inbreeding and neglect. In 1886 a few admirers banded together to establish a breed registry or a stud book listing all the purebreds.

In 1907 a second book was opened and the federal department of agriculture funded a panel of judges to survey approximately 2,500 horses, out of which only 969 were acceptable and

registered as foundation stock. That is how close we were to losing the Canadian horse.

Between 1913 and 1981 the federal and Quebec governments launched programs to maintain the breed. However, in 1976 with only 383 Canadian horses left on record, once again the horse was destined to disappear. This is what the hon. member across was talking about, this resiliency of Canadians. We bounce back. We will bounce back. We always do bounce back. The Canadian horse is a good example of this.

During the past 10 years there has been a resurgence of interest in the breed. People are rediscovering the little iron horse. Is that not a great way of describing a symbol of Canada, the little iron horse. It is a gentle hardworking breed, an intelligent, multi-purpose horse. There are breeders in my riding of Wellington—Grey—Dufferin—Simcoe that have written to me to proudly describe these animals, which is one of the reasons I am here today supporting the member's bill.

This bill provides us with an opportunity to celebrate this uniquely Canadian horse. We owe much to it for its hard work in developing this country and I encourage all the members to support this bill.

**Mr. Gurbax Singh Malhi (Bramalea—Gore—Malton, Lib.):** Mr. Speaker, I am very pleased to rise today to speak in favour of Bill C-329, an act to provide for the recognition of the Canadian horse as the national horse of Canada.

Since their introduction into Canada in 1665, the "little iron horses" have served Canadians well. Not only were they used for driving and riding but they were also used for clearing land, cultivating and hauling. They may have begun their lives as pampered pets in the royal stables of King Louis XIV but once they were shipped to Canada they had to earn their keep.

The early history of the Canadian horse in some ways resembles that of the colonists themselves. In her pictorial history of the Canadian horse, Gladys Mackey Beattie notes that due to natural selection, only the strongest managed to survive. The conditions under which they had to exist gave them endurance found in no other breed.

Over time the horses became smaller in size than the original imports, but they were much more hardy, could thrive on meagre rations, trot tirelessly through mud or snow by day or night, matured at an early age and were long lived as well. Many stories are told of the strength and stamina of the little horses who could eat less but do more work than other horses almost twice their weight, and they could run. The record books of the 1800s are full of references to record times of the pacers and trotters descended from Canadian horses.



• (1830)

The historian, Faillon, described the horse as “small but robust, hocks of steel, thick mane floating in the wind, bright and lively eyes, pricking sensitive ears at the least noise, going along day or night with the same courage, wide awake beneath its harness, spirited, good, gentle, affectionate, following his road with finest instinct to come surely to his own stable”. What fitting attributes for a national symbol.

Another reason to recognize this uniquely Canadian breed as our national horse is its need for protection and encouragement. Throughout history, despite its strength and stamina and sometimes because of it, this little horse has often been in real danger of extinction. After 1670, the last year that horses were shipped to Canada as gifts to nobility, the 40-odd horses in New France multiplied. Their numbers reached 5,200 by 1720 and 12,000 by 1760. However when the British captured Quebec in 1759 the fortunes of the Canadian horse began to decline. British immigrants brought their own horses and bred them to the durable little Canadians, depleting the purebred stock.

Many French Canadians packed up and moved away to Manitoba or the United States, taking their horses prized for their cross breeding qualities with them. From 1861 to 1865 thousands of Canadian horses were shipped to the U.S. to be used as cavalry mounts and pack horses during the American civil war. A great many died in the war and those that survived never returned to Canada.

By the end of the 19th century only a small number of pure blooded Canadian horses were left. Despite breeding programs only 383 registered Canadian horses were on record as of 1976, and the future of the breed seemed pretty dark. Since the late

*Private Members' Business*

1970s determined Canadian horse lovers and breeders who believe it is a perfect all-purpose family horse have increased the numbers to the point where the breed is no longer in danger of disappearing.

As gentle, relaxed and intelligent as they are, some breeders believe they will be in greater and greater demand for tourist activities from endurance trail rides to pulling visitors through the narrow streets of our oldest cities.

However until now the horse that can “do everything but dance” has certainly not received the recognition and honour it deserves. The little iron horse was an integral part of the lives of Canadians more than 300 years ago, working alongside our first colonists and doubling as carriage horses for the family and race horses on Sundays and holidays.

All in all it is what J. G. Rutherford, federal veterinary director and livestock commissioner, reportedly testified before a parliamentary committee in 1909 when he said that it was “the best general purpose horse raised in Canada”.

It is high time we recognize it as Canada's official national horse and I thank my hon. colleague from Lanark—Carleton for bringing it to the attention of the House.

**The Deputy Speaker:** There being no further members rising to speak on the matter, the time provided for the consideration of Private Members' Business has expired and the order is dropped from the Order Paper.

It being 6.35 p.m., the House stands adjourned until tomorrow at 2 p.m.

(The House adjourned at 6.35 p.m.)

# CONTENTS

Tuesday, October 24, 1995

## ROUTINE PROCEEDINGS

<b>Government response to petitions</b>	
Mr. Milliken .....	15729
<b>United Nations Organization</b>	
Mr. Ouellet .....	15729
Mr. Bergeron .....	15730
Mr. Mills (Red Deer) .....	15731
<b>Committees of the House</b>	
<b>Industry</b>	
Mr. Godfrey .....	15732
<b>Agriculture and Agri-Food</b>	
Mr. Pickard .....	15732
<b>Petitions</b>	
<b>Financial Institutions</b>	
Ms. Whelan .....	15732
<b>Rights of the Unborn</b>	
Ms. Whelan .....	15733
<b>Human Rights</b>	
Ms. Whelan .....	15733
<b>Gun Control</b>	
Ms. Whelan .....	15733
<b>Income Tax Act</b>	
Mr. Szabo .....	15733
<b>CFB Chilliwack</b>	
Mr. Strahl .....	15733
<b>Questions on the Order Paper</b>	
Mr. Milliken .....	15733

## GOVERNMENT ORDERS

<b>Cultural Property Export and Import Act</b>	
Bill C-93. Consideration resumed of motion for third reading .....	15733
Ms. Guarnieri .....	15733
Mr. Solberg .....	15735
Ms. Guarnieri .....	15738
Mr. Harvard .....	15739
Mr. Maloney .....	15743
Mr. Szabo .....	15745
Mr. Loney .....	15746
Mr. McTeague .....	15748
Mr. O'Reilly .....	15749
Mr. Milliken .....	15750
Mr. Mills (Broadview—Greenwood) .....	15751
Ms. Skoke .....	15753
Mr. Richardson .....	15755
Ms. Whelan .....	15755
Mr. Szabo .....	15755
Mr. Maloney .....	15758
Mr. Richardson .....	15758
Ms. Whelan .....	15758
Division on motion deferred .....	15760

## STATEMENTS BY MEMBERS

<b>Quebec Referendum</b>	
Mrs. Chamberlain .....	15760
<b>Privacy of information</b>	
Mr. Mayfield .....	15760
<b>Canadian unity</b>	
Mr. Reed .....	15761
<b>United Nations</b>	
Mr. English .....	15761
<b>Chéticamp Community Radio</b>	
Mr. LeBlanc (Cape Breton Highlands—Canso) .....	15761
<b>Free Trade</b>	
Mr. Sauvageau .....	15761
<b>Canadian unity</b>	
Mr. Grubel .....	15762
<b>Canadian Citizenship</b>	
Mr. Bonin .....	15762
<b>Quebec</b>	
Mr. Bélair .....	15762
<b>Financial Markets</b>	
Mr. Leroux (Shefford) .....	15762
<b>United Nations Organization</b>	
Mr. Bélanger .....	15762
<b>Referendum Campaign</b>	
Mr. Harper (Calgary West) .....	15763
<b>Referendum Campaign</b>	
Mr. Duhamel .....	15763
<b>Quebec Sovereignty</b>	
Mr. Bergeron .....	15763
<b>Quebec Referendum</b>	
Mrs. Ringuette—Maltais .....	15763

## ORAL QUESTION PERIOD

<b>Referendum Campaign</b>	
Mr. Gauthier .....	15763
Mrs. Robillard .....	15763
Mr. Gauthier .....	15764
Mrs. Robillard .....	15764
Mr. Gauthier .....	15764
Mrs. Robillard .....	15764
Mr. Duceppe .....	15764
Mrs. Robillard .....	15764
Mr. Duceppe .....	15764
Mrs. Robillard .....	15765
<b>The Economy</b>	
Mr. Manning .....	15765
Mr. Martin (LaSalle—Émard) .....	15765
Mr. Manning .....	15765
Mr. Martin (LaSalle—Émard) .....	15765
Mr. Manning .....	15765

Mr. Martin (LaSalle—Émard) .....	15765
<b>Canadian Dollar</b>	
Mrs. Venne .....	15766
Mr. Martin (LaSalle—Émard) .....	15766
Mrs. Venne .....	15766
Mr. Martin (LaSalle—Émard) .....	15766
<b>Justice</b>	
Mr. Hanger .....	15766
Mr. Gray .....	15766
Mr. Hanger .....	15767
Mr. Gray .....	15767
<b>Canadian Dollar</b>	
Mr. Loubier .....	15767
Mr. Martin (LaSalle—Émard) .....	15767
Mr. Loubier .....	15767
Mr. Martin (LaSalle—Émard) .....	15767
<b>Gun Control</b>	
Mr. Ramsay .....	15767
Mr. Rock .....	15767
Mr. Ramsay .....	15767
Mr. Rock .....	15768
<b>Canada Social Transfer</b>	
Mrs. Picard .....	15768
Mr. Martin (LaSalle—Émard) .....	15768
Mrs. Picard .....	15768
Mr. Martin (LaSalle—Émard) .....	15768
<b>Canadian Reserves</b>	
Mr. Cannis .....	15768
Mr. Collenette .....	15768
<b>Mining</b>	
Mr. Strahl .....	15769
Ms. McLellan .....	15769
Mr. Strahl .....	15769
Ms. McLellan .....	15769
<b>Canada Social Transfer</b>	
Mr. Caron .....	15769
Mr. Martin (LaSalle—Émard) .....	15769
Mr. Caron .....	15769
Mr. Martin (LaSalle—Émard) .....	15769
<b>Gun Control</b>	
Mr. Breitreuz (Yorkton—Melville) .....	15770
Mr. Rock .....	15770

<b>Quebec Referendum</b>	
Mr. McWhinney .....	15770
Mr. Ouellet .....	15770
<b>Research Periodicals</b>	
Mr. Laurin .....	15770
Mr. Gerrard .....	15770
<b>Canadian Broadcasting Corporation</b>	
Mr. Solberg .....	15771
Ms. Guarnieri .....	15771
<b>Environmental Protection Act</b>	
Mr. Taylor .....	15771
Mr. Manley .....	15771
<b>Presence in Gallery</b>	
The Speaker .....	15771

## GOVERNMENT ORDERS

<b>Small Business Loans Act</b>	
Bill C-99. Motion for second reading .....	15771
Mr. Gray .....	15771
Mr. Mills (Broadview—Greenwood) .....	15771
Mr. Caron .....	15775
Mr. Schmidt .....	15778
Mrs. Chamberlain .....	15782
Mr. Mitchell .....	15784
Mrs. Brushett .....	15787
Mr. Calder .....	15787
Mr. Lastewka .....	15788
Mr. Mayfield .....	15788
Mr. Williams .....	15790
Mr. Shepherd .....	15792
Mr. Mills (Broadview—Greenwood) .....	15793
Mr. Shepherd .....	15793

## PRIVATE MEMBERS' BUSINESS

<b>National Horse of Canada Act</b>	
Bill C-329. Motion for second reading .....	15793
Mr. Murray .....	15793
Mr. Solberg .....	15795
Mrs. Picard .....	15796
Mr. Shepherd .....	15796
Mr. Calder .....	15797
Mr. Malhi .....	15798



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