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OFFICIAL REPORT
(HANSARD)

Thursday, October 28, 1999

Speaker: The Honourable Gilbert Parent

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HOUSE OF COMMONS

Thursday, October 28, 1999

The House met at 10 a.m.

• (1005)

Prayers

ROUTINE PROCEEDINGS

• (1000)

[*English*]

GOVERNMENT RESPONSE TO PETITIONS

Mr. Derek Lee (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 five petitions.

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COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Mr. Derek Lee (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I have the honour to present the fourth report of the Standing Committee on Procedure and House Affairs regarding the associate membership of the Standing Committee on Human Resources Development and the Status of Persons with Disabilities. If the House gives its consent, I intend to move concurrence in this fourth report later this day.

* * *

CANADA LABOUR CODE

Hon. Claudette Bradshaw (Minister of Labour, Lib.) moved for leave to introduce Bill C-12, an act to amend the Canada Labour Code (Part II) in respect of occupational health and safety, to make technical amendments to the Canada Labour Code (Part I) and to make consequential amendments to other acts.

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

COMPETITION ACT

Mr. Roger Gallaway (Sarnia—Lambton, Lib.) moved for leave to introduce Bill C-276, an act to amend the Competition Act, 1998 (negative option marketing).

He said: Mr. Speaker, I am pleased to give first reading this morning to this bill, which would amend the Competition Act to deal with negative option marketing.

I would point out that this bill dovetails with a report released by Industry Canada under the office of consumer affairs which identifies this type of marketing as being the area in which a number of industries have targeted growth. This is simply intended as a measure of consumer protection.

I would also point out that this bill is in the same form as Bill C-393, which existed on the order paper at the time of prorogation. I would ask, pursuant to Standing Order 86(1) and 92(1), that it be reinstated at the same stage at which it existed at the time of prorogation.

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

The Deputy Speaker: The Chair is satisfied that this bill is in the same form as Bill C-393 was at the time of prorogation of the first session of the 36th Parliament. Accordingly, pursuant to Standing Order 86(1), the bill is deemed read a second time and referred to the Standing Committee on Industry.

(Bill read the second time and referred to a committee)

* * *

CITIZEN-INITIATED REFERENDUM ACT

Mr. Ted White (North Vancouver, Ref.) moved for leave to introduce Bill C-277, an act to provide for the holding of citizen-initiated referenda on specific questions.

He said: Mr. Speaker, this bill, which would provide for the holding of citizen-initiated referenda on specific topics, took about two and a half years to prepare during the last parliament.

Routine Proceedings

I introduced it during the first session of this parliament. It was drawn but made non-votable and, therefore, I refused to have it debated. I have put it back into the system again to wait for my name to be drawn and, hopefully, next time it will be made votable.

The bill is constructed from the best experiences of California, other United States, and New Zealand, which has a similar democracy as our own and allows citizen-initiated referenda.

I hope this time around the committee will see fit to make it votable.

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

* * *

CANADA ELECTIONS ACT

Mr. Ted White (North Vancouver, Ref.) moved for leave to introduce Bill C-278, an act to amend the Canada Elections Act (appointment of election officers).

He said: Mr. Speaker, one of the most distressing aspects of the present elections act, and frankly the new Bill C-2 which is presently before the House, is that most of the field officers for Elections Canada are political appointees of the parties. In other words, it is patronage ridden.

Elections Canada does not even advise emerging democracies or third world countries to work under such a system.

This bill, when adopted, would get rid of the patronage in Elections Canada and allow the chief electoral officer to select his own staff.

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

* * *

CANADA ELECTIONS ACT

Mr. Ted White (North Vancouver, Ref.) moved for leave to introduce Bill C-279, an act to amend the Canada Elections Act (election expenses).

He said: Mr. Speaker, this bill, when adopted, would remove the ability of political parties and candidates to get the taxpayers to subsidize their election activities. Consistent with Reform policy, it would remove the reimbursement provisions of the elections act which returns taxpayers' money to political candidates and parties.

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

* * *

COPYRIGHT ACT

Mr. Steve Mahoney (Mississauga West, Lib.) moved for leave to introduce Bill C-280, an act to amend the Copyright Act.

He said: Mr. Speaker, I am pleased to introduce this bill. Currently in our education system when a teacher wants to use a document to teach his or her students and they need to photocopy it they are in violation of the Copyright Act.

• (1010)

This would not infringe upon an author's ability to have his material in the classroom. In fact, I believe it would enhance it. It would indeed support our education system at a time when it needs all the help it can get with its limited resources.

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

* * *

DIVORCE ACT

Mr. Roger Gallaway (Sarnia—Lambton, Lib.) moved for leave to introduce Bill C-281, an act to amend the Divorce Act (child of the marriage).

He said: Mr. Speaker, the objective of this bill is to declare that a child who has reached the age of majority is not a child of the marriage within the meaning of the Divorce Act by reason of only being enrolled in a program of studies at the post-secondary school level. Accordingly, a court would not be able, except for some other reason, to make a child support order in order to cover all or part of the child's post-secondary expenses if the child has reached the age of majority.

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

* * *

COMMITTEES OF THE HOUSE

PROCEDURE AND HOUSE AFFAIRS

Mr. Derek Lee (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I move that the fourth report of the Standing Committee on Procedure and House Affairs, presented to the House earlier this day, be concurred in. The report has been signed by each of the party whips in accordance with the standing orders.

(Motion agreed to)

* * *

PETITIONS

IMMIGRATION

Mr. Ted White (North Vancouver, Ref.): Mr. Speaker, as I have been doing for the last few days, I am presenting yet another petition from people in North Vancouver and West Vancouver who point out to parliament that the recent arrival of ships bearing illegal Chinese migrants to Vancouver Island has underscored how illegal immigration is one of the most serious issues facing Canada today and that bogus refugee claimants cause undue hardship for honest bona fide refugees fleeing genuine political persecution.

Supply

The petitioners call upon parliament to enact immediate changes to Canada's immigration laws governing refugees to allow for the deportation of obvious and blatant abusers of the system.

This petition contains 520 signatures.

THE CONSTITUTION

Mr. Cliff Breitkreuz (Yellowhead, Ref.): Mr. Speaker, I am pleased to rise to present a petition signed by people from the town of Grande Cache in the riding of Yellowhead.

The petitioners pray and petition that all references to the name of God and to the supremacy of God should remain in the constitution and in the charter of rights.

* * *

[Translation]

QUESTIONS ON THE ORDER PAPER

Mr. Derek Lee (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 Deputy Speaker: Is that agreed?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[Translation]

SUPPLY

ALLOTTED DAY—AIR CANADA

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ) moved:

That athis House reaffirms its desire to maintain the provisions of section 6.1(a) of the Air Canada Public Participation Act limiting ownership of the capital stock of Air Canada by any person or group to 10% of the voting shares.

• (1015)

Mr. Bob Kilger (Stormont—Dundas—Charlottenburgh, Lib.): Mr. Speaker, after discussions with the representatives of all of the parties, I believe that you will find unanimous consent for the following motion:

That, at the conclusion of the debate on today's Opposition motion, all questions necessary to dispose of this motion be deemed put and a recorded division be deemed requested and deferred until Tuesday, November 2, 1999, at the expiry of the time provided for Government Orders.

The Deputy Speaker: Does the chief government whip have unanimous consent to introduce this motion?

Some hon. members: Agreed.

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

Some hon. members: Agreed.

(Motion agreed to)

[English]

Mr. Derek Lee (Parliamentary Secretary to Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I rise on a point of order. There have been other discussions among the House leaders and I think you would find unanimous consent for the adoption of the following motion. I point out that the wording of this motion is identical to the wording of a motion passed by the House earlier this week governing speaking times. I move:

That, during today's sitting the member proposing a motion on an allotted day shall not speak for more than 20 minutes, following which, a period not exceeding 10 minutes shall be made available, if required, to allow members to ask questions and comment briefly on matters relevant to the speech and to allow responses thereto, and immediately thereafter a representative of each of the recognized parties, other than that of the member proposing the motion, may be recognized to speak for not more than 10 minutes, following which, in each case, a period not exceeding five minutes shall be made available, if required, to allow members to ask questions and comment briefly on matters relevant to the speech and to allow responses thereto.

The Deputy Speaker: Does the hon. Parliamentary Secretary to the Government House Leader have the unanimous consent of the House to propose the motion?

Some hon. members: Agreed.

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

Some hon. members: Agreed.

(Motion agreed to)

[Translation]

Mr. Stéphane Bergeron: Mr. Speaker, on a point of order. I would like to draw it to your attention that the hon. leader of the Bloc Québécois will share the time allowed him with his colleague from Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans.

Mr. Gilles Duceppe: Mr. Speaker, the question we are debating at this time is a very important one: the future of air transportation in Canada. On November 8, Air Canada shareholders will be asked to vote on a purchase bid from Onex Corporation.

In order to properly understand the present situation fully, we need to go back a number of years, to seven or eight years ago. The government of the day, and the one that followed it—the current government—told us over and over again how important it was to have two national air carriers.

The Bloc Québécois indicated on numerous occasions that the policy being pursued by the government was doomed to failure,

Supply

leading possibly, potentially, to bankruptcy for one, if not both, of the companies. Yet the government continued its market intervention policy, sinking millions of dollars into it, but was still unable to get one of the two carriers, Canadian, out of the mess it was in. It was a waste of money.

The minister we have today, he who had already done enough damage at National Defence, committed the same errors of intervention. He committed the same error of not making a stand and he did not propose a solid, logical and rational framework. So money was wasted.

He promised us a business plan. We have seen what happened. Only this past August did he finally say "We need only one carrier if we are to be competitive".

• (1020)

Yet all those years he intervened, blocking Air Canada's access to routes to Air Canada when the demand was there, always in the name of healthy competition, which was being maintained artificially by the investment of millions of dollars in Canadian International Airlines.

At that time we said the real danger was most definitely that American carriers would seize control of all air travel in Canada, for one company as much as for the other. The outcome has proven us right. American Airlines intervened in Canadian International, and even has a veto on major company decisions, thus proving that the true control of Canadian is indeed in the hands of American Airlines.

We had said that such a policy would be disastrous for regional transportation in small communities throughout Canada and Quebec. Once again, we have turned out to be right. Service is not, is no longer, what it was. Prices have gone up, despite this supposed competition, at an alarming rate. It costs more to fly from Montreal to the Magdalen Islands than it does to fly from Montreal to Paris. It is downright ridiculous and it is hurting regional economies.

Yet the need for just one national carrier was apparent if we looked at what other countries were doing. There are only two countries without such a policy: the United States—and everyone will agree that the economic, geographic and demographic situation, especially in the United States, is very different from ours—and Japan, which also has a very different situation. In all other countries, there is a single national carrier for international flights because there is already competition internationally.

Regional competition must be maintained, of course, perhaps by changing the charters of certain companies. I am thinking of companies such as Royal and Air Transat, which could handle regional transportation and would encourage the involvement of small companies providing entirely satisfactory regional service. I

am thinking of Air Montréal, which is now offering fares from the Magdalen Islands to Montreal at half the cost of the major carriers.

But now the minister is changing his tune. He is telling us that we must follow market rules. He now worships market rules, and we have seen some divine interventions. The hand of God has taken on a Liberal form, and we have a Liberal puppet being operated by a corporation, which just happens to be contributing heavily to the Liberal Party. Here, we see the Liberal hand at work, and instead of talking about market rules, they should talk about speculators' rules, because this is what it is about.

These people do not care about the quality of transportation, about American control, about the importance and the development of regional economies. They are only interested in their stocks, they want what will bring them the highest return after the minister's divine intervention. This minister now wants to change the rules in mid-game. We were told yesterday that there are rules. A minister is responsible for rules. But this minister, through meetings with Onex attended by himself or his subordinates, is suggesting that the rules might be changed.

It is as if a referee in a hockey game were to change the size of the nets to accommodate the team he favours. We see it this morning—the editorial cartoons in the newspapers are very eloquent—this is not a minister, it is a corporation's puppet. He makes astounding leaps of logic when he tells us about what will come after the shareholders' decision—and let us not forget that the current offer made by Onex involves two corporations with more than the 10% limit, namely American Airlines with 14.99% and Onex with 31%. People will vote on that proposal even if the rules provide a 10% limit.

Then the minister asks us to think about the need to change the rules. Logic—I would say honesty—dictates that we debate the rules, we establish the rules before the game begins, so that subsequently all of the players may be on the same footing, instead of telling them "Begin the game, my friends, and if things do not go well for you, I will change the rules along the way".

• (1025)

That is exactly what the minister is doing at the moment. The scenario was written ahead of time. The government had discussions with Onex; it intimated that they could go ahead and make their bid, since it would change the rules to please them. The minister can then play hero here, saying that 31% is far too much and perhaps it should be 15% or 20%.

Onex will then say that the minister has the public interest at heart, an interest that, more often than not, is confirmed at benefit suppers. The rules are being bent, so the company will accept the minister's decision.

Supply

That is hypocrisy at its finest, especially since, in 1981, if memory serves, on the rule of 10%, those opposite were opposed to the Caisse de dépôt et placement du Québec owning more than 10% of Canadian Pacific shares.

The argument raised by Pierre Elliott Trudeau was that it was unconstitutional for a provincial corporation to have more than 10% of the shares of a national corporation. The same thing is happening today, and what would have been unconstitutional for a province is apparently no longer so for a private individual.

And yet, other companies like Petro Canada and Via Rail have such rules. Last year, during the debate on the banks, this same government said "Do not touch the 10% clause, it is in the public interest". And what about the public interest today? What is parliament's role? Is this a "cronies' republic" or are we under the control of the people's elected representatives? There is democratic icing over a layer of nepotism in this matter. That is what the minister is doing now.

This is why we are proposing the rule of 10% be maintained. We can debate it later on. And, if the rules have changed, there may be other offers, but changing the rules in mid-game is unacceptable. This is giving preference to one offer over the other, whereas one is legal and the other is not.

Mr. Michel Guimond (Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, BQ): Mr. Speaker, I am very pleased to speak on this very important motion brought forward by the Bloc Québécois, to the effect that this House reaffirms its desire to maintain the provisions of section 6.1(a) of the Air Canada Public Participation Act limiting ownership of the capital stock of Air Canada by any person or group to 10% of the voting shares.

As members know and as, in my opinion, the leader of my party explained in great detail earlier, it is up to us, the parliamentarians directly elected by the people, to those who received a mandate from the citizens of Quebec and of Canada, to shed light on this issue.

Therefore, it is up to us to shed light on this issue, as the transport minister himself has deliberately kept us in the dark, especially since August 13, when he announced, with his colleague, the Minister of Industry, by his side, that he was suspending section 47 of the Transportation Act, hence keeping the Competition Bureau out of the picture.

Talk about democracy. I think it has to be pointed out that, with this decision, the federal government put the review and consumer protection roles of the Competition Bureau on hold for 90 days. Instead of that, the situation has become extremely confusing for the ordinary person because of this suspension.

• (1030)

Yesterday, we heard about certain memos in a question addressed to the minister in the House. We heard particularly about a memo from Onex management to the company's directors dated August 11, two days before application of section 47 was suspended. I will not read that memo, but it said basically that the company had to get a clear commitment from the government before going any further with its plans, particularly with regard to various administrative constraints.

A close look at the minister's presentation before the Standing Committee on Transportation, on Tuesday, and a close look at this memo helps us understand. I will say a few words about the minister's presentation, where he talked about encouraging competition. Basically, nobody is against good principles such as encouraging competition, nobody is against sainthood. However, people do not always behave on this earth in a way that will lead them to sainthood.

The government, through the Minister of Transport, tells us it wants to encourage competition as much as possible. "As much as possible" is pretty vague. In the end, the government may say it was not possible to do more than it did and we will just have to be satisfied with that. It also said it will take legislative and regulatory measures to this end. Then it goes on to say "The Competition Bureau will undertake a thorough examination of any proposal in terms of competition".

Which means what? This suggests—and we will see the relevant legislation and regulations—that the government may be tempted to reduce the Competition Bureau to a mere advisory role, a simple role of offering an opinion, rather like some others, for example the ethics adviser. Everyone is familiar with the ethics adviser. When we did things up, the answer we get is "Oh yes, we have checked it out with the ethics adviser".

By seeking extraordinary powers, the minister wants to downplay the role of the Competition Bureau, which has already proven itself in connection with certain decisions the government wanted to take. Let us not forget that the Bureau blocked Ultramar's planned acquisition of Petro Canada. It was blocked because we had a competition watchdog that said "The interests of Canadian consumers might be affected".

This week, a most interesting letter by former minister Marc Lalonde was printed in *Le Devoir*. I need not tell you, Mr. Speaker, given your years of experience in this House, that Mr. Lalonde does not have the reputation of being a sovereignist, or a supporter of the Bloc Québécois or the Parti Québécois. Marc Lalonde is a former Liberal minister. The title he gave to his article in *Le Devoir*, which has a reputation as a most serious newspaper, was the following "The 10% rule: in the public interest".

Supply

Certainly the Minister of Transport, yesterday, tried to downplay Mr. Lalonde's intervention in the debate by commenting "Yes, but he is the counsel for Air Canada". Nonetheless, Mr. Lalonde has considerable parliamentary experience and can see very clearly that there are two bids before the Air Canada shareholders, one from Onex and the other from Air Canada.

It is extremely important to clarify at this point that the Air Canada offer complies fully with current legislation and regulations. The Air Canada offer calls for no changes to the level of foreign investment, the 25% rule, or to the 10% limit on individual ownership of Air Canada.

On the other hand, there is the Onex bid, which would require both the 25% and the 10% rules to be raised.

• (1035)

Under Onex's offer, which is now on the table, American Airlines' share of Air Canada would increase from 10% to 14.9%. I would like the members of this House and those listening at home to remember this figure of 14.9%. This is no coincidence, and perhaps the Liberal majority on the Standing Committee on Transport would be seriously tempted to come and call for 15%, since this has been allowed elsewhere, such as in the case of CN.

Another feature of the Onex—American Airlines proposal is that the president of Onex came right out and said that American Airlines would be putting up \$750 million to buy Air Canada. The president of Onex would like us to believe that, even though it is offering \$750 million, it will not be trying to exercise control and will not have a right of veto.

My question is this: Is American Airlines a philanthropic institution? Is it a charitable institution? Do those listening to us today think that a capitalist, American company is putting \$750 million into saving Canadian Airlines for the sheer pleasure of it? Is that likely? I think the answer is obvious.

No one believes the minister. He is the only one who believes what he is saying. The leader of my party quite rightly mentioned Bill S-31. We will be coming back to this bill again during this opposition day.

Since time is moving along quickly, I would like to point out that we see Liberal members from Montreal's West Island, particularly the hon. member for Lac-Saint-Louis and the hon. member for Vaudreuil—Soulanges, who opposed the Onex proposal and supported Air Canada.

I would like to know why they do not come to the Standing Committee on Transport and say so. This committee is sitting right now. Today was our eleventh meeting since early last week. Why do these members not come before the committee? The simple answer is that they have been gagged.

In closing, I would like to move an amendment. I move:

That the motion be amended by adding after the word "reaffirms" the following:
"clearly"

The Deputy Speaker: The debate is now on the amendment.

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, I am pleased to take part in this debate on a motion moved by the hon. member for Laurier—Sainte-Marie.

This motion deals with one of the components of the policy framework on the restructuring of the airline industry in Canada, which I have tabled before the Standing Committee on Transport and the Senate Standing Committee on Transport and Communications two days ago.

[*English*]

The tabling of the policy framework that I made available the other day marks the beginning of the second phase of the government's effort to ensure that any eventual restructuring of the Canadian airline industry takes place in an orderly matter and with adequate means for ensuring that the public interest is met.

Since August 13, when the governor in council put in place the section 47 order, both Air Canada and Canadian Airlines, and any interested third parties, have had the freedom to develop and discuss any proposal which might lead to a conditional agreement.

• (1040)

Under this special process, three proposals have been advanced and two of them are currently on the table. Both these proposals present a private sector solution to the problems facing the airline industry.

[*Translation*]

The document I have tabled earlier this week lists a number of issues on which I seek the advice of my colleagues. The first issue is the one we are discussing today.

The government is asking the members of these committees to examine whether increasing the present 10% limit on Air Canada shares would contribute to a more vibrant Canadian controlled airline industry.

The motion before us today is to the effect that this 10% limit should not be changed. The government has not decided yet whether it should be changed or not. We believe the question should be a matter for debate in Parliament.

[*English*]

The policy framework which I made available this week situates the debate in a larger context. I think the hon. member for Laurier—Sainte-Marie has forgotten that. There is little doubt that we face a consolidation of the airline industry and the emergence of

a dominant carrier, whether by means of a merger through common ownership or by other means. This has given rise to widespread concerns regarding the lessening of competition.

It is for that reason I solicited the advice of the commissioner of competition on August 30. He gave that advice this week. I would publicly like to thank him again for the consideration he has given to our proposals and to tell him, through you, Mr. Speaker, that we are guided by his report.

The vision that we have for the airline industry as we enter the 21st century is one that is safe and healthy, one that is owned and controlled by Canadians and one that serves all parts of Canada at fair prices and that is capable of competing with the biggest and best airlines in the world.

[*Translation*]

Our vision for the next century is that of a Canadian airline industry that will be safe and vibrant, owned and controlled by Canadians, serving all parts of Canada at fair prices and able to compete with the biggest and the best airlines in the world.

[*English*]

In articulating this vision and delivering this vision to Canadians, I want to make one point absolutely concrete here today, and that is the safety standards of the Canadian airline industry, which are admired throughout the world, will not be compromised one inch by the proposal that we have before us.

[*Translation*]

There is another very important factor in this debate. Fundamental to the identity of Canada is its linguistic duality. It is a reflection of Canada's unique culture and values that Canadians be able to rely on the national air carrier for service in either official language.

The government will ensure that the Official Languages Act continues to apply in the case of Air Canada or any future dominant carrier, and that the Act is effectively implemented.

Let me now turn to some specific elements in the policy framework.

[*English*]

The policy framework that I outlined clearly affirms that the government will ensure that the Canadian airline industry remains owned and controlled by Canadians. There will be no change to the legislative framework in this area. The 25% limit on foreign voting shares in any Canadian carrier will not be changed. The requirement to be controlled in fact by Canadians will not be changed.

The Canadian Transportation Agency has the statutory obligation to carry out an examination as to whether or not any proposal

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that comes forward does in fact meet effective Canadian control requirements.

[*Translation*]

The policy framework recognizes that Air Canada is subjected to another limit that only applies to that corporation, namely the 10% limit on Air Canada's voting shares that a single shareholder, Canadian or non-Canadian, can own.

Although this provision has ensured that this former crown corporation has been widely held, some have argued that this reduces shareholder influence.

• (1045)

As I said on Tuesday, the government is prepared to consider increasing the limit—and only to consider increasing it—to a new level to be decided following input from parliamentarians—after debate here, in this House and in the Senate, for example—if such a measure contributes to achieving a healthy, Canadian controlled airline industry.

We are pleased to take part in today's debate. However, we hope that the issue will be thoroughly reviewed by the committees of the House and the Senate in the weeks to come.

[*English*]

I would want the debate to include the question of whether preserving the 10% limit is part of the consideration of the public interest. One could argue that the best means of ensuring that the public is protected is through legislation and regulation, and not through the 10% rule.

The policy framework puts emphasis on addressing the issues which are of paramount concern to Canadians. In addition to Canadian ownership and control there are competition concerns, in particular predatory pricing, airport access, ticket pricing, continuation of service to small communities, and the rights and concerns of employees. All these matters must be taken into consideration.

[*Translation*]

Finally, I remind you that the government intends to introduce legislation very soon which will give it permanent authority over the review of any merger or acquisition affecting Air Canada or Canadian Airlines which is concluded from now on.

This formal review process, which is being put in place because of the importance of the airline industry to Canadians and to our economy, will involve the three elements of government oversight which are needed to fully capture the public interest.

The Competition Bureau will review specific proposals with regard to competition issues; the Canadian Transportation Agency will review proposals to ensure air carriers remain controlled in fact and in law by Canadians; and the government itself will ensure that transportation public policy concerns are addressed.

Supply

This process puts the final decision to approve a merger or acquisition with the governor in council on the recommendation of the Minister of Transport.

If a merger or acquisition is found to comply with the requirements to be owned and controlled by Canadians, as determined by the agency, the Minister of Transport will formulate the recommendation for approval, taking into account the extent to which the carrier has made undertakings to address the remedies negotiated with the Competition Bureau, and the conditions necessary to meet public policy objectives.

[*English*]

These are the cornerstones of the framework, but some work remains to be done before this framework can put into effect. That is why we have the debate in the committees. It is going on right now. It is going on in the Senate. We want to know the views of parliamentarians and we want them to reflect upon the conditions that we will extract from any new entity to protect the public interest.

Yesterday the leader of the New Democratic Party took issue with the 10% rule. We have this today with the leader of the Bloc Québécois. I want to know why they are taking sides in a corporate debate. This government is not taking sides in a corporate debate.

We want the shareholders of public traded companies in the private sector to determine what is in their best economic interest, and then the government and parliament will determine if that agreement is in the public interest.

We will look at service to small communities. We will look at pricing. We will look at competition. We will look at Canadian control. We will look at how it affects the rights of workers, but I can assure the House that the government will protect the public interest so that all Canadians have an enviable travel system with strong air competition as we go into the 21st century.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, nevertheless, it is stretching credibility to be told that the minister did not interfere in this, and that the opposition parties are interfering. Let him just read this morning's papers and look at their political cartoons, he will see how things really are.

I would like to ask him whether it is not a bit illogical to allow this offer, this debate among shareholders, to take place under a certain number of rules, while telling them that they could be changed.

• (1050)

Is this not raising share prices at this time? What if the MPs decided the 31% in the Onex bid was way too high, and that the

limit would be 15%, and what if Onex could not comply with that, does the minister not realize share prices will drop drastically as a result, and people will make a quick profit? Does he not realize that speculators will be able to gamble not once but twice, provided they get rid of their shares before such a decision is reached?

At that point, there will be a dramatic drop in share prices and some people will pay dearly as a result. Does the minister not realize that it is more logical to debate the 10% rule—as I am prepared to do—before the offers are made, not at the same time as they are being made.

I would have liked to ask the minister to give me an example of a case where such a thing has happened.

[*English*]

Hon. David M. Collenette: Mr. Speaker, the hon. member kindly referred to cartoons. We in public life are used to being the butt of criticism. I know that the hon. leader of the Bloc Québécois has had the same experience with cartoons.

I have said for the last year that we would consider any regulatory or statutory change if it improves the health, viability and stability of the Canadian airline system. We repeated that on August 13 when my colleague, the Minister of Industry, and I brought forward the section 47 order.

It is incumbent upon us to give every flexibility for the private sector to come forward with a solution. That is what we are doing, but we are not pronouncing on that particular issue. We are saying that we will consider raising that particular limit.

Ms. Val Meredith (South Surrey—White Rock—Langley, Ref.): Mr. Speaker, I want to ask the minister about the changes he is anticipating to transfer the powers from some agencies to himself in making these decisions.

Why is he not using parliament's authority for that rather than the minister's? I take exception that he is leaving parliament and parliamentary committees out of the decision making process.

Hon. David M. Collenette: Mr. Speaker, with great respect, my friend has it all wrong. The fact is that the Competition Bureau will be very much involved in examining any merger and in negotiating with any successful applicant in the normal way. The Canadian Transportation Agency will be doing its statutory duty in seeing whether or not any proposition meets Canadian control regulations.

There are other issues that the agency and the bureau cannot deal with. They do not have the legislative competence to deal with these issues. Only parliament can deal with them. That is why we are proposing, in the sanctioning of any new agreement with respect to a dominant carrier, to have that enshrined in legislation so that the protections the Canadian public want will be in

Supply

legislation which will be debated in the House. Parliament, on this entire issue, will have the last word.

Mr. Nelson Riis (Kamloops, Thompson and Highland Valleys, NDP): Mr. Speaker, I have two very serious questions to put the minister. I appreciate his speech this morning.

One thing I have not heard in the discussions of the proposed merger is the people of Canada, through the Government of Canada, taking an equity position in a new airline to ensure decision making at the board. Is this something the minister would be open to? If not, why not?

Second, if there is a concern across the country it has to do with the jobs that will be lost. What safeguards would the minister provide us today that those jobs will be protected to the extent which is humanly possible?

Hon. David M. Collenette: Mr. Speaker, we have no intention of taking an equity stake in any of the airlines. The government got out of the airline business in terms of ownership some years ago, and we do not intend to go back. We intend to create the framework so that it can be a private sector solution which we will sanction through parliamentary measures and statute to ensure the public interest is maintained.

One of the key elements of that is to extract conditions in any deal that comes forward so that workers are indeed dealt with fairly and their rights are respected.

Ms. Val Meredith (South Surrey—White Rock—Langley, Ref.): Mr. Speaker, it is a pleasure to shed what I would suggest is the light of day on the motion of the Bloc to reaffirm the maintenance of the 10% limit on ownership of the Air Canada Public Participation Act.

• (1055)

It would appear to be a straightforward motion, but there seems to be a lot of emotion and intrigue behind why the Bloc would choose today to put the motion before the House. I would like to look at some of the reasons the Bloc might have done so.

I would like to know whether the Bloc is putting the motion forward because of its strict adherence to the laws of the land. I would assume from comments given by the Parti Québécois justice minister recently that Quebec would simply ignore the supreme court's decision on separation if it chooses. We know that separatists do not really have a lot of attachment to the laws of the land, so that cannot be it.

I wonder if it is because they truly believe it is in the best interest of the Canadian travelling public. I sincerely doubt that, because if the current situation were identical, with the exception that Air Canada was headquartered in Winnipeg, members can rest assured

that the Bloc Québécois would either be in favour of changing it or indifferent to the 10% limit.

The real reason, I would suggest, that Bloc members are so concerned with this 10% ruling is that they see its removal as a threat to Air Canada. If the elimination of the 10% rule would be acceptable, what would be next? Would it be the clause that requires the headquarters of Air Canada to remain in Montreal? Even though the Onex proposal has ensured that the new Air Canada headquarters would be in Montreal, the BQ knows that it cannot trust what a boss who is based in Toronto has to say. The BQ wants to ensure that the status quo remains with Air Canada.

It is only with Air Canada that the BQ wants the status quo to remain. The BQ makes no secret of the fact that it wants Quebec to separate from Canada, that it wants Canada's national airline to remain untouched in Montreal, but it does not want Montreal to remain in Canada.

Let us think about this. Canada may have one national airline situated in a city that does not want to remain in our country. Let us think of the chaos that would be created if the Bloc got what it wanted and Quebec no longer was part of our country. We have two national airlines today and all of a sudden we would end up with no national airline. That is the ludicrousness of this kind of argument and this kind of emotional attachment that the Bloc seems to have to the 10% rule.

I would suggest to Canadians and to the Bloc that the 10% rule should never have been there in the first place. It is not the government's role to dictate to corporate Canada and to a private-public shareholding company in Canada, a domestic company, what limit shareholders should have. It is not the government's role to put those kinds of attachments to any kind of arrangement. Nor should any other control be placed there other than foreign ownership.

The crisis today is a drop in the bucket of what the crisis tomorrow will be if the Canadian government and the Parliament of Canada do not deal with the situation of trying to maintain the status quo. The status quo will not work. We have to look at options and we have to be open to look at all options. That means the government has to remove those things that should not have been there in the first place which restrict the ability of the private sector to look at the options and to give different ways of solving the situation we find in the Canadian airline industry.

I question, as members can tell from some of my previous comments, the sincerity of the Bloc Québécois in putting the motion on the table today and the reasons why it feels it is important to restrict the choices of the House of Commons, parliament and the government in looking at a solution to the crisis in the airline industry and to moving into the 21st century with a positive vision of what Canada and what Canadian airlines can offer the international community.

Supply

• (1100)

It is that kind of narrow-minded vision that the Bloc Québécois has of Canada and its role internationally and its position with one another and how we can work together. That narrow-minded vision creates the situations we face day in and day out in the international community.

I have great concern that the Bloc has brought forward a motion of this nature now to complicate what is already a complicated situation. I hope the House will determine not to support it and to move on with the discussions over this industry's situation. I hope we will look at all options and not limit it to one simply because of a mistake that governments in the past have made in trying to control private enterprise in the country.

Certainly as a free entrepreneur, as somebody who believes in the open market, I find that any control that a government places is not good enough. I hope in future deliberations on how we will help the industry through regulations and legislative change, that we will not move backward to a regulatory industry.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Mr. Speaker, really, we have heard our fair share of contradictions from the Reform Party.

My colleague said that the free market had to be considered and that business decisions had to be made on the basis of cost effectiveness. I would remind her that, again this morning, it is being said that, with its financial difficulties, Canadian would have a hard time making it to next spring if the situation did not change. For years now, the government has been trying, through various ploys, to help Canadian hold on, while it kept sinking every year. This is the first point I want to make on what my Reform colleague said.

The second point is as follows. Could she explain—because Reform members are not short of contradictions in their speeches—how it is that last year, in the debate on the reform of financial institutions and the banks in Canada, no Reform member on the Standing Committee on Finance opposed the retention of the rule on 10% of the stocks of a financial institution being held by one shareholder?

How is it that, in the case of the banks and financial institutions, the Reform members fought with the Bloc Québécois to retain the rule of 10% in order to prevent Canadian financial institutions from falling into the hands of Americans, among others, and that today it does not apply to air transportation? Is she picking up the failings of the Minister of Transport and supporting Canadian at all cost?

[English]

Ms. Val Meredith: Mr. Speaker, I am not trying to promote any airline. The member confuses foreign investment and 10% rules in domestic markets.

I do not agree with the 25% foreign limit. That should be open as well. There are other Canadian controls in place that would allow it. They have been used in other areas.

We cannot confuse a 10% limit in a domestic investment with a 25% limit in a foreign investment market. The member is confused.

The member says that the Canadian government has tried to support Canadian, and I will not argue that. But if he is trying to suggest that there has been a level playing field, then he is way out to lunch.

Air Canada was a government owned airline. Air Canada had the taxpayers build it tarmacs, hangars and provide it with equipment. Until 1979 Air Canada controlled 75% of the continental traffic. It was controlled by legislation for Air Canada. It had a preferred airline status until 1979 and beyond. Canadian taxpayers made it possible for it to operate in a somewhat efficient manner and it not need government help to the same degree that Canadian did.

• (1105)

I would argue that both of our Canadian airlines are under heavy competition with the U.S. because of high fuel taxes, high airport fees and other high costs imposed upon them by the Canadian government and the Canadian economy which the Americans do not have.

I would suggest that the member's comments which imply that Canadian is getting favoured status do not acknowledge that Air Canada has been a favoured airline for generations in this country. There never has been a level playing field.

Ms. Bev Desjarlais (Churchill, NDP): Mr. Speaker, my hon. colleague comments on the Bloc preference for Air Canada. I do not think there is any question in this issue that once again we have drawn east-west lines within Canada. One thing I can honestly say with regard to the Bloc members is that at least they are up front about separation and about standing up for Quebec. I have a really hard time listening to Reform members who are willing to sell out Canada at every single turn.

The 10% rule was put in place to ensure broad participation in Air Canada after it was taken from being a public company and privatized. Even the U.S. would not go about doing the things which Reform suggests. The Americans would not allow total takeover of their systems. They do not allow cabotage within the U.S., but the Reform Party thinks it is totally okay in Canada and would allow the U.S. to come in.

I want Quebec to remain a part of Canada, but at least the Bloc members are up front.

Supply

Ms. Val Meredith: Mr. Speaker, the Reform Party has never excluded Quebec.

I would like to suggest that the member is out of line in saying that we think the United States should come in and take over our airline industry. That has never been our comment.

Our comment is that there have been instances internationally which show that a foreign company can offer competition. The commissioner of the Competition Bureau has offered that as a suggestion he felt should be considered for competition. It was not the Reform Party. Other people have looked at this and have put those options on the table for consideration. We should be looking at all options, not looking at it from a narrow-minded singular position.

Ms. Bev Desjarlais (Churchill, NDP): Mr. Speaker, I am pleased to rise on behalf of the New Democratic Party in support of this motion. I hope in this debate today that we can convince the Liberal government to support this motion as well.

This debate is not about which airline merger, if any, is the right thing for Canada. It is about something much more basic than that. It is about ethics in government. It is about getting the government to uphold the laws of this country. In effect this motion is asking the Liberal government to uphold the law.

We have a law in Canada called the Air Canada Public Participation Act. The law prevents any Air Canada shareholder from owning more than 10% of the company's stock. It is perfectly reasonable to expect the government to uphold the law. That is what governments are supposed to do; that is their job. Normally we would not think we would need a motion in the House of Commons just to get the government to do its job, but in this case we do.

Since this airline crisis in Canada began, the Liberal government has not done its job. The airline industry is vital to our country. In a country as large as Canada with a population spread from coast to coast, a strong, healthy, affordable airline industry is a necessity. It is the government's job to make sure the airline industry serves the public interest, not the shareholders alone.

It is the government's job to stand up for Canadians, Canadian communities and Canadian jobs. The government is not doing that. Instead, the Liberals have been flying by the seat of their pants making things up as they go along. The Liberal government's slow reactions have created uncertainty and made a bad situation worse.

If Canadians should be able to count on the government for one thing, they should be able to at least count on it to uphold the law. It should be a given that everybody in Canada has to follow the same set of laws, the same set of rules, but the Liberal government has not been doing that and has not ensured that that is done.

The Liberals are talking openly about changing the laws to accommodate their friends. I wonder if it has something to do with the \$74,000 which Onex gave the Liberal Party and Liberal candidates, including the Prime Minister, in the 1997 election. I wonder.

• (1110)

What I do know is that so far Onex has not played by the same set of rules as everyone else. The whole situation is incredible. First Onex tabled its complex takeover bid just days after the Liberal government conveniently suspended the Competition Act, removing the Competition Bureau's power to review a merger. We heard the Competition Bureau yesterday indicate that the reason this was done was that more than likely it would not have met the test of the Competition Bureau.

I do not know how Onex knew that the Liberal government was going to suspend the Competition Act. Maybe Onex consulted a psychic. More than likely Ronald Reagan's is no longer busy now, so it is taking up some Reform and getting into that type of business.

It is incredible that this company is making a takeover bid, all the while assuming that the Liberal government will change the law for it. Think about it. The Onex takeover bid is technically illegal under the Air Canada Public Participation Act but Onex has just said, "That's okay. The Liberal government will just change the law for us". That is like saying we are going to steal something because we expect the law to change to make that legal.

I have known for a long time that the Liberal government is under the thumb of some big businesses but this is a new low even for it. I said earlier that this debate is about ethics. Obviously the Liberal government has none.

The government is supposed to be a neutral arbitrator. It is supposed to be the one to stand up for Canadians. Instead it suspended the Competition Act to pave the way for its friends and campaign contributors. Now the government says it is going to change the law to make an illegal takeover bid legal. It is completely unethical.

I do not want to sound like I am being critical of Onex. I am critical of the process the Liberal government has followed. Instead of being a neutral arbiter and putting the interests of Canadians first, the Liberal government has bent over backward to change the rules for one bid. First it suspends the Competition Act and now it is threatening the 10% ownership limit.

People are probably asking why we need the 10% ownership limit. Think for a minute about the name of the act we are talking about, the Air Canada Public Participation Act. The two key words are public participation. The whole point of the 10% ownership is to keep any one shareholder from getting a stranglehold on the company. Air Canada is supposed to be a public company.

Supply

Remember that for years Air Canada was an extremely successful crown corporation. The taxpayers of Canada paid for Air Canada. It is clear now that privatizing it was a terrible mistake, a mistake driven by the Mulroney government ideology instead of the public interest. Air Canada belonged to the people of Canada and it was thrown away.

The Liberal government is throwing away the principle of public participation. Public participation is basic democratic value. No wonder the Liberal government is trying to get rid of it. It is in the business of eroding our basic democratic values.

Raising the ownership limit above 10% will open the door for one investor to get a stranglehold on the airline. We cannot allow this to happen. We cannot allow something as important as our national airline to fall under that kind of control. We must keep the ownership of our national airline as broadly based as possible.

What is more, we must bring in a modern regulatory regime to protect the interests of Canadian communities, Canadian jobs and the travelling public. Deregulation got us into this mess and only deregulation will get us out of it.

After 10 years of deregulation we have been left with higher ticket prices, lower wages and less service to remote communities. It is unthinkable that we could allow deregulation to continue in a monopoly situation.

Yesterday I was shocked to hear the Competition Bureau indicate that one of its success stories was that of Canadian Airlines prices and the American Airlines investment. That was its success story. Here we are today, because of the situation Canadian Airlines is in, and that is because competition was all that was looked at. There are things more important than just competition.

One group the Liberal government has completely ignored in the whole mess is the airline employees. The transport minister's policy framework was vague on the issue of protecting workers. All it really says is that workers should be treated fairly.

We have seen how the government treats workers fairly in Canada. In spite of pay equity legislation we have had to spend 15 years fighting the Liberal government fighting the law on pay equity. That means nothing coming from the Liberal government which, as we have seen over the last six years, does not know the meaning of the word fair.

• (1115)

Workers in the airline industry do not trust the Liberal government. They deserve concrete commitments that there will be no involuntary layoffs. No worker should have to lose his or her job because the Liberal government has run our airline industry to the ground.

Time and time again the Liberal government has put the interests of friends ahead of the interests of Canadians.

I have touched on many issues in my limited time here today, but the debate comes down to one crucial question: is the Liberal government going to uphold the law or not? Is it going to do its job as the government? This is the moment of truth for the Liberal government. It is a chance for it to stand up and say "Yes, we will uphold the law. We will stand up for Canadians. We are going to stop the special treatment". The Liberals can do that if they support the motion and commit not to raise the 10% ownership limit.

This is one of those moments when each and every Liberal MP is going to have to look in the mirror and ask themselves who they were elected to serve. For the sake of the Canadian airline industry, I hope they make the right decision and join my fellow New Democratic Party MPs in supporting the motion to keep the public in the Air Canada Public Participation Act.

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, I listened to the member for Churchill very carefully.

The issue here is not of upholding the law. It is whether parliament, in its wisdom, should change the law. What we said the other day was that we were asking parliamentarians whether we should even consider changing the law. We should put the entire debate in the proper context.

Is my hon. friend saying that all laws are immutable and should never be changed to reflect changing circumstances in society? Is she saying that we should not even consider changing the law?

I will point out that Air Canada itself was the first to put in a proposal on August 22 under the auspices of section 47 of the Canada Transportation Act. We then had another offer which is currently on the table. This shows that the process the government has followed has worked.

Ms. Bev Desjarlais: Mr. Speaker, I am not suggesting for a second that at any point there may not be a need to change laws.

However, I think it is totally correct to say that we abide by the laws that are there. If the laws change then those laws go into place. In this case there is no credibility in the whole process that is taking place because the law that is in place is not being recognized by one of those offers. It is the process that is the problem. It is going outside the realm of the law.

If the law should change and there is a bid that comes in to that effect, so be it, but that is not the case here. There are too many things that are inconsistent here and leave some question as to whether there has been some influence that is not in the best public interest.

Supply

Mr. John Finlay (Oxford, Lib.): Mr. Speaker, my question is similar to the minister's in that my understanding is that we have not decided to change anything yet.

I am sure the hon. member does not want us sitting in this place simply reading old laws and saying that they will do. We will be changing the law in the Nass Valley for the Nisga'a people who have made an agreement after 20 years. If we stay with the Indian Act we will not be making that change. We will have to do that. We will have to do the same thing with the airline industry.

Is my hon. friend saying that there is not a problem with one of our national carriers?

Ms. Bev Desjarlais: Mr. Speaker, there is no question that there would appear to be a problem with one of the national carriers. For that reason the transport committee was studying it prior to the June recess.

As I indicated to the minister, let us be very clear, I recognize fully that at times laws will have to change. It is not acceptable to anybody that somebody will play outside the rules of the law before the law is changed. Imagine if we have not signed the Nisga'a treaty and we allow everything to happen that is in the treaty before it is passed through legislation. How on earth is there any credibility to the laws of Canada if we allow those things to take place?

• (1120)

Mr. Bill Casey (Cumberland—Colchester, PC): Mr. Speaker, I am pleased to stand in support of the motion to prevent the government from changing the 10% Air Canada Public Participation Act to increase the available participation by any single entity. This is all being done in the middle of one of the most controversial issues we have going on in Canada and we should not be discussing this. This should not be thrown into the middle of the debate.

We have a great debate now about the future of our aviation industry and the process we are using is nothing short of crazy. This industry involves thousands of employees, dozens of airlines, hundreds of airports and communities. They will all be involved.

Even though this industry has evolved over 60 years, the minister established the criteria on August 13 that we have 90 days to restructure an entire industry that affects thousands of people and many communities in the country. It is absolutely ludicrous that we could even get a handle on the situation. In the middle of that, he throws in a proposal to maybe change the 10% public participation act on Air Canada.

It does not make sense. The process has been mismanaged from the beginning. It must be ratcheted down so we can get a handle on this very serious issue that affects so many people, so many communities, so many airports and so many employees.

Throughout the 90-day process, the minister has been changing the rules. First, he brought in section 47 which changed the rules completely for the first time and removed the Competition Bureau from the entire debate. He then changed the rules again and invited the bureau to come back in, only he gave it a very narrow focus, not the focus it was supposed to have and not the ability to do the job it was legislated to do which was to analyze competition in the interest of consumers and businesses. He wanted it to just analyze the one dominant airline theory. He did not give it the opportunity to look at all areas or to come up with other suggestions, he just focused on his one proposal.

We missed a tremendous number of proposals and we missed all kinds of opportunities to hear other proposals that might be more effective and more practical than the two on the table now. The whole thing has been mismanaged from the beginning.

We missed great opportunities when the minister confined the Competition Bureau to just look at his vision of the future for the aviation industry in Canada. He did not tell the Competition Bureau that he wanted it to look at all the possible permutations and combinations for restructuring the aviation industry in the interest of consumers and business. He took that legislated right away from it and instead instructed it to confine its study to only one dominant airline theory, and that is his theory. We again missed a number of opportunities there.

The Competition Bureau did an incredible report but it was confined and restricted only to the parameters allowed by the minister. If he would have opened up the parameters and allowed the Competition Bureau to consider all options, we would be looking at more options today. If at the beginning of the 90-day process the minister had announced that he was going to change the 10% public participation act, I believe we would also be looking at more proposals and other options would be on the table.

Let us go back to August 13. When the minister announced he was invoking section 47, we had 90 days to come up with an answer. On day one, if the minister had announced he was going to change the 10% public participation act, I believe there may have been other investors, other aviation companies and other proposals put on the table. However, when they looked at this they said that because of the Government of Canada law they would not put a proposal on the table.

On day 74 of 90 days, incredibly, he announced that he was going to change the 10% rule, or at least consider it. That left 16 days for a company, an investor, a group of investors or consortiums to come up with a package involving \$6 billion. That was not possible in 16 days. They could not get the approval of the boards of directors. They could not even meet their legal requirements. By not announcing the 10% proposal in the beginning, he precluded a whole lot of options. By announcing it on the 16th, he left it too late for anybody to respond to it or take advantage of it except for one of the applications or proposals that was already in place.

Supply

I feel very strongly that the minister has failed to manage this process right from the very beginning.

• (1125)

Competition is the number one issue we hear about from consumers and people who have appeared before the committee that is reviewing the situation. The two proposals on the table now do not provide the discipline supplied by competition, the discipline for competitive air fares, air flights and schedules. Neither one of these proposals provides that competition.

We may have missed opportunities that could have supplied that competition. The Competition Bureau was restricted from analyzing that aspect of it and looking at other options that might be available. The Competition Bureau was restricted to only looking at the dominant carrier approach, which is the minister's approach.

Another serious issue is regional service. In the minister's five principles that he brought out on day 45 of the 90-day process, one of the principles he stated very clearly was that regional service must be guaranteed. The problem is that even if the airlines agree to provide regional service, some of the airports that have recently divested under the divestiture program are not viable.

We had testimony at our committee that 10 to 15 airports in Canada now are not making ends meet. They are no longer viable. We also had testimony from the Onex-American Airlines-Canadian Airlines proposal to say that revenues to those very airports that are not viable now will be reduced. How can we assure regional service if the airports cannot survive?

The problem is that there is no policy on this. There is no policy on anything. We asked the minister the other day in committee if he had a dual airline policy. There is no dual airline policy nor is there a single airline policy.

We asked about the 10% increase, although on August 13 it was not discussed or mentioned. There was no policy then. On day 74 of the 90-day process, he came up with a proposal that maybe there would be a policy on the 10% increase, but again, no policy.

At the standing committee and ad hoc committee we have had academics, flight attendants, airline representatives, travel agents and consumer groups. Every one of them complained that the cart is before the horse.

The academics say that any organized government would have an aviation policy, especially a country like Canada where aviation is so important. The government should establish policy and the private sector should make its proposals to meet those parameters.

In this case the government wants the proposals first and then it will establish policy. It is exactly backwards. In my opinion it is

complete mismanagement of a transportation system that is absolutely critical to our country.

Yesterday at committee we had an executive from one of the airlines. He commented that he could not believe that a G-7 country like Canada was debating a proposal that was, in effect, illegal. He made an excellent point. We are debating and considering a proposal that breaks the Air Canada Public Participation Act. We are debating this even though it is illegal. He was perplexed by that, and I can only share that confusion.

My position is that the whole process of determining the restructuring of the aviation industry in Canada is grossly mismanaged. We are in a pressure cooker. We have a 90-day window of opportunity. We are supposed to deal with thousands of employees, hundreds of airports, dozens of airlines, communities right across the country and economic development, and we have 90 days to do it. A person cannot even buy a house in 90 days.

It is not sensible to address this, but we have this incredible pressure cooker atmosphere created by a false 90-day window of opportunity which we think was inappropriately instituted.

We are voting in favour of the motion, not because we are against the 10% increase but because of the way it is being handled. It should not be injected into the debate when it is surrounded by controversy and all these peripheral effects. The issue should be addressed in the clear light of day. It should not be addressed when it is attached to so much controversy, this bid and that bid, and all the accusations that are being made.

We are supporting the motion. I compliment the Bloc for bringing it to the table. We would look at it again some time in the future without the pressure and without the undue influence.

• (1130)

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, I would like to ask the hon. member for Cumberland—Colchester a question.

Is there not an inherent contradiction in what he just said? He has lamented the fact that under section 47 allegedly the Competition Bureau has been sidelined, yet in the next breath he praises the very report that we asked them to produce under the auspices of section 47. That is a contradiction. The fact is that the Competition Bureau is very much alive in this process, as I have outlined.

After the 90 days the bureau will be able to examine any proposal that comes forward with its full powers. Therefore, there is no question of the Competition Bureau not being involved in this debate. It will be doing its work and it will be doing that work very well.

Supply

Mr. Bill Casey: Mr. Speaker, on the contrary, the Competition Bureau was sidelined from its legislative responsibilities by section 47. That is what it is all about.

Then the minister asked the Competition Bureau, in a strange way, to address a very narrow parameter of proposals. The minister did not say “Competition Bureau, go find the best proposal for restructuring the industry that addresses competition for consumers and the industry”. He did not do that. He said “Just look at this one little narrow idea that I have. I have a great idea, just look at it”. It is effectively sidelined.

In fact, we just had testimony from another airline this morning. When I asked the president of the airline why section 47 was invoked, he said “It was to circumvent the airline merger review process”, contrary to what the minister just said.

Ms. Bev Desjarlais (Churchill, NDP): Mr. Speaker, I would like to verify something with my hon. colleague for Cumberland—Colchester. Is it not true that right now the only real assurance that the government may not be able to increase foreign ownership to 49% of Air Canada is as long as this 10% rule is in place?

If this 10% rule should be thrown out the window, so to speak, then the government would have the opportunity under regulatory powers to increase foreign ownership and in essence turn over an additional percentage of Air Canada—our national airline, or at least it once was, which had a huge amount of taxpayers’ dollars in it—to another company outside Canada.

Mr. Bill Casey: Mr. Speaker, I thank the hon. member for her question. The problem is, if we change the 10% rule, under the NAFTA agreement there is a very specific exemption to the regulations and it lists specifically the 10% rule for the Air Canada Public Participation Act. If we change that rule it changes the whole agreement. We cannot just say that we will take this out of the agreement and this out of the agreement; we would have to renegotiate the whole deal. That could also change the percentage of foreign content which the hon. member has brought up.

If we break the agreement open, which this will do, then we break the whole agreement open and it is subject to complete negotiation again, and it is impossible to predict what effect that will have.

Hon. David M. Collette: Mr. Speaker, the hon. member heard Mr. von Finckenstein yesterday at committee. I would like to ask my hon. friend if he thought the Commissioner of Competition gave an impression of a man who had been sidelined, of heading an agency that had no effect and no real power. The fact is that no proposal has come forward in the 90 day process which therefore would have bypassed the bureau.

What I announced the other day was the fact that the bureau will indeed examine any proposal that comes forward and have its full rights under merger review.

Mr. Bill Casey: Mr. Speaker, absolutely, Mr. von Finckenstein made a very impressive presentation and his report was excellent. However, on the first page of his presentation there was a letter from him to the minister. I do not have the letter here with me, but it said something like “Further to your instructions, I am making all my studies or my presentations on the assumption that there will be one dominant carrier”. If that is not a restriction, there never was one.

The minister, in his instructions, said “Do your report based on my criteria, to address my proposal that I like the best”. At best, the Competition Bureau was handcuffed and prevented from doing an open study.

• (1135)

[*Translation*]

Ms. Jocelyne Girard-Bujold (Jonquière, BQ): Mr. Speaker, I am pleased today to take part in the Bloc Québécois opposition day devoted to the airline industry.

The reason my party has had to devote one of these opposition days to this topic is that the government has refused to hold its own debate. In the case before us, the government seems to want to keep its actions hidden, withholding information from parliamentarians and not allowing all stakeholders in the airline industry to be heard.

On August 13, the federal government announced its decision to suspend section 47 of the Canada Transportation Act, a section having to do with the Competition Act, supposedly to make it easier to restructure the airline industry. At the time, the Minister of Transport said he wanted to allow the two Canadian companies to reach a mutually advantageous agreement. But a few days later, on August 24, 1999, Onex, in partnership with American Airlines, made a public offer to buy Air Canada and Canadian International and merge them. This is the real reason that the Liberal government decided to suspend the competition rules.

In addition, the government turned down a request from the Bloc Québécois and other opposition parties to hold an emergency meeting of the Standing Committee on Transport in order to study the matter. The Liberal government also prorogued the session, delaying the resumption of parliament and thus sparing the government from having to answer questions on this subject that it would find very embarrassing.

That is why the Bloc Québécois is today taking—

Mr. Michel Guimond: Mr. Speaker, I rise on a point of order.

I wish to point out that something might not have been made perfectly clear this morning during our party leader’s first speech.

Supply

Throughout the day, Bloc Quebecois speakers will be dividing their time into ten minute periods. I am sorry for interrupting the member for Jonquière.

The Deputy Speaker: I know that members are always sorry to have to interrupt a colleague. I thank the hon. member for pointing this out to me.

Ms. Jocelyne Girard-Bujold: Mr. Speaker, I was saying that, today, the Bloc Quebecois is using one of its opposition days to speak of this. Why? Because the Bloc Quebecois is concerned first and foremost about public interest and the interests of Quebec in this matter, unlike the federal government, which appears concerned only about the electoral interests of its friends.

Any restructuring, including a possible merger, should comply with current legislation. Recourse to section 47 and to various other considerations poses a great threat to the continuation of healthy competition in this industry.

The Bloc Quebecois considers that competition is vital, because air transportation is an essential public service, especially in remote areas. There is no guarantee that control of air transportation in Canada will not fall into foreign hands. Finally, the Bloc Quebecois feels that American Airlines has a real veto on any proposal to restructure the airline industry in Canada, which runs contrary to the spirit of the Transport Act.

We also oppose it because there are thousands of strategic jobs, including many in Quebec, that are at risk in this matter. The Bloc Quebecois refuses to consider the loss of thousands of jobs a matter of fate and proposes that other scenarios be considered. The role of a responsible government is to take all these elements into account in order to serve the general interest.

• (1140)

The offer to purchase contravenes the Air Canada Act, which prohibits a single shareholder or a group of shareholders from owning more than 10% of the voting shares of the company. If the Onex/American Airlines group is making such an offer it means that either they are ignoring Canadian legislation or their friends in the government have allowed them to change the law to their satisfaction.

My interest in the air transportation issue arises from my awareness as the member for Jonquière of the importance of these changes for remote communities. While the merger of international routes could give us a sound national carrier, the merger of regional subsidiaries might eliminate competition in local markets, with the consequences this can have on prices and the quality of service.

The airline industry has a responsibility to serve communities across Canada. This merger would include regional subsidiaries, and the new entity would control 84% of the domestic market.

Would this be good for remote areas and how would competition be affected? Even the strongest advocates of capitalism will say that a monopoly will almost certainly lead to higher prices, deficient services and a slow degeneration of the industry.

I would not want my region of Saguenay—Lac-Saint-Jean to lose out on this merger.

Yet it is these same company owners who want to change the rules who are asking the government to suspend the application of the Competition Act and who want to change the rules regarding ownership.

In closing, I support my colleague, the member for Charlebourg, and I remind the House that the Bloc Quebecois has asked the federal government on several occasions to pass legislation on political party financing similar to that which exists in Quebec. Until such a law is enacted, the federal government will continue to protect the interests of those who contribute to the election fund to the detriment of the general public, as seems to be the case in the area of air transport.

[English]

Ms. Val Meredith (South Surrey—White Rock—Langley, Ref.): Mr. Speaker, I find it interesting that the member for Jonquière would make a comment like competition is essential. The very nature of the motion that the Bloc has put before the House today would restrict competition and would remove competition from the proposals of a merger. The member suggests that competition is essential, when her party has brought forward a motion which would prevent competition. I ask her, why the discrepancy?

[Translation]

Ms. Jocelyne Girard-Bujold: Mr. Speaker, I do not know whether the hon. member has understood that I was defending the position of the isolated regions. As hon. members may be aware, in distant regions such as mine we would be penalized if there were only one carrier. Healthy competition is important to my region. At present, even with two companies competing, we have to pay very dearly for our air travel.

Just getting to Montreal costs an extraordinary amount. A person can get from Bagotville to Florida cheaper than to Montreal. I believe that we would be penalized if there were only one company. I was referring to this very specific aspect. This does not mean I am not behind the Bloc Quebecois motion, but I am simply giving the point of view of a distant region. That is why it is important to have a debate, but there has not been one because the government was opposed to any true debate on this issue.

• (1145)

There is no debate at this time, and there are even government members who oppose this proposal by their own government who

are not here to speak on this issue; they are not speaking out. On the other hand, we, in the Bloc Québécois, are allowed to say what we think and to speak on behalf of our respective constituents.

Mr. Gilles-A. Perron (Rivière-des-Mille-Îles, BQ): Mr. Speaker, it is a pleasure to speak this morning on an issue that seems to be dragging on, since we have been hearing about Air Canada and Onex for months now.

Of course, during the summer, we were able to follow the reactions of both Air Canada and Onex in the papers and in the news, if we followed current events. Through it all, the government said nothing, did not take part in the debate, except briefly during the month of August, when the transport and industry ministers, with almost unhealthy complicity, quietly let it be known that the competition rules were being suspended.

The suspension of the competition rules had the desired effect, helping the government's friends from Onex to submit a proposal with the complicity of American Air Lines, in order to get their hands on Canadian International Airlines.

What did the Bloc do during the summer? My friend, our critic for transport, the hon. member for Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, asked on a daily basis that the Standing Committee on Transport be convened to listen, comment and collect information that would be useful to the Minister of Transport. In my view, that is what a committee is supposed to do: give legal advice to the appropriate minister.

However, the government refused to discuss the issue; it even boycotted meetings. Finally, the Bloc Québécois and all opposition parties on this side of the House demanded that an ad hoc committee hold meetings. This committee was boycotted by the members opposite and dismissed as illegal.

But we went ahead and sat—during the summer, during our supposed holidays—here in Ottawa so that we could hear what groups such as the Airline Pilots Association and Air Canada's machinists association and many others thought of Onex's bid to buy Air Canada.

Finally, a few days ago, the Minister of Transport simply told us that that was that, that everyone would have to decide, that it might well be necessary to change the 10% rule.

But this is unacceptable. This morning, the leader of my party, the member for Laurier—Sainte-Marie, gave a good summary of the history of the 10% rule, and we in the Bloc Québécois think that this rule should not be changed. In fact, that is the reason for our motion this morning.

Why does this 10% rule apply to Petro Canada? Last year, in all the discussions about the bank mergers, why was the existing 10% ownership rule enforced? Why, this morning, does the government

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want to scrap it in the case of the airline industry? That is what we are wondering. This proposal strikes us as a bit strange.

• (1150)

Would its purpose be to help a friend, the president of Onex, who is part of the inner Liberal circle? It is a question one is entitled to ask.

There is something else I find really strange. In my view, this issue of Air Canada and Onex is a major one, with particular consequences for those living around airports. This morning, I have some serious questions. What about the members for Laval West, Notre-Dame-de-Grâce, Verdun—Saint-Henri, Pierrefonds—Dollard? What about the Secretary of State for Amateur Sport and the member for Anjou—Rivière-des-Prairies? Are they unable to speak? We have not heard from them.

I admire the courage displayed by the hon. member for Lac-Saint-Louis, who sits on the other side. At the risk of being reprimanded by his caucus, he dared to tell *Le Devoir*, on October 14, that the 10% limit is appropriate and must absolutely be maintained. I admire him for his courage.

And then there is the hon. member for Vaudreuil who was perhaps a little less courageous when he said "Maybe yes, maybe no". At least he expressed a preference, even though he was trying hard not to make waves. Again, I admire the hon. member for Lac-Saint-Louis. He is not here just now, but that does not matter, I admire him nevertheless.

I also ask myself other questions. Why would someone like Marc Lalonde, a former Liberal minister who must surely be respected by the Liberals, want the 10% limit maintained? Mr. Speaker, I wonder if you and Mr. Lalonde sat in the House at the same time. I believe so, and I am sure you respected him at the time. On October 26, 1999, Marc Lalonde stated many reasons why the 10% limit should be maintained.

I agree with those who say that there are problems with Canada's air transportation system. We definitely have to ask ourselves certain questions. Is there room in Canada for two international carriers, namely Canadian Airlines and Air Canada? We definitely have to ask ourselves certain questions. But the issue cannot be solved in 90 days or in 90 minutes. A thorough review is in order. I certainly agree with most members here, including my friends across the way, that we must not let Canadian international air transport fall under the control of foreign companies.

Control over Canadian international air transport must remain with Canadians. Regional air transport also must be restructured, as the hon. member for Jonquière said. Coming from Abitibi, it makes no sense to me that people in Rouyn-Noranda should pay more to fly from Rouyn-Noranda to Montreal than to fly from Montreal to Paris. It is crazy and ridiculous that a 55-minute flight from Rouyn-Noranda to Montreal should cost more than a 6-hour

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Montreal-Paris flight. It makes no sense, and we must review all that. Competition must be reconsidered.

When the Reform member talks about competition, I agree with her that we must bring in sound competition in regional transports. It is indeed desirable and urgently needed. The lack of competition hinders regional development. It is much more expensive for business people from Rouyn-Noranda, Jonquière or any other region to travel on business to Montreal and back than to Paris. What nonsense!

• (1155)

That adds to production costs and results in products made in Rouyn-Noranda or in Jonquière costing more and being less competitive than those in the Montreal or Toronto area. The 10% rule must not be abolished.

Of course, I will support the Bloc motion. A major restructuring of regional air transportation in Canada is absolutely needed.

[English]

Mr. Ted McWhinney (Vancouver Quadra, Lib.): Mr. Speaker, I will be sharing my time with my colleague the hon. member for Scarborough East.

Allow me in opening my remarks to refer to some prior experience in this area. I was the director of the Air Law Institute at McGill University for a number of years, and incidentally, adviser to the premier of Quebec on air law matters at that stage. One of the recommendations was against the construction of the Mirabel airport, the second airport. I think it was correct on constitutional grounds and also on air law grounds, although the advice was not taken.

We can move on to other matters where expertise also comes into account. This is not the first time the airlines have been before this parliament. In the previous mandate of this government the issue arose, as may be remembered, of aggressive litigation between the two airlines, the result of which might have been to drive one of them out of existence. This matter was settled by the intervention of the then minister of transport and in consideration of the use, if need be, of his powers which are limited but within those limits have a considerable range.

What was essentially done was to use the federal power under international law through our membership in the International Civil Aviation Organization and our participation in the Chicago convention to grant or withhold approval of international air routes. A very felicitous solution was reached in this earlier problem in 1994 between the two airlines by opening international air routes to one as a condition of dropping the litigation. I think it was an excellent example of executive power being used imaginatively and producing a consensual solution.

However at that time I did make some points clear, as policy imperatives, certainly for me as a British Columbian but also I think for all Canadians, that we have an interest in maintaining the extraordinary investment we have in highly skilled jobs in the airline industry. In British Columbia and Alberta there are 17,000 highly skilled technical jobs with one airline alone. We want those jobs maintained throughout Canada. Therefore any approach to solutions here must bear that in mind.

We also want maintenance of reasonable air access to distant areas of our large country that might not otherwise be commercially viable in a strict market economy.

We also want reasonable prices. If competition will produce that, well and good. If it will not, obviously there has to be a degree of government regulation of prices. But the opportunity and the facility is there. And we do want safe air travel.

These were imperatives that the transport minister understood, that he conveyed to both airlines and in the solution in 1994 they were realized.

I have looked with sympathy and interest to the motion by the opposition Bloc Quebecois, as I say, granted the predisposition to examine every motion from the other side. But I do believe it does not really face the realities of the new world community of our times, the world revolution of our times which affects international commerce, international trade and international air transportation.

• (1200)

Most of the rules of the game that we have now are posited on an economic trade situation that no longer exists today. We do accept the maxim that small is beautiful, but in the world of international air transportation even large national airlines in middle powers no longer have the weight or the size to compete effectively in the international market without considerable assistance from the government.

This is why I welcome the intervention by the Minister of Transport. There is here no legislation. There is an opening of a debate. It is clear that we are on the edge of the necessity of examining a fundamental restructuring of the airline industry to meet the new realities of international air transportation and the cutthroat competition that exists for much larger companies outside with much heavier government investment and support.

It is on this basis that we have joined this debate. I would suggest, though, that our national rules of competition are devoted to, directed and inspired by national problems. They do not, without some further examination, meet the new realities of international air transportation.

The minister's powers are limited in the range of matters he can touch but he does have discretion, so that the issue of relaxing the

national Competition Act, which was designed to meet national conditions, to meet new international conditions is one worthy of respect and consideration by the House. We need suggestions on how we would use that discretion. I invite that from the opposition.

We must recognize that the international rules, even the tidy rules of the Chicago convention, those implemented by the International Civil Aviation Organization, also need re-examination.

We have entered into a national debate. I have had visits from delegations, from Air Canada pilots, Canadian Airlines pilots, representative employees of the companies and others. I am gathering my own opinion on what needs to be done in the restructuring of the air industry. I believe, and I say this with all respect to my colleagues in the Bloc Québécois, the motion reflects the past. It fetters and confines a necessary element of national policy making which needs to be directed toward the entirely new and revolutionary conditions in international air transportation.

It is on that basis that I would not recommend to the Bloc pursuing the particular motion, an unnecessary restriction which hinders the debate that we now need on restructuring the airline.

I return again to those imperatives. Any solution that the House may reach must maintain the investment we have in the highly skilled jobs in both airlines. It must maintain air access even to uneconomic areas of the country in strict national airline terms. It must maintain reasonable prices with competition if that is the case: two international airlines and one national or one international airline and two national ones. The modalities of development are considerable, but the goals and the imperatives remain, and I believe it is within our ability to work them out.

[Translation]

Mr. Gilles-A. Perron (Rivière-des-Mille-Îles, BQ): Mr. Speaker, I would like to ask a question of my colleague from Vancouver Quadra. He says that the Bloc Québécois motion is out of date.

Does his vision of the future include no possibility for Canadians to control their own international air carrier?

• (1205)

In other words, could some company like American Airlines be the one giving the orders on international aviation in Canada? Is that his vision of the future?

[English]

Mr. Ted McWhinney: Mr. Speaker, my problem is simply that we are on the eve of a great national debate and we need contributions from all sides but not to limit the modalities of our choice by focusing on a section that relates to company law which

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needs frankly readjustment review, in the context of the new rules of international competition.

The reality is that it is very difficult even for one Canadian airline to compete and survive in the international market acting by itself. It will need considerable government help. It will need positive intervention using international law and national law rules accordingly.

Mr. John McKay (Scarborough East, Lib.): Mr. Speaker, I rise to speak to the motion before the House which calls on the existing 10% individual share ownership rule to be restored and retained. The motion reads as follows:

That this House reaffirms its desire to maintain the provisions of section 6.1(a) of the Air Canada Public Participation Act limiting ownership of the capital stock by any person or group to 10% of the voting shares.

I might mention at the outset that my constituents are greatly interested in this matter. I represent a riding in the GTA which contributes directly or indirectly greatly to the health of our airline industry. We find ourselves inundated with various viewpoints on this issue and the restructuring of the industry that is going ahead. This is of local importance to my riding and my constituents, but it is also of national importance.

On Tuesday the Minister of Transport issued a document entitled *A Policy Framework for Airline Restructuring in Canada*. In that document the minister announced that the government was willing to consider changing the existing 10% limit in the Air Canada Public Participation Act, if such a measure contributes to achieving a healthy Canadian controlled airline industry. That is a rather important caveat.

To determine what role reviewing the ownership restrictions on Air Canada might imply in achieving a healthy Canadian controlled airline industry, I wish to speak to the cost of this rule, particularly the cost of this rule in the marketplace.

What market distortions result from the existence of this rule? I would submit there are market distortions and the market has reacted in a variety of ways. The running of any airline is a very expensive exercise. The question always has to be in a public policy context: Are the costs of imposing certain desirable public policy goals worth the actual cost in the marketplace? The questions to my mind are: Are these restrictive provisions in place? How do they distort the cost of money? Do they achieve a proper public policy goal?

If Air Canada cannot go to the TSE on a free and open basis like other industries because of this rule then there is a cost and in some measure or another the market reacts to that cost. The question to my mind is an open question. I am glad the minister raised the issue of whether this cost is worth while.

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What is the effect? The market is already mutated to some extent. Consumers directly or indirectly pay for that mutation. I draw attention to the Air Canada proposal that is on the table. That proposal raises \$930 million. Interestingly enough, at the end of the day those who are actually putting in \$930 million only end up with 7% of the shares. That in purely market terms is a bit of a bizarre anomaly because the market has in some respects mutated.

• (1210)

We must recognize that the value of an airline is not in and of itself the infrastructure of the airline. Rather it is in other things. For instance, UAL and Lufthansa have agreed to acquire a new series of perpetual convertible preferred shares in the amount of \$230 million. The shares will only pay dividends if and when they are declared on the common shares. It then goes on in greater detail. I would submit that is a distortion of the market. In addition, UAL and Lufthansa will provide a 10 year credit guarantee facility to Air Canada of approximately \$310 million. How much that costs I do not know.

CIBC will provide a \$200 million upfront payment to Air Canada to deepen and extend its agreement. Air Canada will provide to CIBC approximately 4.4 million warrants exercisable for class A non-voting commons shares at \$24 to \$28 per share over five years.

None of us in this room are securities lawyers. It would probably take a great deal of effort to explain to us exactly what that means. Although the simple issue is that this is a reflection of the distortion in the marketplace, this is in itself a reflection that money has to be raised in the airline industry other than in a straightforward fashion. When money is raised in a marketplace in other than a straightforward fashion some kind of premium is paid.

The question to my mind still is whether the 10% rule the Bloc is so desirous of retaining actually distorts the marketplace and ratchets up the cost of money.

The first market distortion we see in this proposal is that the value is everywhere but in the infrastructure of the airline. The value is in the Visa card. The value is in some shares that UAL and Lufthansa want to hold, which are not voting shares.

The second distortion plays out each and every day, every time a Canadian gets on an airplane. Consumers in one way or another pay the cost because Air Canada or Canadian Airlines or any other entity does not get the cheapest possible money because the market has been distorted.

The third perverse consequence of that an airline, whatever airline, that is hobbled by unreasonable share restrictions and contradictory public policy decisions will inevitably fail or will inevitably be a weak partner. If we have learned anything in this debate, it is that whatever the future is for whatever dominant

airline that comes into play it is extremely important that partner be a strong partner in the alliance. If it is not a strong partner in the alliance, it will be inevitably controlled by entities that will frustrate our public policy goals.

I congratulate the minister for putting the 10% rule on the table. It did not descend from Mount Sinai. It is not sacred. It is not the Ten Commandments. It shows a great deal of political courage on his part to put what has been an effective mechanism to achieve certain public policy goals on the table in order that they can be discussed.

If the minister asks me what is the value of this rule, my response would be that he should tell me what is the cost of the 10% rule to the airlines and therefore to their consumers. If there are other ways to achieve the same goal, either de facto control or de jure control or effective control, and we have a variety of tests for those things, then let us achieve it that way. Let us not ruin the marketplace by putting in artificial unsustainable rules.

Another reality is that whatever dominant airline emerges it will be part of an alliance. If this "new company" is hobbled by some useless public policy initiative, it will inevitably lead to difficulties with that airline. Then we will be back to this debate again and we will be back to trying to figure out how to bail out the new airline one way or another.

• (1215)

If this rule does not stand that litmus test, then my view is, let the rule go.

The 10% rule in essence is a share restriction, and a share restriction distorts the market. When market distortion occurs it costs money. The cost goes not only to the shareholders of the airline, it also goes to the consuming public. If that cannot be justified, then the rule should not stand.

On the basis of that I suggest that the motion should fail and that hon. members should not support the motion. In fact, the minister's positioning on this is correct, it is an area which needs to be discussed. If we can achieve public policy goals by other means, then I would be open to that idea.

[*Translation*]

Mr. Antoine Dubé (Lévis-et-Chutes-de-la-Chaudière, BQ): Mr. Speaker, I am most enthusiastic about taking part in this debate, which is an extremely important one, in my opinion.

All debates are important, in my opinion, but this one is of vital importance for those who work in the airline industry, and for the consumers, those who fly. It is vital as well for economic and regional development, for all these aspects are interrelated.

Since the first speech by the leader of the Bloc Québécois, I have listened carefully to everything the representatives of the other

parties have had to say. I am delighted that the Progressive Conservative Party and the NDP have declared their intention of backing the motion by the member for Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans. This pleases me a great deal.

However, representatives of the other parties—the Liberals of course, and the Reformers—have said they were opposed. As far as Reform is concerned, one could doubt their consistency, as it seems to vary depending on the subject, but in this case their point of view is clear.

The Reform member who has just spoken referred to the interests of the west. She did not seem to be upset by the fact that the Americans want to get their hands on more shares in the airlines.

The Bloc Québécois' position is consistent with earlier government decisions in certain areas. In the case of the banks, or other sectors of the economy, the 10% rule was enforced. The exception was CN, where the government allowed up to 15%. The Bloc Québécois was not in agreement.

We have therefore always been consistent. If the rule is 10%, we are not going to change it to suit the circumstances. We therefore have to wonder why the Minister of Transport said, before Air Canada shareholders have cast their votes at the November 8 meeting, "Things are changing, and we must too".

• (1220)

Why change at this particular time, when we know that not a session goes by—at least, not since I have been in parliament—that the situation in the airline industry is not discussed in one way or another?

There have been questions from all the opposition parties. The government had things to say as well. Everyone was concerned about the future of Air Canada and of Canadian International Airlines. So why, at this particular time, is the government, while claiming not to want to intervene, suggesting that, before shareholders make their fateful decision on November 8, it would now be prepared to change the 10% rule?

And the suggestion was not made by just anybody. Not by an official, a backbencher or a parliamentary secretary, but by the Minister of Transport himself. So, he is speaking on behalf of Cabinet. So, they have discussed the matter.

When we look at the series of events that have occurred since August 13, we can see that, in the end, we are in a context in which the government has decided to make a choice. It has waited for just the right moment. Why? Because Onex is involved. It knew that Onex was prepared to act. The government, according to us—at least that is what I think—the government is changing its tune, and now it would like to help Onex with its project. Since it does not want to do so overtly, it is doing so covertly.

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Doing covertly what one cannot do overtly is not being transparent. It is acting. It is a scenario that would do for a great film. It is a strategy that does not fool the members of the Bloc Québécois or the media, and commentators who are following the story closely.

It is part of a well formulated plan. The way things are going, since the parties on both sides are following this debate even more closely than the average citizen, it is clear that they know how to decode the messages sent them by the government. This ability will significantly influence the results of the general meeting of Air Canada shareholders. At least, it can change it a lot.

So, while the government did not intervene in any way, the Air Canada shareholders will have only one option on November 8: accept or reject Air Canada's offer, since it is the only one that goes by the rules.

There is however one principle at stake, the one according to which we must act in the best interests of all Canadians and of all Quebecers. It is therefore a matter of interest. We must ask ourselves in whose best interests the Minister of Transport was acting when he made his position known on Tuesday.

I am talking about the position he indirectly took when he suggested that he was ready to consider changing the rules. What purpose would that serve? To enhance services? To protect as many jobs as possible? To promote the interests of some shareholders? To promote the interests of a handful of government buddies perhaps?

We do not know. We are asking the question. Today's debate gives us the opportunity to ask this question. The Bloc Québécois is wondering in whose best interests the government is acting.

This is a rather simple question, at least to us in the Bloc. We have always stated, and we keep reminding people, that we are here—because we only ran candidates in Quebec—to protect the interests of Quebec. We are here first and foremost to protect the interests of our province. Air Canada and Canadian Airlines International are Canadian companies, and competition should be given free reign.

• (1225)

I am surprised to see that our colleagues from the Reform Party, who always saw the competition rule as a protection for consumers, now seem to be supporting the new way of thinking of the transport minister, who is announcing in advance what he intends to do to encourage certain people who have interests or shares in these companies.

The Bloc Québécois' position is clear: we want the competition rule to be maintained. Obviously, we do not want to see any company disappear. In this era of economic liberalism, performance and the quality of goods and services are the main factors that will make or break a company, and that has to remain.

Supply

Even if we had only one major air carrier, there would still be competition because other international carriers fly to Canada, and there are regional carriers that are not affiliated with Air Canada or Canadian International Airlines. For example, starting November 1, Air Montreal will serve Quebec and Ottawa. Therefore, there are opportunities for the regions also, and one sound company that provides good services is better than two that are struggling to survive.

[English]

Ms. Val Meredith (South Surrey—White Rock—Langley, Ref.): Mr. Speaker, I find it very interesting to hear the member say that he is in favour of free market competition prevailing when the very nature of this motion would prevent any competition in the merger process.

Those members are trying to say that only one deal can be considered by the government, by anybody, by the shareholders. I do not find it competitive when we are saying there is only one person or one deal which can comply with the conditions.

I would suggest that if the member truly believes in the competitive nature of the free market he would be willing to open up the guidelines, open up the regulations to allow more than one. Perhaps there are two, three or more people who would be interested.

I would also challenge this member on his comments as to whether a company should be allowed to go into bankruptcy. In the interests of all Canadians, the restructuring of the airline industry should be handled in an organized fashion rather than in a chaotic fashion.

I find it very difficult to believe that the hon. member is speaking to and concerned about all Canadians and not just those who happen to live in the province of Quebec.

[Translation]

Mr. Antoine Dubé: Mr. Speaker, I refer to the last part of the member's speech, where she says that it would have to be organized and that things should be done in the best possible way. I completely agree with her on that. The Bloc quebecois has attempted to set an example in this regard.

When the government refused to let the Standing Committee on Transport hear stakeholders, the Bloc Quebecois created a shadow committee to give everybody an opportunity to voice their opinions. Of course, the liberals would not have anything to do with it. However, when we talk about organization, the government decided to suspend application of the relevant section of the Act, saying that the situation should not be referred to the Canadian

Competition Bureau for 90 days. We would be very happy if this issue were referred to the Competition Bureau.

• (1230)

At meetings of the Standing Committee on Industry, of which I am a member, the subject of the Competition Bureau often comes up, and that makes sense. So far, however, the opposite has happened. The process is not transparent, not democratic at all. It is on the Bloc Quebecois' initiative that the subject is being discussed today, that there is a public debate being held, in the public interest. We hope that the Reform Party will do the same.

When the matter was raised in caucus—

The Acting Speaker (Mr. McClelland): I am sorry to interrupt, but your colleague has a question.

Mr. Jean-Guy Chrétien (Frontenac—Mégantic, BQ): Mr. Speaker, yesterday, during oral question period, the leader of Bloc Quebecois and the hon. member for Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans both asked questions about an article recently printed in *Le Devoir* and signed by Marc Lalonde.

Marc Lalonde is a former minister who, I believe, was respected by all parties in this House. He wrote that "A promise or commitment to authorize a merger of the two carriers without knowing how the act will be amended is pernicious and dangerous".

The Minister of Transport replied:

I respect the qualities of my former colleague, Mr. Lalonde. Yesterday, he gave his opinion in an article in the daily *Le Devoir*, but I must point out that Mr. Lalonde is a lawyer and that his company works for Air Canada.

Fine. But we read in the same newspaper that the hon. member for Lac-Saint-Louis is also opposed to fiddling with the 10% limit. Could the minister tell us which company the hon. member for Lac-Saint-Louis works for? I would like to hear what my colleague, the hon. member for Lévis, has to say on this score.

Mr. Antoine Dubé: Mr. Speaker, I do not have the same respect as my colleague does for the former minister, but for other reasons.

This former minister, who was a heavyweight in the government of Pierre Elliott Trudeau, expressed his opinion. But the fact that the hon. member for Lac-Saint-Louis has made his position known leads me to making the following comment.

I see an hon. member from the Montreal area who is usually very vocal, but she has had nothing to say on this issue. Yet, she represents a Montreal riding very close to the airport. I invite her to come forward, just as the hon. member for Lac-Saint-Louis did.

Mr. Gérard Asselin (Charlevoix, BQ): Mr. Speaker, as the hon. member for Charlevoix and a member of the Standing Committee on Transport, I believe we have a lot of work to do and a huge

mandate to fulfil as a result of airline mergers and the restructuring of air transportation services in Canada.

We have been going through turbulence for some time now. The Minister of Transport has tried to maintain Canadian Airlines and Air Canada. Unfortunately, in January, Canadian Airlines told the Minister of Transport it was in great financial difficulty, on the brink of bankruptcy. Of course, it will not go bankrupt as long as Canadian Airlines' suppliers do not take action.

Reporters will probably write, as they have done before, that members of the Bloc Quebecois attend their committee meetings regularly and are well prepared. They are in Ottawa to defend Quebec's interests and to improve Canada.

As long as Quebec sends tax money to Ottawa, as a member of the Bloc Quebecois, as the hon. member for Charlevoix and as deputy critic for transport, I will fulfil my responsibilities.

• (1235)

The Bloc Quebecois has decided today, given the urgency of this debate, to inform the public by making use of an opposition day. The Bloc Quebecois had been asking that the Standing Committee on Transport be convened since July. For various reasons, including members' holidays, the adjournment of the House, the throne speech, we were told the committee could not sit.

Oddly enough, the committee did meet, with members of the New Democratic Party, of the Reform Party, of the Bloc Quebecois and of the Conservative Party. The only people who did not show up were the Liberals. Yet, for two days, the ad hoc committee heard from witnesses who came from all over Canada to raise members' awareness about the importance of restructuring air transportation services in Canada.

Considering the seriousness of all those people, the Bloc Quebecois introduced a motion today. That motion reads as follows:

That this House reaffirms its desire to maintain the provisions of section 6.1(a) of the Air Canada Public Participation Act limiting ownership of the capital stock of Air Canada by any person or group to 10% of the voting shares.

Of course, the Bloc Quebecois explained its position which is that the role of a responsible government is to act like a referee whose primary concern is protection of the public interest. Changing the act would favour one party over the other and that is called cheating. If the government changes the act to suit Onex or AMR, that would send the signal that private companies do not have to comply with the law but that the government has to adapt the law to suit its friends.

The 10% rule applies to Petro Canada, banks and several other public interest corporations. Changing that rule would be contrary to public interest. The 10% rule was put in place to prevent a single group from gaining control of Air Canada, one of the two national air carriers. The government wants to change the rule to allow a

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group to gain control of the only remaining carrier. That would be putting the future of the air carrier in the hands of only one group. By refusing to state its position, the government is feeding the uncertainty that currently exists in the airline industry.

Of course the committee has a clear mandate, witnesses to hear, hearings to hold. I hope this time the Minister of Transport is going to listen to the committee's recommendations. We know what happened when it was time to restructure the shipping industry. Every political party had an input and made recommendations to the minister. I am convinced unfortunately that he had already made up his mind on how the shipping industry was going to be restructured, even before the committee sat down to write its report.

As I said earlier in my speech, we are going through very turbulent times and Canadians are very concerned. When a plane is going through turbulence or a storm, people on board are worried and feel powerless.

Our constituents, who are watching us, who sent us here to represent them, are concerned about the future of air transportation, especially in the regions. Under the bid of Onex or AMR, the merger of Air Canada and Canadian could result in the loss of 5,000 to 10,000 jobs. According to the president of Air Canada, Air Canada's offer to merge with Canadian could mean the loss of around 2,500 jobs. If the government does nothing, Canadian will likely go under and all its workers will lose their jobs.

• (1240)

What we in the Bloc Quebecois want is to maintain as many jobs as possible while ensuring the highest quality of service in the airline industry.

Later this week in committee I will ask the Minister of Transport the following question "Should there be a merger, what do you think the future of air transportation in the regions will be?" As you know, air transportation is of paramount importance in the regions. And yet, over the last few years, air service in the regions has been diminishing. Quality of service is in jeopardy, and flight frequency is left up to individual carriers.

For those who have no choice, plane tickets are very expensive. In a riding like Charlevoix, on the north shore, air transportation is the fastest way to get around, because we have no rail transportation and we have only one access road. Therefore, the only way to travel fast is by plane, and carriers know it only too well.

Travellers who have no choice use a particular type of service, for professional reasons. They are, for example, business people who need to travel within a very short timeframe or people from the regions who need to go to Quebec City or to Montreal to have access to certain health care services.

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The merger of Air Canada and Canadian International Airlines is of great concern to us, especially the Onex proposal, because I think there is some kind of complicity between the Department of Transport, Canadian International Airlines and the future company.

With regard to the future of regional air service, we all know that airports are already losing money. If the number of flights to regional airports is reduced, we will no longer have what we have now, that is a red and white Air Alliance plane arriving at 8.55 a.m. and a blue and white Canadian Airlines plane arriving at 9.10 a.m. Some will say that the blue and white plane was half full and the other one was half empty, depending on which company they want to support.

We know that the number of flights is what makes an airport profitable. This means that a merger would reduce the profitability of airports by at least 50%. And when I think about what happened when the Department of Transport made Nav Canada responsible for airport management in order to reduce airport deficits, if the past is any indication of what we can expect in the future, then I am extremely worried.

We all know that Nav Canada cut services at airports by reducing the number of air traffic controllers, by closing control towers, by cutting airport firefighting services, all at the expense of passenger safety.

I see that my time is up. I could have gone on for at least another 40 minutes, but I will have the opportunity to come back to this later on.

Mr. Jean-Guy Chrétien (Frontenac—Mégantic, BQ): Mr. Speaker, when the Onex project was made public this summer, a number of members from ridings close to the Dorval Airport, mainly from the West Island, wanted to meet with the transport minister to get some explanations.

This is surprising and I would like my colleague from the north shore to comment on what I could call the ominous silence kept by some members, like the hon. member for Vaudreuil—Soulanges, for instance, the hon. member for Pierrefonds—Dollard, and a veteran, the hon. member for Lac Saint-Louis, who was quoted recently in *Le Devoir* as saying that the 10% rule is fair and reasonable and should not be changed.

I am also thinking of the hon. member for Verdun—Saint-Henri, the hon. member for Beauce and the hon. member for Laval West. And what about the hon. member for Notre-Dame-de-Grâce—Lachine from whom we have not heard a peep? Are the best interests of the province of Quebec being protected by the handful of Liberal members from the West Island?

• (1245)

I would like my colleague from the north shore to explain to us why these members have clammed up today.

Mr. Gérard Asselin: Mr. Speaker, this morning we learned from Canadian International Airlines that there have been discussions and an exchange of letters since January with the Minister of Transport.

Yet this week the Minister of Transport told us that he found out about it in June, that he had to intervene in June. We mentioned some ridings, but there are other Liberal MPs in Quebec.

They were, of course, present when the minister appeared before the Standing Committee on Transport, because there were some 25 to 30 cameras in the room and all the journalists were there. As soon as the cameras left the room, the number of Liberal MPs dropped by half, and a lot of chairs were left vacant.

The speeches by the members for Beauce and for Abitibi—Baie-James—Nunavik show that they are out of touch with the situation. They are just trying to please the minister, without even knowing what the consequences of the famous 10% rule will be. Why did the minister allow section 47 of the Competition Act to be amended?

If either of the two members were asked what section 47 was, he would probably not be able to say.

Mr. Antoine Dubé (Lévis-et-Chutes-de-la-Chaudière, BQ): Mr. Speaker, very quickly, I would like to give the member for Charlevoix a chance to finish what he was saying about regional transportation in the future.

The 10% rule issue is about whether we should allow concentration of powers or keep things fair. As for regional transportation, I know that the Bloc Québécois would like another, broader debate. Small regional carriers do exist but, right now, there is at least one Canadian company having trouble providing good regional service because of major financial difficulties.

I would like to hear whether my colleague agrees that the issue of regional air transportation rules should be debated again. In my view, this is a truly important issue.

Mr. Gérard Asselin: Mr. Speaker, any discussion about regional transportation is a discussion about an essential service. It is not a luxury to travel by air when one lives in the regions.

Consideration must also be given to travel agencies and passenger safety. As the Minister said in his speech "Safety remains Transport Canada's top priority".

How can the minister explain that, just under a year ago, on December 7 in Baie-Comeau, a plane registered to Mira Aviation in Gaspé crashed, unbeknownst to any air traffic controller?

How does the minister explain that a Nordair plane flying out of Sept-Îles crashed, forcing passengers to walk several kilometres through a wooded area to reach a road and obtain help?

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How does the minister explain that, last December 7, an Air Satellite plane operating out of Baie-Comeau crashed, and that it was a six-year old girl who discovered the plane?

This is air service? This is the sort of good service Nav Canada is providing? I would not want to alarm the public, but I worry when I take a plane these days. If it was important to have air traffic controllers and firefighters in 1975, it is even more important to have them in 1999.

[English]

Mr. Lynn Myers (Waterloo—Wellington, Lib.): Mr. Speaker, I am pleased to speak to the motion to affirm the 10% limit on individual holdings of voting shares in Air Canada.

Mr. Speaker, I will be splitting my time with the hon. member for Port Moody—Coquitlam—Port Coquitlam.

I want to remind the House that on October 26 the transport minister issued a policy framework for the restructuring of the airline industry in Canada in which the percentage limit on individual holdings of Air Canada was addressed. In his remarks to the Standing Committee on Transport the minister reiterated the government's willingness to consider increasing the limit to a new level, to be decided following input from parliamentarians, if such a measure were to contribute to achieving a healthy Canadian controlled airline industry.

• (1250)

That is important. A healthy and viable industry is one in which airlines are financially fit and competing both domestically and internationally. However, in view of the circumstances in the air travel marketplace, a restructuring of Canada's airline industry resulting in one dominant airline appears likely.

Confronted with the probability of major changes to the airline industry, Canadians have been very active and vocal in expressing their views and concerns, and rightfully so. The transport minister and his officials have met with numerous direct stakeholders, have consulted with interest groups and members of the public and have received views through correspondence and other ways of getting in contact. A wide variety of important concerns have been expressed by Canadians confirming the need for a clear government role in any restructuring of the airline industry.

I am proud to say that the government has listened carefully to Canadians and has developed a framework outlining our approach to protecting the public interest.

One aspect of the public interest that has received substantial attention is the predicted lessening of competition as a result of a major consolidation of airlines. Most Canadians want Canada's airline industry to be competitive. We have heard that and we have listened. They believe that competition is an effective way to

ensure reasonable airfares and good quality air service. The government continues to agree with Canadians in this regard.

Early in the process the transport minister solicited the assistance of the Competition Bureau. The commissioner of the bureau submitted his report on October 22 to the Minister of Transport. The commissioner's analysis and recommendations were thoroughly considered by the minister, as a study of the policy framework will show.

The government is committed to fostering as much competition as possible in the airline industry in Canada. That is precisely what we are doing. We are convinced that reducing the barriers to market entry for new carriers and encouraging existing carriers to expand into new markets will mitigate the expected lessening of competition that may result from a consolidation in the industry. That is why the Minister of Transport announced the government's intention to take policy and regulatory steps to address competition issues.

Frequent flyer programs, for example, that have a significant influence on the air services that consumers choose, are a concern for competition. Other carriers would be greatly disadvantaged if they could not offer or redeem points in a dominant carrier's plan. The potential negative effects could be mitigated by allowing any domestic carrier to purchase points in the dominant carrier's frequent flyer plan at a reasonable cost, or by the dominant carrier's participation in independent loyalty programs.

The great majority of flight bookings still go through travel agents. If agents are constrained from booking on other airlines for fear of not achieving the target set for their override commission by the dominant carrier, competition would be undermined. The government will examine ways to address the anti-competitive effects of this issue while recognizing the potential impact on travel agent revenues.

Any restructuring of the airline industry is expected to include some rationalization of services, particularly in the domestic market, such that the dominant carrier may no longer need all the aircraft in its fleet. These aircraft, already certified for safe operation in Canada, might be very attractive to other Canadian carriers. There is a risk, however, that the dominant carrier would prefer to divest any surplus aircraft offshore. If rights of first refusal for surplus aircraft on reasonable commercial terms were offered to an interested party in the domestic market during the restructuring process, this could assist in fostering more consumer choice.

Independent airlines may have little choice but to work with the dominant carrier when their passengers need a connecting flight to get to their final destination. A smooth exchange of passengers and their baggage, however, requires the co-operation of the dominant airline. If access to feed traffic and interlining were offered to unaffiliated regional and chartered carriers on commercially

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reasonable terms, this could help regional carriers to continue to function effectively. This is certainly a goal of the government.

Both major airlines have developed close commercial relations with regional affiliates or partner airlines to ensure that smaller communities are well integrated into their network. After all, that is what Canada is all about.

• (1255)

In these arrangements it is common for the larger carrier to provide such essential services as airport slots and facilities, aircraft leases, reservation systems, ticket processing, revenue collection and accounting. However, it is not clear whether all of the smaller regional carriers will remain connected to the dominant carrier in any restructuring. If any do not, they will need a period of adjustment so that they may replace essential services previously provided by larger partners.

For regional carriers formerly dependent on one of the two major carriers for essential services, if the dominant carrier were to continue to provide these services for a reasonable period of time at prices no less favourable than currently in place, this would help ensure continued service. Where feasible, the dominant carrier might also continue to provide items acquired through volume purchasing such as fuel, spare parts, aircraft leasing and insurance for a reasonable transition period.

Preventing excessively aggressive competition activity by a dominant airline will be a priority for our government, as will be ensuring smaller airlines reasonable access to airport facilities and services and to computer reservations systems.

The government has made it clear that in the new process the Competition Bureau will review any specific proposed merger or acquisition with regard to competition issues. The results will be taken into account by the Minister of Transport who will make a comprehensive recommendation to the governor in council.

These government initiatives regarding airline competition, in my view, are measured and reasonable to accomplish the policy objectives. Certainly they are in the best interests of Canadians wherever they live.

In closing, as stated in the government's October 26 policy framework statement, regardless of how things evolve in terms of airline industry restructuring in Canada, the government is intent on ensuring that the public interest remains paramount and is protected. The government is confident that the entrepreneurial spirit of Canada will remain strong and that competitive air services will develop and provide real options for travellers.

The government is also confident that the House and Senate standing committees will provide useful advice on the implementation of remedies for competitive issues. As well, these committees have been requested to provide their views on this issue.

I believe that parliamentarians in this House should be given a chance to provide views on this important issue. I oppose the hon. member's motion to make a decision on the issue today. We need to let the process take its course. I think that is what Canadians want and it is what all of us need.

[*Translation*]

Mr. Benoît Sauvageau (Repentigny, BQ): First of all, Mr. Speaker, I would like to congratulate the hon. member for his great performance in reading his speech. It was written either by Department of Transport officials or by Onex bureaucrats, we do not know exactly. In any case, we have to admit that he read it very well.

With all due respect, I also want the hon. member to know that I would have liked to direct my question to the hon. member for Notre-Dame-de-Grâce—Lachine, the hon. member for Vaudreuil—Soulanges or the hon. member for Verdun—Saint-Henri, but as my colleague, the member for Frontenac—Mégantic, said today, we will not hear a peep from them. It would be nice if their constituents had the opportunity to hear them, here in the House of Commons, or outside, in the foyer, or in their riding. One member, the hon. member for Lac-Saint-Louis, actually did speak out, but oddly enough, we have not seen much of him lately.

I have two very simple questions to ask the hon. member. Could he give us an example, in Canadian history, of the 10% rule being violated? For example, for the banks, did the rule stand, yes or no? I am sure that the hon. member looked into this issue at length before delivering his speech, and I would like him to give us any example in Canada, since 1867, of the 10% rule being violated. My second question is this one: as things stand now, is the proposal from Onex legal or not?

[*English*]

Mr. Lynn Myers: Mr. Speaker, I thank the hon. member for his question.

• (1300)

It is important that we on the government side, however we do it, elucidate clearly what we are saying and how we are going about this very important process, unlike the sovereignists opposite who seem to flail around and do not quite focus on this all important issue. I can tell the House that we have nothing to learn from those people over there.

I think back to the 1980s when Quebec Air was nationalized by the then Parti Québécois. What did it do then? Did it consult with the people? Did it take a look at what should happen? No, it barrelled ahead and did all kinds of outrageous things.

Now those members on the other side are trying to tell us what we should do now. It is outrageous that they would sit in their seats and try to make that kind of pretension because they do not practise

what they preach. All they do is flip-flop around and make all kinds of nonsensical issues in the best interest not of Canada, not of Quebec, but of their own small minded way.

Canadians will have no part of that because they saw through them in what they did with Quebec Air in the 1980s, and what they are preaching today is nothing but phony, phony, phony.

Mr. Bill Casey (Cumberland—Colchester, PC): Mr. Speaker, I have two questions for the hon. member. He mentioned in his speech that the entrepreneurial spirit was alive and well, that they were fostering it and all that sort of thing.

When the minister asked the Competition Bureau to investigate the restructuring of the aviation industry, could the member explain why the minister did not restrict it to one narrow vision, the minister's narrow vision of a dominant carrier? Why did he not ask the Competition Bureau to bring back all the options and all the potential possibilities that may include the competition which this one does not? Instead, he just focused on one area and limited the bureau's review to that.

I would like him to comment on another matter. When the government called for proposals on August 13, it said that it would consider proposals for 90 days. Why did the government not then consider or make public its intention to consider changing the 10% rule? Why did it wait until there were only 16 days left in the process when nobody else had a chance to put a proposal on the table?

Mr. Lynn Myers: Mr. Speaker, I thank the hon. member opposite for the question. I reject outright his premise that we did not have a broad consensus in terms of where we are going. It is not a narrow vision. It is, rather, in the best interest of our great country and of all Canadians.

I have been amazed by the Tories since 1997. I was doing some research on this very important area. Two years ago the Tories called for cutbacks of \$35 million from Transport Canada, and here they are today wanting to argue the other side. Can we imagine calling for those kinds of cutbacks and now arguing the other side?

I was reading not so long ago in the Montreal *Gazette* that the member for Cumberland—Colchester accused the minister of changing the ground rules to favour the Onex takeover bid. It is truly amazing that those Tories who wreaked havoc when Mulroney was in power are trying to do things today which are totally at odds with what we as a government are doing in a very effective and promising way for Canadians. Such nonsense will not be tolerated by the Canadian people.

Mr. Lou Sekora (Port Moody—Coquitlam—Port Coquitlam, Lib.): Mr. Speaker, I am pleased to speak to the hon. member's motion concerning the government's policy framework for the

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airline restructuring in Canada announced on October 26 by the Minister of Transport.

The motion before us concerns whether the current prohibition on any person or persons holding more than 10% of Air Canada voting shares should be maintained. The government has clearly stated in its policy framework that it is prepared to consider increasing the limit to a new level after input from parliamentarians, if such a measure contributes to achieving a healthy Canadian controlled airline industry. In this context it articulated a number of key elements in its policy framework, including the desire to foster as much competition as possible in the airline industry in Canada.

This framework also clarifies the government's intention to review Canadian international air policy in a new Canadian airline environment.

• (1305)

A revised international air policy is a critical element of the new policy framework for airline restructuring. International air services account for more than 50% of the revenues of Canada's two major airlines, Air Canada and Canadian Airlines International.

These services are even more important to Canadian's largest charter carriers: Air Transat, Canada 3000, Royal Aviation and Sky Service. These carriers operate extensive passenger charter services both domestically and throughout the world. In his policy framework announcement the minister clearly stated that the government would revise its policies for international scheduled and charter air services with a view to removing unnecessary restrictions on air services.

I am sure members would all agree that such a commitment is clearly warranted now that the industry structure appears to be changing. Canada's international charter policies, for example, were developed in 1978. One of its primary objectives was to allow charter carriers to compete effectively with scheduled carriers like Air Canada and Canadian Airlines for international leisure passengers.

The objective has been implemented through regulations administered by the Canadian Transportation Agency and effected through a series of charter fences such as pre-booking and minimum stay requirements. Therefore a policy approach that protects parts of the market for scheduled services from charter competition was deemed to be in the public interest.

In an environment where Canada might be faced with one dominant Canadian scheduled carrier operating both domestic and international air services, the minister has clearly signalled that the current degree of protection for scheduled air carriers from charter service competition on international routes will be reviewed.

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The minister has also indicated that the government intends to review its international scheduled air policy. This is the policy framework by which the Minister of Transport exercises his authority to assign to specific Canadian carriers the right to operate scheduled international routes to specific countries.

Other than the Canada-U.S. market where any number of Canadian carriers may be designated, today's policy framework designation of international routes states that two Canadian carriers may be designated in markets exceeding 300,000 scheduled passenger trips per year.

In markets below that threshold only one Canadian carrier will be designated. This policy framework has developed over time. Historically international scheduled routes were granted to Air Canada and CP Air, later known as Canadian Airlines International. This approach was known as the division of the world approach whereby each carrier was assigned exclusive access to specific markets in order to support the broad viability of each carrier's operations.

Changes have evolved to make the approach more transparent and more competitive. The current policy framework includes a use it or lose it approach whereby airlines that are granted designations must operate them at a minimum level of service or potentially lose them to another air carrier.

Given the potential changes to the airline structure in Canada, the minister has indicated a need to revise these policies with a view to removing all unnecessary restrictions on air services. This clearly is in keeping with the objective of fostering competition as articulated in the new policy framework which has formed part of the recently released recommendations of the commissioner of competition in his letter to the minister.

The government has stated its intention to reconsider its approach to the 60 plus bilateral air agreements the government has negotiated with other countries. We will determine the extent to which Canadian and foreign carriers should have more international route opportunities. These agreements or treaties guarantee the airlines assigned by each country the right to operate specific international scheduled routes, the frequency of services permitted, the type of aircraft that may be operated, and even the number of airlines that may be authorized to operate.

• (1310)

Canada's bilateral air agreements are varied in their degree of openness. Sometimes Canada is not able to secure at the negotiating table all the rights it may seek. In the end this can have an impact on the kinds of services that may be operated. Canada does have considerable experience with open or liberal bilateral agreements.

The Canada-U.S. open skies agreement is a case in point. Before the agreement was concluded some 82 city pairs received non-stop scheduled services. After the agreement the number of such city pairs increased to 135. Passenger traffic has increased by 8.5% a year. The Canadian charter industry has remained active and has converted many of its services from charter to regular scheduled flights. Furthermore the Canadian airline industry has increased its share of the Canadian-U.S. market from 43% in 1994 to 49% in 1997.

In the context of a restructured industry where we want to foster and enhance competition and provide opportunities for Canadian carriers to operate international scheduled services, the government's decision to review its approach to negotiating bilateral air agreements, combined with a review of its international air policies, will be timely and warranted. The government has proposed an approach that will promote a healthy and viable air transport system in Canada.

Mr. Gerald Keddy (South Shore, PC): Mr. Speaker, I picked two words from the member's speech. Those two words were transparent and competitive, that the process is transparent and competitive. What is transparent is the strategy used by the government to make sure one company and one company only takes over the airlines. It is very transparent.

The member stated that on October 26 the minister started a new strategy and in a new direction to see how the airline would eventually be taken over. He would make the process more competitive by perhaps abandoning the 10% rule to allow an airline or a company to own more than 10% of a Canadian airline. We must realize that by October 26 there were only 16 days left in the process. There are only 14 days left in the process now. Suddenly we are opening it up.

By some type of a miracle or coincidence Onex puts a bid in for 14.5% Canadian ownership. It is a coincidence. I understand that, but the bottom line is that if he wanted to make the process competitive, should he not have changed the 10% rule at the very beginning of the process? Probably a number of other bidders would have bid on the process at that time. However, 74 days into the process they have been cut out. They will not come in now with a new plan so what we really have to do is extend the timeframe.

Mr. Lou Sekora: Mr. Speaker, the fact is the rules have not changed. We always hear from the other side some kind of breeze, that some miracle has happened or that something has not happened. It is frightening that the member sits on the transport committee with me.

I have listened to all sides. We are reviewing. We have many witnesses to listen to. I do not know what the intention of those on the other side is, but my intention is to get the best airline service across Canada and we must save all the jobs we can.

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[Translation]

Mr. Jean-Guy Chrétien (Frontenac—Mégantic, BQ): Mr. Speaker, we all know that Wednesday morning, in the federal capital, all parties hold a caucus meeting.

Yesterday, many Liberal members, after their caucus, expressed their disappointment, their dissatisfaction on the Onex issue. Certain facts must be remembered.

• (1315)

Onex is an major sponsor of the Liberal Party, giving \$5,000 for this, \$5,000 for that.

The transport minister said yesterday that Marc Lalonde works for Air Canada. In today's *Journal de Montréal*, Michel C. Auger said that the transport minister works for Onex.

I would like to ask my friend across the way, who sits on the transport committee and who heard this week that the transport minister works full time for Onex, if the merger is legal, yes or no.

[English]

Mr. Lou Sekora: Mr. Speaker, I sit on the transportation committee as the member does. I do not know what will be before us. I do not know what our final agreement will be as far as the transportation committee is concerned.

On Wednesday afternoons when we sing O Canada we do not see any members from the Bloc in here joining us. I do not think they believe in Canada. They believe in their own ways. They will not come and pray with us on a prayer day. They will not come and sing O Canada with us because they do not believe in Canada. I do not know where they are coming from.

[Translation]

The Acting Speaker (Mr. McClelland): Unfortunately, there is no more time for questions and comments.

[English]

Mr. Roy Bailey (Souris—Moose Mountain, Ref.): Mr. Speaker, I do not know if I can follow the same act. I suggest that this debate did not come to the floor of the House like the great historic transportation debates that took place in the past.

If we went back to Confederation and the years thereafter, the House and the committee spent months on the great transportation debate: The building of a railway across Canada, the national dream. The only thing in the last 100 years even comparable to that was a little bill called the national highway strategy program which was a piece of paper.

This is the big issue for this century. In the closing days of this century this will be the biggest transport issue since 1900 until the new millennium comes in. The most unfortunate thing is that the House first learned of everything that was going on through the

papers. Most of what Canadians know about this great debate and the merger they learned through the papers.

I sit on the transport committee. I have enjoyed very much talking to some very key witnesses. Canadians phone me and ask if the same rules apply to everybody. They want to know if there is a level playing field. I cannot answer those questions but I have my suppositions. However, whatever happens in this great debate that will always remain in the minds of the people.

I want to congratulate my colleagues in the Bloc Party for bringing this to the floor of the House. Whether I agree with the 10% increase or not is not the issue. In the past, when we had these great transportation debates, we always brought in capital from all over the world to help us. This happened with the railway and originally with the airline industry.

What we have here is an emergency. I did not create that emergency. None of the parties on this side of the House created the emergency. It was going on. Unfortunately, the story broke when the House was not in session.

It was not only awkward for me and other members of the committee to hear statements being made when we were in our home constituencies, but two days before we arrived here I read in the paper who the new chairman of the transport committee was going to be.

• (1320)

I do not know if that was a charade, but we usually go through the actions of a committee meeting before making a decision as to who the chair will be. The second order of business would be to choose what topic we were going to discuss. That was pre-announced. I am not arguing about that because I think that would have happened anyway. What I am arguing about is that, unfortunately, and I am not blaming anyone, the House will never have the time, because of the urgency of this matter, to properly debate the issue.

I see the minister is here. I believe he has given us a timetable of something like November 26. Our last witness in the transport committee will appear on November 24.

Mr. Speaker, I failed to announce that I will be sharing my time with the hon. member for Esquimalt—Juan de Fuca.

What was the immediate Canadian reaction? What are some of the questions? My phone lines have been busy with people asking if this is a fair procedure. The government will have to answer that. Is it a fair procedure?

The next question they ask is: Will it keep the regional airlines intact? Coming from the west, they have fallen in love with WestJet. We have received some assurances in committee that would take place but I would like to see that on paper.

Supply

The fundamental question is: If there is only one dominant domestic air carrier within Canada in the future, could it really be said that a monopoly exists given that there is a relative freedom of entry into the industry? I think that is a big question.

Provided a carrier can obtain a licence and meet the initial financial fitness test, should financial fitness be assessed on an ongoing basis? We have used the word “dominant” to replace the word “monopoly”, with the exception of some regional carriers. I submit that we will, even if it is not a necessity, go to a dominant, monopoly carrier.

I have to ask if that is really necessary at this time. I am not so concerned about where we get the money. I would suggest to my friends in the Bloc that I do not care where the money comes from for these ventures, whether it comes from Germany, France or the United States. In the history of the United States, when it developed much of its money came from Germany.

At any one time we have always had about 10% of the population of the United States. We have heard from witnesses that our major role and major profit in this industry goes south. That part does not worry me. I do not think we should have limitations. That is where I disagree with the Bloc.

I wish I was in a position today to make some guarantees about the future of the airline industry in Canada. Unfortunately, we have only had but a few weeks with just a few hours left before the decision is made. Let us hope for the travelling public, those who must use the airline, that it is a good decision and that the House will in the future be notified in plenty of time to have a debate on this great issue, as it did with the railways and other great transportation issues, on the floor of the House and in no other place.

[*Translation*]

Mr. Benoît Sauvageau (Repentigny, BQ): Mr. Speaker, I will be brief to give other members an opportunity to ask questions.

My hon. colleague from the Reform Party talked about consultations and the short time available for consultations. I would simply like to compare that to the prebudget consultations.

• (1325)

I would point out to him that the auditor general has found a \$25 billion surplus in the employment insurance fund and that it is up to the minister to decide what to do with that money.

In all the prebudget consultations we have had since 1993, I do not recall the government asking people if they agreed with the way the finance minister intended to use the surplus. That is a good indication of the government's philosophy with regard to consultations.

This morning, the Minister of Transport said—and his colleagues read speeches prepared by his officials—that we were initiating an important debate. I want to point out that the Standing Committee on Transport will be studying this issue until November 26. It was said that, within the committee, the majority is Liberal and does as the minister says. In the House, the majority is Liberal and does as the minister says. In the Senate, the majority is Liberal and does mostly as the minister says. What does the member think about consultations in that context?

[*English*]

Mr. Roy Bailey: Mr. Speaker, I would have liked to have had a pre-consultation. I think we had plenty of time before the House opened in late September. I could not see any reason for not calling together the Standing Committee on Transport. We could have had the same witnesses as we are having now. At least those people assigned from each of the political parties in the House would have had a chance to update this. We would have been able to spend more time discussing the matter with our colleagues who do not happen to be on the transport committee.

I believe the major flaw in the whole process was that the government did not see fit to ask the Standing Committee on Transport to meet as early as possible after the gates were opened.

Mr. Bill Casey (Cumberland—Colchester, PC): Mr. Speaker, the member said that the number one issue on people's minds was whether the process was fair. On August 13 the minister announced a 90-day window of negotiation during which he would receive proposals to restructure the industry.

On day one the law of the land was and still is that the maximum that anybody could own of Air Canada was 10%. Two days ago, with only 16 days left in the process, he has announced that he may change that regulation to allow any bid to maybe considerably more of the company.

Considering it is a standard operating procedure for government to call for proposals and give a window of opportunity to receive them, does the member feel it is fair for the minister to change the rules with only 16 days left when obviously nobody else has an opportunity to put together such a comprehensive plan that is required for the issue?

I like the member's referral to the dominant monopoly carrier. It is very appropriate. When the minister asked the Competition Bureau to review the industry, he did not ask it to look at all possible options, he said “Just look at my favourite option,” the dominant monopoly carrier theory”. Does the member feel that was fair?

Mr. Roy Bailey: Mr. Speaker, on the basis of what I have learned in the papers prior to coming back to the House and on the basis of what I have learned from asking questions, there is an

element there that says it was an unfair situation. I do not think there is any question about it. I think the general public agrees with it.

The big question that should be asked and one that only the minister can answer is whether this was necessary. If we ever get an answer to the question of whether it was necessary to change the 10% at this time, I suspect we will find that maybe the 10% was put there for an obvious reason. However, it appears that it is being changed at this time because there is an unfair situation for one of the people who are presently bidding. I do not think there is any question about that.

There is another thing I want to mention about the dominant carrier. I have great fear that without some discussion and debate in the House, we will need to have some regulatory legislation in this industry in the years ahead. If that will be the case, and I fully suspect it will be, I hope it will come to the House. I hope it does not take place as this issue has in the past.

• (1330)

Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.): Mr. Speaker, it is a pleasure to speak to the motion put forward by the Bloc Québécois. It is a very interesting motion, which affects most of us because of the employees of both Air Canada and Canadian Airlines who live in our ridings. This issue is exceedingly important to them.

Part of their concern is that they want to know the truth about what is going on. Unfortunately what we have seen is a polarization amongst the employees of both companies, so much so that it is causing an extraordinary amount of acrimony.

I would say, and I am sure many members would agree, that Canadian carriers, both Air Canada and Canadian Airlines, have the finest staff, as well as some of the best planes in the world. Oftentimes Canadians wonder what we can do, as opposed to the rest of the world, and we need not look any further than those two carriers to see Canada excelling in the airline transport industry.

Having said that, there are things we need to do to ensure we are not left with an airline industry in disarray, which would affect the employees and especially consumers who want the assurance that whatever comes of these discussions they will be protected and not left with a monopoly and the possibility of price gouging. They want a fair and equitable decision for the employees of both airlines.

Let us look at the issue put forth by the Bloc Québécois, which concerns the 10% limitation on ownership of Air Canada. We already have a 25% foreign restriction on the ownership of a Canadian carrier. That is a good thing.

Supply

If one professes to believe in allowing the market to decide, and allowing strong competition, why should we prohibit any individual or group in this country from having greater ownership of Air Canada? What is so wrong with having a person or group own a larger share of Air Canada or Canadian Airlines, or any company for that matter?

It is not right for the government to impose those kinds of restrictions upon a private carrier. It limits and creates a barrier to that company becoming as effective as it could be.

On the issue of competition, as I am sure most people here would agree, we would like to see two carriers, competitive, healthy and profitable, being able to take on not only other groups within Canada but also around the world, and win, which they can do.

The sad state of affairs today, with both of these companies having trouble, is that we are looking toward a merger. As my colleague, our critic, has mentioned before very eloquently, rather than having a merger take place in an environment of chaos, let us do it in a relatively controlled fashion so that market forces can take place, but we can be left at the end of the day with a merger that will strengthen the airline industry in our country. I think that is what we all agree ought to happen.

We need a level playing field, so that both groups can compete or both groups can merge.

The truth must come out about what is really going on. The issue of debt levels is very important in terms of how investors look at both companies and there has been a lot of misinformation about what the debt levels are in both companies.

According to the most recent information we have, Canadian's debt is around \$1 billion and Air Canada's is around \$9 billion. Many of the employees of both companies do not know that. They have been fed different lines as the political battles take place over the merger of the two companies.

As our eloquent transport critic has mentioned, we want to ensure that if we are left with a single carrier there will not be price gouging and there will be legislation in place to protect the public from it.

• (1335)

On the issue of service to small communities, given the nature of our country, its broad scope and sparse populations, we need access to adequate transportation facilities, in particular by air. We want to make sure that people in remote areas will be serviced properly and we will press the Minister of Transport to make sure that whatever comes of this there will be consideration in the legislation to ensure that those people living in remote areas will be protected.

Supply

The employees of Air Canada have a legitimate concern about their rights. Because they have a younger staff, if or when they merge with Canadian Airlines, they fear they will be taken over and put at the bottom of the barrel. That would not be fair and it would not be equitable.

On the other hand, Canadian Airlines' workers fear that if they are to be merged with Air Canada, which has a larger number of employees, their numbers will diminish and they will lose employees, which would be equally unfortunate.

We ask the Minister of Transport to ensure that there will be fair and equitable treatment of the employees of both Air Canada and Canadian Airlines.

On the issue of the proposed legislation to review the airline merger, there are a couple of points that we would like to put before the Minister of Transport. First, we take offence to and oppose the Competition Bureau being reduced from its legislative role to an advisory role. We would also like to see the transport committee take a larger role in this and advise the minister as to how this should take place. Members of that committee should be involved. The Competition Bureau, with its rules and regulations governing competition within the country, should not be suspended for this particular merger. That is not correct. It also adds an element of partiality which I know the minister would not like to see in this particular merger, given the well known connections that he and the government have with Onex Corporation. However, that should not preclude Onex from having a fair go at being able to merge these groups.

In closing I would like to say that members on all sides of the House are very much in favour of ensuring that whatever comes out of the Air Canada-Canadian Airlines trade war, which is what it is, we will be left at the end of the day with a strong airline industry which will be profitable and able to continue to take on competition and win in the aggressive airline transportation industry.

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, I realize that my friend was not particularly enamoured with the fact that under section 47 the bureau was given an advisory role, but I think he will agree that the report which has come from the bureau in the last few days is a comprehensive one and certainly has helped us, helped me, in developing the guidelines which I brought before the committee on Wednesday of this week.

Does the hon. member not now fully appreciate the fact that under the framework that I announced the bureau will very much be back in the picture, approving the merger, every aspect of the merger, negotiating with any proposer who comes forward and that this is a very crucial safeguard on the very essential issue of competition?

Mr. Keith Martin: Mr. Speaker, I thank the hon. Minister of Transport for his question. Yes, we would like to ensure that the

Competition Bureau will have significant input. What the minister said is obviously true, and we would definitely support that. We also want to make sure that members of parliament who are on the transport committee have a strong voice in what takes place. As members of the House are representatives of the people, the people should have a role to play, an understanding and a vote on what takes place in this competitive merger. The people, by virtue of the members who are in the House, should not and cannot be excluded from this process. They must be involved in it as well as the Competition Bureau.

[Translation]

Mr. Jean-Guy Chrétien (Frontenac—Mégantic, BQ): Mr. Speaker, I am very pleased to see the Minister of Transport taking part so actively in this debate on an opposition motion brought forward by the Bloc Québécois. Our party is very concerned about the merger of two major carriers that are about to be swallowed up by Onex.

• (1340)

Yesterday, during question period, in response to a question put by the hon. member for Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, the transport minister said that Marc Lalonde works for Air Canada. Today, Michel C. Auger maintains that the transport minister is working full time for his friends from Onex, who are being very generous toward his political party.

I want to ask my Reform colleague if he also believes that the transport minister has put his cards on the table and is not on the payroll of Onex.

[English]

Mr. Keith Martin: Mr. Speaker, I would suggest that the member ask the Minister of Transport that question himself.

I would refer the member to the following: Why did the Bloc Québécois say today that Canadian Airlines is being discriminatory against francophones? That is an insult to the 60,000 employees, both francophone and anglophone, who work hard for Canadian Airlines. It is an insult to every francophone who works for Canadian Airlines that members of the Bloc Québécois would say that Canadian Airlines is somehow anti-French. That is nonsense.

The second point I would like to make is, why is there an obligation for Air Canada to have its headquarters—

[Translation]

Mr. Jean-Guy Chrétien: Mr. Speaker, I simply asked the hon. member from the Reform Party for his opinion. Neither I nor a member of my political party have ever insulted Canadian Airlines International. I regularly fly with this airline and my language rights have always been respected.

Supply

I ask the hon. member to withdraw his remarks. They were insulting.

[*English*]

The Acting Speaker (Mr. McClelland): That is obviously a point of debate, but the hon. member for Frontenac—Mégantic has had the opportunity to put his words eloquently on the record.

Mr. Keith Martin: Mr. Speaker, I am very happy to speak to my hon. friend from the Bloc Québécois. I was not accusing him, but there are members of his party who said that today and I will prove it to him privately after this. I will show him the facts.

The second point I wanted to make is, why is there an obligation in the law of this land to ensure that Air Canada is forced to have its headquarters in Montreal? Air Canada should have the same flexibility as any company to have its headquarters where it likes. I think it would be fair to allow Air Canada to do that.

On the point of whether the minister is or is not involved in any of this, that is an issue for the member to ask the minister, not me.

The Acting Speaker (Mr. McClelland): Unfortunately, the time for questions and comments has expired.

An hon. member: Mr. Speaker, a point of order should not be taken from debate time.

The Acting Speaker (Mr. McClelland): The point has been made that the point of order should not be taken from debate time. It is a call that the Speaker gets to make. The Speaker has made the call. We are going to debate and the hon. member for Bruce—Grey has the floor.

Mr. Ovid L. Jackson (Bruce—Grey, Lib.): Mr. Speaker, it is my pleasure today to speak to the opposition motion. I will share my time with the member for Mississauga West.

Today's motion reminded me of what happened in the early days of aircraft flying. I am reminded of a story told by Bishop Wright one Sunday in church when he was lecturing to the congregation. At that time there were two significant things happening. One was that there were to be blood transfusions coming out of Stanford and he thought that was not a good thing. There was no mention of it in the Bible. As well, he said "I hear that some people have developed some of these metal things that can fly". He said "Ladies and gentlemen of the congregation, I want to tell you that flying is only reserved for angels".

• (1345)

The government is here to make legislative changes, but those changes have to be what is best for Canadians. The country is large and has a northern climate. There are airports in many remote areas. Canadians would like to be able to get across this country as

often as they can and as cheaply as they can. Every once in a while when it gets a little cold they want to go south. As a member of the transport committee, the question I have is what is in the best interests of the public and how can we get there? The minister has outlined five points.

The problem with the debate today is that it is being clouded by extemporaneous things. We have our own little nuances and little enclaves because we are a federation. We have to look beyond the federation to see how the system can be better while being reminded that this is a Canadian institution. None of us in the House, including members on this side, will ever give that up.

We want to have full control of the Canadian airline industry. So far we have done well. We started with Air Canada which had a lot of help from the government. The government helped Air Canada get on its feet. As always happens in this place, when Air Canada started making money the opposition did not like it and we had to privatize it. We said it was okay, that it could fly on its own.

Later on we did the same thing for Canadian Airlines in a balanced approach. We gave it some international routes and allowed it some slots in British airports. It is working quite well.

The transport committee heard from the Canadian Transportation Agency. It heard from the Competition Bureau. They have a lot of resources, skills and experience. They told us that we have benefited from deregulation over the last number of years.

I do not think the Minister of Transport got up one morning and decided that the industry had a problem. We ended up with this problem because of the changes in the international market, in international allegiances and alliances and because things do change in the marketplace.

An hon. member: Too much bureaucracy.

Mr. Ovid L. Jackson: A member of the opposition says there is too much bureaucracy. We want to get rid of that too and that is what we will try to do.

There are repair facilities in one part of the country and head offices in other parts. Pilots on both sides are lobbying. Members of parliament are getting antsy. They are being pushed in one direction or the other.

The main point is what is in the best interests of the public. Can they get access to their communities? Will the fares be as cheap as possible because there is enough competition in the marketplace? Can they have better flights and faster routing using other systems? That is what we are examining. As far as I know, every time the government has changed regulations it has been for the better. That is what I hear when I am in the transport committee.

The Bloc is trying to tell us that we should stick to the 10% rule. It may be what we end up doing. However, it must not be in the

Supply

legislative framework as the Bloc is trying to do here today, to force us to make a decision based on something that we do not know anything about.

These two airlines are competing to see who is going to take the position when the dust has settled and the shareholders have decided. These are corporate moves. We will be faced with having to make a decision. The minister has listened to public forums and gathered all the needed information. He asked the Competition Bureau to look at it. He asked the regulators to look at it. When this offer comes before us we want all our options open. We will make a decision and the decision will be that Canadians will still effectively have control.

The question is will there be effective control? Will small communities be serviced? Will the rights of the workers be respected and looked after? Will their contracts be looked at so they do not lose benefits they are currently getting? Will that be handled in a proper fashion?

• (1350)

There are all the other balanced approaches we have to use to make sure there is competition in the marketplace, to make sure that Canadians have more options and cheaper fares. These are the things that need to be looked at and they cannot be looked at with our hands tied behind our backs by saying it is going to be 1%, 2%, 3% or whatever.

Times do change. I said earlier that Bishop Wright got up in church and said that people would not fly. People do fly and as a matter of fact, we can now go to the moon.

Ms. Bev Desjarlais (Churchill, NDP): Mr. Speaker, the hon. member commented on Bishop Wright's analogy that only angels fly. I am sure all of us recognize that flying goes beyond that.

I am wondering if in any of his comments Bishop Wright talked about ethics. Did he talk about living by the rules and laws while they are in place? If that is not going to be the case, maybe the government side should take a flight to the moon and let the public interest be handled by Canadians and people who care about the public interest.

I have to question a government that does not ensure that the laws are being adhered to. If a government is not doing that, how is it representing the best interests of Canadians?

Mr. Ovid L. Jackson: Mr. Speaker, I will try to answer the hon. member's question in this fashion.

The government has not had any offers before it. The government has not moved beyond the 10% rule. The government cannot be accused of being unethical because it is all hypothetical.

[Translation]

Mr. Jean-Guy Chrétién (Frontenac—Mégantic, BQ): Mr. Speaker, my friend and colleague from Bruce—Grey, who is

usually very intelligent and a good mathematician, having taught mathematics and physical education for many years, says that we must fly more and more regularly and at the best rate possible. However, I have difficulty with his reasoning.

I cannot see how this will be possible with only one airline left after the merger, when we no longer have any choice and there is no competition for prices. Right now, we can choose between two or three airlines the one whose schedules and prices suit us best.

I do not understand how the hon. member for Bruce—Grey can say that plane tickets will be cheaper and service will be better when there is only one airline left. That does not make sense. I cannot understand his reasoning. If there were only one restaurant in his hometown, it would cost him a mint of money to eat there, he would not get any service and he would have to wait for hours before being served.

I am wondering if the sole purpose of his speech is not to please his minister, who joined in the debate a moment ago, to get a promotion or to dissociate himself from the dissidents who expressed dissatisfaction in yesterday's caucus meeting.

[English]

Mr. Ovid L. Jackson: Mr. Speaker, my hon. colleagues and I have fun and we do work together. We are still in the realm of the hypothetical.

When we make changes and those changes call for legislative changes, we have exchanges and debates in the House. It is those legislative changes and those debates that make our systems better.

My hon. friend has some concerns that I can understand. However, I think he has been to some of the transport committee meetings. He will know we have had some advice that notwithstanding there will be a dominant carrier, there are ways and means to make sure we keep that competition, that the small areas are looked after and that the pilots are looked after. We are looking into all of that. We cannot reach the conclusion that the technique we are going to use is good or bad until such time as we have tabled the legislation.

• (1355)

Mr. Sarkis Assadourian (Brampton Centre, Lib.): Mr. Speaker, what is the member doing specifically to make sure that whatever happens to the airline industry it will continue to provide services to small towns in Ontario and other provinces?

Mr. Ovid L. Jackson: Mr. Speaker, the system we have now allows for small operators to start up their businesses. Obviously the Competition Bureau will look at the operators to make sure they have enough facilities, that their facilities are safe and that they have enough resources to operate.

There are many facilities. For instance, my friends from out west will tell us that CanWest is doing a great job. First Air owned by our native people is doing a fantastic job up north. There is room in the marketplace to make sure that smaller communities are looked after.

Under the legislation and under the legislative framework we will make sure we have enough slots for aircraft. We will make sure that travel agents are controlled and are also operating for our small communities, that they are able to access these flights and co-ordinate them. We will make sure there will be enough space at the airports. From time to time there will be subsidies.

When we make a regulation we have to make sure all of our communities are serviced. Those small communities will be looked after under the legislation.

The Speaker: We will pick up on debate at the end of question period. It is almost two o'clock so we will go to Statements By Members.

STATEMENTS BY MEMBERS

[English]

LISAARD HOUSE FOUNDATION

Mr. Janko Perić (Cambridge, Lib.): Mr. Speaker, Cambridge residents Val and Sheila O'Donovan recently donated \$1 million to the Lisaard House Foundation, a new charitable organization establishing a hospice for terminally ill cancer patients.

Cancer patients who are too ill to be at home and who do not want to be in hospital will now have the option of staying at Lisaard House. The 6,000 square foot hospice located on 3.8 acres will provide large accommodations plus other living and meeting quarters making it easier for families and friends of cancer patients to visit and stay over.

The O'Donovans describe the donation as a gift back to the community. It is the generosity and kindness of people like Val and Sheila that has made Cambridge the caring community that it is. I call on all members to join me in thanking the O'Donovans for their incredible generosity.

* * *

JIMMY "ICEMAN" MACNEIL

Mr. Cliff Breitzkreuz (Yellowhead, Ref.): Mr. Speaker,

The outlook isn't bright for Canadians today,
For Yankees are stealing the game that Canuckers love to play.
On every front they rob us, south the talent flows,
Thanks in part to Liberals, who tax us through the nose.
Great multitudes of fans are deep in despair,
Tired of the Yashin types spewing thick pompous air.

S. O. 31

Yet on a different front, a battle has started to brew,
Where a true Canadian stands alone to fight for me and you.
There is a man from Brantford, waging an ice age war,
To return what might be lost, and perhaps even more.
It's Jimmy "Iceman" MacNeil, who guides the Brantford
Zamboni,
Taking on a Detroit Yank, who couldn't ice bologna.
One Zamboni driver, will triumph from this fight,
The winner will ice the surface, on NHL All-Star night.
Jimmy needs your votes; he needs them now today,
Canadians vote at Zamboni.com where you can have your say.
Choose the brave Canadian, not the American fat cat,
For Canadian pride will swell again if we let Jimmy ice the mat.

* * *

ARMENIAN PARLIAMENT

Mr. Sarkis Assadourian (Brampton Centre, Lib.): Mr. Speaker, I am terribly saddened by the deaths of Prime Minister Sarkisian, the Speaker of the Armenian parliament, Speaker Demirchian, and other members of the Armenian government at the hands of terrorist gunmen on October 27, 1999. We must all condemn this cowardly attack on fellow parliamentarians who were gunned down while they conducted their nation's democratic business in the Armenian parliament.

● (1400)

I invite all members of parliament and the public to join me and the former Canadian Ambassador to Armenia, Anne Leahy, when we meet with the Armenian community tomorrow night, October 29, at 7.30 p.m. at the AGBU Centre, 930 Progress Avenue, Scarborough, Ontario, at the corner of Markham Road and the 401.

I urge all Canadians to support Armenia during this time of crisis. A friend in need is a friend indeed.

* * *

CANADA HEALTH ACT

Ms. Judy Wasylycia-Leis (Winnipeg North Centre, NDP): Mr. Speaker, since when did access to universal health care in the country depend on where we live and how much we make?

A Canadian study in today's *New England Journal of Medicine* shows that our chances of living through a heart attack depends on how rich we are. If we are wealthy we are 20% more likely to get high quality treatment.

Another study leaked two weeks ago shows that Windsor residents have higher death rates and suffer more from 22 serious illnesses, including birth defects and heart disease, than other Canadians.

Where are the Liberals? The silence is deafening. Even worse, the government is contributing to two-tier health care through wilful neglect and a refusal to enforce the Canada Health Act.

S. O. 31

Today, let us make a real commitment to end this agenda of silence and complicity and to ensure that every Canadian has equal access to a healthy life no matter where they live and how much is in their pocketbook.

* * *

AGRICULTURE

Mr. Rey D. Pagtakhan (Winnipeg North—St. Paul, Lib.): Mr. Speaker, "Farming is the single most important factor in Canadian experience," wrote author Allan Anderson in *Remembering the Farm*.

It is, therefore, welcome when the Prime Minister and the premiers of Manitoba and Saskatchewan come together and when delegations of farmers, ministers and officials meet with key federal ministers and government caucuses to find urgent solutions to the farm income crisis and to address the root causes on a long term basis.

Dialogues like these, not sheer political partisanship, are more effective in further advancing the interests of farmers to the well-being of all Canadians. Thus, we can be confident that the Government of Canada, working together with all stakeholders, will find the solution and soon.

Farming is vital to Canada's food production system, is vital to the Canadian economy and will continue to be vital to Canadian life.

* * *

[Translation]

ROYAL CANADIAN MOUNTED POLICE

Mr. Jacques Saada (Brossard—La Prairie, Lib.): Mr. Speaker, this year we are celebrating an important stage in the life of the Royal Canadian Mounted Police, namely 25 years of women in the force.

On September 16, 1974, at exactly the same moment across the country, 32 women aged between 19 and 29, from all provinces except Prince Edward Island, were hired as regular members of the RCMP. Today, some 14% of the force are women. That amounts to some 2,000 women.

The appointment of women police officers not only radically changed the RCMP and other police forces, it also helped radically change the role of women in the workplace and to change public perception of this role and of the police.

Many activities have been organized in celebration of this event, but much remains to be done. The change is essential if we want Canada to continue to set an example with community police and police close—

The Speaker: The member for Edmonton East.

[English]

MERCHANT NAVY VETERANS

Mr. Peter Goldring (Edmonton East, Ref.): Mr. Speaker, 50 years of stonewalling, 50 years of neglect, 50 years of denial of equality for Canada's merchant navy veterans. This is our governments' performance for 50 years and more.

The issue is very clear. The bitterness is so very high. The veterans are not seeking great wealth, simply the respect and benefits given to their armed forces brethren with fair and just recompense.

The minister must agree that this issue cries out for resolve. It would be unconscionable for their concerns to continue to the next millennium, for the bitterness to be carried to their graves. The minister must end this injustice, end this sordid tale now. Lest we all forget.

* * *

[Translation]

FUTURALLIA 2000

Mr. Serge Cardin (Sherbrooke, BQ): Mr. Speaker, next June, Sherbrooke will be hosting a major event. Futurallia 2000, the international forum on business alliances, will meet for the sixth time and, for the first time in its history, outside France.

● (1405)

For three days, nearly 500 business people from some 30 countries will meet in the capital of the eastern townships to discuss strategic alliances, subcontracting bids and distribution network development.

Permit me to congratulate the organizers of Futurallia 2000 on their initiative. Réal Patry and his team have been working hard for months to make this event a success. They are working to ensure that each of the business meetings may be as successful as possible for the businesses involved. In addition, the success of this event will boost our region's economy.

I invite my colleagues to tell businesses in their riding about this forum so they too may reap the benefits of Futurallia 2000.

* * *

[English]

KIMMIRUT STUDENTS

Mrs. Nancy Karetak-Lindell (Nunavut, Lib.): Mr. Speaker, I would like to welcome to Ottawa a group of dedicated students from Kimmirut, a small community on Baffin Island in Nunavut.

After extensive fundraising and a sponsorship by Heritage Canada, these students spent last week in Montreal. Next April their hosts, grade 9 and 10 students from St. George's High School

in Montreal, will travel to Kimmirut to experience Nunavut hospitality.

Exchange trips are one of the positive ways for Canadians to learn more about our great country and we welcome those who chose to come to the north.

Kimmirutmiut, welcome to the nation's capital and enjoy the rest of your exchange.

* * *

GRAIN FARMERS

Mr. Jack Ramsay (Crowfoot, Ref.): Mr. Speaker, Doug Steinwand farms in my constituency. This fall he took a load of grain to the elevator. His gross income for that load of grain was just under \$5,000. His take home pay was just under \$3,000. Over \$2,000 was deducted for transportation, handling and the GST. Those deductions amount to 42% of the gross value of the grain marketed by this hardworking husband and father who is trying to make a living for his family.

How can farmers survive under these conditions? Their input costs are enormous. The price they get for their grain is depressed because of international subsidies. They battle the weather to plant and harvest their crops and when they get their grain to market, 42% of its depressed value is ripped off the top for handling and transportation.

If something is not done about these conditions, Canada is going to lose its farmers and our food producing capacity.

I say to Mr. Steinwand, to his family and thousands of farmers like him, the government has failed you, it has failed your families and it has failed the country.

* * *

GENEVIÈVE JEANSON

Mrs. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Mr. Speaker, I rise today to recognize one of my constituents, a young lady who has brought honour, fame and pride to her home town of Lachine and in doing so has become an instant role model for all young Canadians.

[*Translation*]

I am, of course, referring to Geneviève Jeanson. She is quite a champion in the cycling world, in fact a two-time champion. Geneviève's exploit is a Canadian first in the history of road cycling: two junior cycling championships within the same week. Without a doubt, this is the sporting event of the year.

Geneviève's excellence, maturity, tenacity and great self-discipline are clear proof that one can go far without having lived long.

S. O. 31

We thank Geneviève for her presence in the gallery today to share her great success with us.

I invite all of my colleagues to give her a very warm welcome.

Some hon. members: Hear, hear.

* * *

FRENCH LANGUAGE TELEVISION IN ONTARIO

Mr. Eugène Bellemare (Carleton—Gloucester, Lib.): Mr. Speaker, I would like to read an excerpt from a telegram sent to TV Ontario in 1994.

It reads "Thank you so much for the essential role you play in the preservation and promotion of the French language. My sincere congratulations to you, on behalf of the Government of Quebec". The telegram is signed Jacques Parizeau.

Today, the Bloc Québécois is opposed to Ontario French language programming being broadcast in Quebec. What a contradiction.

* * *

• (1410)

[*English*]

JON SIM

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, I rise today in the House with extreme pride to congratulate Jon Sim, of New Glasgow, Nova Scotia.

As a rookie member of the Dallas Stars of the National Hockey League, Jon accomplished something only few Canadians could dream of: He played for a Stanley Cup winning team.

The people of Pictou—Antigonish—Guysborough were honoured by his presence this summer, along with the Stanley Cup. It was an extremely exciting and extraordinary day of celebration that brought the entire community together. The citizens of New Glasgow lined the streets in his honour for his homecoming parade.

His family, friends and all Nova Scotians are proud of Jon and his historic feat.

In a fitting tribute, the Glasgow Stadium raised Jon's jersey in recognition of his great accomplishment.

A product of the Pictou county minor hockey system, Jon has gone on to make a name for himself as a tenacious and talented athlete.

On behalf of the Progressive Conservative Party of Canada and the people of Pictou—Antigonish—Guysborough, I wish to extend best wishes and congratulations to Jon Sim, a Stanley Cup champion.

S. O. 31

[*Translation*]

POVERTY

Mr. René Canuel (Matapédia—Matane, BQ): Mr. Speaker, it is a source of dishonour for our society that, while our economy is in an excellent condition, poverty is increasing.

This contrast has a direct impact not only on people's physical and psychological health, but also on the chances for success in adult life of the child victims of this poverty.

Instead of putting an end to the considerable waste engendered by duplicating provincial programs, this government has taken advantage of the opportunity of the throne speech to infantilize the provinces and to make children the first victims of the increased federal visibility thus achieved.

Visibility is this government's middle name; it would rather make use of its spending power to gain visibility than to address the problems relating to poverty.

I beg this government to repair the damage it has done to social programs by giving funding back to the provinces and respecting their areas of jurisdiction.

* * *

[*English*]

WEEK WITHOUT VIOLENCE

Mrs. Karen Redman (Kitchener Centre, Lib.): Mr. Speaker, this past week was the YWCA's fourth annual week without violence.

In Canada this international event is exclusively sponsored by Clarica. In my riding of Kitchener Centre, the Community Safety and Crime Prevention Council joined with the YWCA of Kitchener—Waterloo to host a community leaders breakfast.

I commend these groups for their commitment to raising awareness about this important issue. Under the banner of "Share the Image of a Violence Free Society", they have released a series of postcards in the Waterloo region with thought-provoking quotations and pictures.

Violent acts take place against all members of our society, in our homes, on our streets, in our schoolyards and even in the workplace.

Organizations such as the YWCA provide programs teaching men and women to express their feelings in a productive manner.

I encourage all members of the House to work with their communities to find local solutions to addressing violence, for, to quote Carl Bruehner, children ". . . may forget what you have said but they will never forget how you made them feel".

AGRICULTURE

Mr. David Iftody (Provencher, Lib.): Mr. Speaker, Canadian farmers are not being left alone to face the current income crisis.

The government has moved to the aid of Canadian farmers by providing \$1.5 billion over two years through the agricultural income disaster assistance program, or AIDA.

So far 16,000 farmers across the country have received over \$200 million in aid. This amounts to an average of \$15,000 per farmer. However, we need to do a lot more.

Today Liberal MPs from Manitoba met an all-party delegation where we discussed changes to the AIDA program with the intention of getting urgently needed resources to the family farms. Over the next few weeks, we will be working closely with that same delegation to ensure that urgent resources move quickly to those farms in Manitoba and Saskatchewan.

* * *

CANADIAN COAST GUARD

Mr. Mark Muise (West Nova, PC): Mr. Speaker, while the Canadian Coast Guard continues to review its program for the purpose of reducing its budget deficit, West Nova fishers are left pondering whether Yarmouth's emergency helicopter service will still be operational in the future.

With the fishery being the cornerstone of West Nova's economy, it is imperative that the emergency service be available in a time of crisis.

A defence department review concluded that Canada's search and rescue operations were seriously impacted by the government's cutbacks. In particular, the report made reference to the erosion of support services provided by other departments, including Fisheries and Oceans.

Further exasperating this situation is the government's cancellation of the EH-101 which forced Canadians to absorb \$500 million in penalties, a huge sum of money that could better have been spent on search and rescue programs.

It is time that the Minister of Fisheries and Oceans immediately commit to maintaining this essential service.

* * *

● (1415)

[*Translation*]

TUITION FEES

Hon. Charles Caccia (Davenport, Lib.): Mr. Speaker, in the recent throne speech, the Canadian government committed itself to working together with its partners to remove all unjustifiable barriers to mobility within Canada.

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However, the Quebec government is discriminating against university students from outside the province who want to pursue their education in Quebec by imposing higher tuition fees on them. That barrier must absolutely be eliminated in order to promote Canadian unity through exchanges involving young Canadians.

I therefore urge the Government of Canada to begin a dialogue with the provinces, and particularly Quebec, to remove this barrier that impedes young Canadians' mobility from coast to coast.

* * *

[English]

HOMELESSNESS

Ms. Libby Davies (Vancouver East, NDP): Mr. Speaker, the homelessness minister's claim in question period yesterday that everything was fine with emergency shelters is dead wrong.

Advocates across the country have confirmed to me that we face a desperate shortage of emergency shelters and another winter of death on the streets. I cannot believe that after spending this summer on a cross-country tour the minister is in denial about the extent of Canada's homelessness emergency.

The minister says her staff has been in touch with every community she visited, but the fact is shelters in Toronto and elsewhere in the country are already turning people away, even before winter moves in.

The Liberals have to face reality and take decisive action immediately. We need both a short term emergency solution to prevent death in the streets, and a national housing strategy for long term solutions.

It is a disgrace that despite having more than 100,000 homeless people Canada remains the only industrialized country without a national housing strategy.

ORAL QUESTION PERIOD

[English]

AGRICULTURE

Mr. Howard Hilstrom (Selkirk—Interlake, Ref.): Mr. Speaker, the government is in denial about the severity of the farm crisis. As usual, the Prime Minister's response is don't worry, be happy. Imagine, Mr. Speaker, if all your expenses went up but your income went down 107%. That is what happened to Saskatchewan farmers and it is happening to Manitoba farmers.

We are not just talking about the average business that is in trouble. We are talking about Canada's national food supply. Why will the Prime Minister not help our farmers through this winter?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the federal government, along with the provincial government, put \$900 million on top of the program we had this year.

I met with the Premier of Saskatchewan and the Premier of Manitoba this morning. We looked at all elements of it and we looked at if we could adjust some of the programs, but it is a complex program and difficult to manage.

At least we are not like the Reform Party. We do not have in our program that there will be absolutely no subsidy for the farmer. At least we really care about the farmer.

Mr. Howard Hilstrom (Selkirk—Interlake, Ref.): Mr. Speaker, if the government would listen to Reform today, farmers would have the support they need.

Thousands of farmers have lost their farms and thousands more are hanging by a thread. These farmers are suffering through no fault of their own, but the Prime Minister still does not care or help would be there today.

If floods wiped out half the businesses in Shawinigan and if foreign subsidies were killing the other half, would there be help for Shawinigan today?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I am saying that \$900 million on top of what we are spending is quite a lot of money for us, especially as we have some programs that are still there, and the Reform Party wants to cut them.

The difference between our position and their position is billions of dollars of help for farmers. They have the nerve to get up and tell us that we are doing nothing when they would do nothing at all for them.

Mr. Howard Hilstrom (Selkirk—Interlake, Ref.): Mr. Speaker, feeble attempts are not enough. Farmers are judging the government by its actions. They are judging by results. AIDA has been a complete waste of time.

Farmers want to see the Prime Minister fighting American and European subsidies. They want to see input taxes slashed. They want to see emergency compensation coming to help. Farmers need help now.

If the government does not step in, thousands of more farmers will be made homeless just before Christmas. Why is the Prime Minister refusing to help these farmers make it through the winter?

• (1420)

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, I have already said, and I repeat it today, that each time I had occasion to talk with the Americans I told them they were wrong to have this policy of subsidy.

Not only that. We are pushing to have it on the WTO agenda in Seattle next month. So we have been there all along, but the

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problem at this moment is that we have a very serious program with new money. I have Reformers in front of me who said to the people who voted for them in the last election that there would not be any subsidy for them if they formed the government.

Mr. Gerry Ritz (Battlefords—Lloydminster, Ref.): Mr. Speaker, western farm families have their backs against the wall this fall because of weather and foreign subsidies. These are hardly programs or conditions which they have any control over.

The government is in a position to help. The Prime Minister could put his foot down for once and fight those foreign subsidies. The finance minister could announce some tax cuts on inputs. The agriculture minister could start by announcing assistance for farmers that actually gets to them.

Why will the Prime Minister not take any concrete action to assist farmers?

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, I guess the hon. member must have been away for a while.

We announced \$900 million of new money last spring. That is on top of the \$600 million that we have there each year. That is on top of the contributions of the provincial governments as well, for a total in the years 1998 and 1999 of \$3.5 billion.

Mr. Gerry Ritz (Battlefords—Lloydminster, Ref.): Mr. Speaker, just a few minutes ago the Prime Minister categorized the AIDA program as complex and difficult to manage. That is their best shot at this program.

The agriculture minister used to be a farmer, yet he shows very little compassion for farmers. His best advice is for them to quit and retrain, a TAGS program for farmers. We know how well that worked.

Only 15% of the money is getting out there to farmers. If AIDA had worked, the premiers of Manitoba and Saskatchewan would not need to be here today. Why is the AIDA money sitting on the cabinet table instead of on the farmer's kitchen table?

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, I might remind the hon. member that the money would have been out there sooner, but over 50% of the applications did not come in until after August 1.

If the applications do not come in they cannot be dealt with. We are dealing with them at the rate of 1,500 applications a week. Over \$220 million has been put out to farmers already.

I assure the hon. member and the House that the \$900 million in the AIDA fund will go to farmers. The applications are indicating that it will. They say \$900 million is not meaningful. I think \$900 million is meaningful. It is even more meaningful when the \$600 million of provincial money goes with it, to make \$1.5 billion.

[Translation]

AIR TRANSPORTATION

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, since the Air Canada affair first came up, the Minister of Transport has described himself as a neutral observer. He has stated that there was never any meeting between himself and Onex officials.

But we now know that, on the eve of Onex's bid, one of his deputy ministers, Louis Ranger, met with Onex officials.

Did this deputy minister not act as an emissary for the minister, and deliver the following message "Make your offer and, if the regulatory framework is not suitable, we will see that it is changed"?

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, on June 23, the president of Air Canada informed me of the bid to acquire Canadian International Airlines' foreign routes. He did so out of courtesy.

The same thing happened the day before Onex officially announced its bid. Mr. Milton observed the same courtesy two weeks ago, when Air Canada made its offer. There is nothing unusual in that.

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, the minister is a very courteous man, who also has some good friends.

Speaking of good friends, we know that one of his friends, Mr. Schwartz, is no amateur when it comes to finance. There is no way he would have spent all that money, time and energy promoting his offer over a two month period if he had not had the promise, or guarantees, which boils down to the same thing, that the legislation would be amended in his favour.

Will the minister finally admit that he and his officials opened the door to Onex, failing which Mr. Schwartz would never have gone ahead with his offer?

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, there was no promise from the Canadian government. I said the same thing yesterday.

With all due respect, I suggest that the hon. member put his questions to Mr. Schwartz at the committee meeting next week.

• (1425)

Mr. Michel Guimond (Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, BQ): Mr. Speaker, the Minister of Transport keeps telling us that he did not have talks with Onex regarding the Air Canada/Canadian Airlines issue.

How can he explain that Air Canada's chief executive officer, Mr. Milton, told the transport committee yesterday that, in June,

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the Minister of Transport alluded a couple of times to a takeover of Air Canada and Canadian Airlines by an independent investor?

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, there were meetings with Air Canada and Canadian International Airlines. It was public knowledge that Mr. Benson, Canadian International Airlines' CEO, had begun looking for investors. That was common knowledge. I imagine that, during the discussions, I alluded to something which was in the public domain.

Mr. Michel Guimond (Beauport—Montmorency—Côte-de-Beaupré—Île-d'Orléans, BQ): Mr. Speaker, could the minister tell us where he got the idea, back in June, of a takeover and a merger of the two carriers by an independent investor, if not through his discussions with Onex chairman Gerry Schwartz?

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, I already told the House that Mr. Benson himself informed me on June 25 that he had found an investor who intended to merge the two air carriers, and that this investor was Onex.

* * *

[English]

AGRICULTURE

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, my question is for the Prime Minister.

Prairie farmers have pleaded with the Prime Minister to go west, to go to Saskatchewan and Manitoba, and to meet with farm families to see for himself the depth of the crisis. However the Prime Minister refused. He would not go to them and so they have come to him.

What does the Prime Minister do? Instead of listening, instead of acting, he sandbags them with numbers. My question is to the Prime Minister. Will there be new money for desperate prairie farmers? Yes or no.

The Speaker: Hon. members will address all their questions to the Speaker.

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, this year it was \$900 million of new money which was put on the table by the federal government on top of the programs that existed before.

For me, \$900 million is a lot of money. It is not my money. It is taxpayers' money. We are working with the provincial governments to see how we can make sure that the money is distributed as equitably as possible and as quickly as possible.

We are working with the provincial governments to see what can be improved in the proposition. The future of farming in the west has been discussed over a long period of time between the provincial and federal governments.

Ms. Alexa McDonough (Halifax, NDP): Mr. Speaker, the Prime Minister refuses to understand the gravity of the farm crisis. Thousands of family farms are going under. So are farm dependent businesses. Farm communities are suffering their worst farm crisis since the Great Depression. The whole prairie economy is deeply affected.

The only thing that the Prime Minister is willing to do is launch a numbers war. When will the Prime Minister stop acting like a bean counter without a heart?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, there are a lot of beans for \$900 million, I guess, and it would take a long time to count them one by one.

I just say that we are taking the problem very seriously. We are talking very seriously with serious people, as I have done this morning with the Premier of Saskatchewan and the Premier of Manitoba, but we can see that the kid daughter in Ottawa is just playing politics.

Mr. Rick Borotsik (Brandon—Souris, PC): Mr. Speaker, the agriculture minister just said that there was \$3.9 billion in agriculture support from the provinces and the federal government.

In 1993, in the last budget of the Progressive Conservative Party, between provincial and federal contributions there was \$7.1 billion in farm support. Will the minister please stand and say when he will put the rest of the money back into farmers' pockets.

• (1430)

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, I am surprised the hon. member brought that up. In 1993 this country had a \$42 billion deficit. If the hon. member's party had not built up the deficit we would not have had to make the changes. All Canadians contributed so that we could once again have sustainability in the industry and be able to help with \$900 million, as we have.

The hon. member should listen a little closer. I will give him the benefit of the doubt, but I said \$3.5 billion, not \$3.9 billion. He should not give out the wrong numbers.

Mr. Rick Borotsik (Brandon—Souris, PC): Mr. Speaker, it is \$3.9 billion if the minister would look at his numbers.

The \$42 billion debt comes up constantly. That was done on the backs of agriculture. That was done on the backs of farmers. Farmers do not want to hear about that. What they want to hear about are solutions.

When will the minister put back the \$3 billion that he took out of agriculture and help save Canadian farmers?

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, this government has helped farmers in a lot of ways, with the safety net as well as in many other ways, including

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the fact that interest rates are considerably lower. That means millions of dollars for farmers every year. Thank goodness interest rates are not where they were when the hon. member's party was in power. Our farmers would be in even worse shape than they are at the present time and we would not be able to help them as a government.

What we have done as a government has allowed us to be as helpful as we are being. We wish we had more resources. We would like to have more resources. But unlike that party when it was in power, we know there is a limit.

* * *

EMPLOYMENT INSURANCE

Mr. Richard M. Harris (Prince George—Bulkley Valley, Ref.): Mr. Speaker, the chief actuary said that EI premiums could be cut to \$2.05 and still provide for a rainy day fund. But, no, the Minister of Finance will stop at \$2.40. He is still determined to rip off Canadian workers and businesses by about \$6 billion a year.

Why will the finance minister not listen to the government's chief actuary, reduce EI premiums to \$2.05 and give every Canadian family about an \$800 a year tax break to put back into the economy?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, first of all, to put the record straight, we have cut EI premiums by over \$4 billion in the last four years and the vast majority of that went to Canadians.

Let us take a look at what the hon. member's party has actually said. In "Fresh Start" the Reform Party recommended decreases in EI or UI premiums, but only for corporations. Its recommendation meant not one cent for Canadians. Families would not have received a penny from the Reform Party.

Mr. Richard M. Harris (Prince George—Bulkley Valley, Ref.): Mr. Speaker, if the finance minister would take off his blinders when he reads Reform material he would get it right. He did not get it right there.

The EI surplus is not his, but he just does not get that. What he wants to do is give Canadians a drop of blood in one arm and still rip off a pint of blood from the other arm.

Why will the finance minister not listen to his chief actuary? He will not listen to us, why does he not listen to the chief actuary, drop EI premiums to \$2.05 and give every Canadian worker a \$350 a year tax break? Why will he not do that? What is the problem?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, it is very clear why we will not listen to the Reform Party. The fact is that while the hon. member talks about blood, the Reform Party

would bleed Canadian families dry; not one penny of EI cuts for Canadian families. The only people who would benefit from the Reform Party tax plan would be corporations and rich Canadians. We will simply not adopt that agenda.

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[Translation]

AIR TRANSPORTATION

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, my question is for the Minister of Transport.

Yesterday, in the Air Canada-Canadian matter, former Liberal minister Marc Lalonde said that the government was mocking the House with its attitude and behaving as if everything were in the bag. The Minister of Transport defended himself saying that Marc Lalonde and his firm of lawyers were working for Air Canada.

If Marc Lalonde is considered to be working for Air Canada, is it not a far more serious matter that the person in a position to make the decisions is considered to be working for Onex? How can he, who is up to his neck already, point his finger at Marc Lalonde?

• (1435)

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, the implication in the question by the hon. member is an insult.

Some hon. members: Oh, oh.

The Speaker: Order, please. I ask each and every member to be very careful in their choice of words—on both sides of the House.

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, the terms were particularly well chosen.

In June, the minister tried to run the Onex proposal past the president of Air Canada. He said so himself in committee. On the eve of the presentation of the Onex project, the deputy minister met with this firm, and on Tuesday, the minister announced, by chance, that he would probably be changing the 10% rule to make Onex's proposal acceptable.

Is he not the one who, since June, has been pushing us inexorably in one direction—acceptance of the Onex project?

Hon. David M. Collenette (Minister of Transport, Lib.): Mr. Speaker, I repeat, I was informed on June 26 by the president of Canadian International Airlines that he had found an investor for the company and that it was the intention of this investor to merge the two airlines. He identified the investor as Onex.

I said a few minutes ago that, on the day before the Onex proposals were presented, my officials were informed, out of courtesy. This is common practice.

Oral Questions

[English]

FISHERIES

Mr. Mike Scott (Skeena, Ref.): Mr. Speaker, some Mi'kmaq leaders insist that the supreme court's Marshall decision applies to Newfoundland. A small group of Mi'kmaq have already gone to Newfoundland to fish crab and that has sparked confrontation and violence.

Yesterday, Premier Tobin said that unequivocally the Marshall decision does not apply to Newfoundland. Could the Minister of Fisheries and Oceans tell us if he agrees with Premier Tobin, or does he agree with the Mi'kmaq leaders?

Mr. Lawrence D. O'Brien (Parliamentary Secretary to Minister of Fisheries and Oceans, Lib.): Mr. Speaker, we support the Marshall decision.

Yesterday the chief of the band in Conne River, Chief Misel Joe, pointed out that he was very concerned about what happened in Newfoundland and that he supported the position which we took and the position taken by the province.

I want to say to the member that this issue will unfold. The chief federal representative, Mr. Mackenzie, will deal with all issues. In the course of time members will see the resolution. In the meantime, we will enforce the law.

Mr. Mike Scott (Skeena, Ref.): Mr. Speaker, Newfoundlanders deserve clarity on this issue. They need to know where the government stands on the issue of the Marshall decision as it applies to Newfoundland.

I will ask the minister again, on behalf of the people in Newfoundland who depend on the fishery for their living, does he agree that the Marshall decision applies to Newfoundland, or does he agree with Premier Tobin that it does not apply? Which is it? Could he please give us that clarity?

Mr. Lawrence D. O'Brien (Parliamentary Secretary to Minister of Fisheries and Oceans, Lib.): Mr. Speaker, as I pointed out to the hon. member, the law will be respected.

The treaty rights as they relate to the Marshall decision—

Some hon. members: Oh, oh.

The Speaker: Excuse me. The hon. member has the floor.

Mr. Lawrence D. O'Brien: Mr. Speaker, the rights of Canadians will be respected. Treaty rights will be respected. Conservation is the first order of business. We have a regulated fishery and we will enforce the law.

[Translation]

POVERTY

Mrs. Christiane Gagnon (Québec, BQ): Mr. Speaker, yesterday the Minister of Labour made some troubling statements directly linking the reality of former psychiatric patients and of the homeless. Her statement is unfounded and smacks of prejudice.

• (1440)

Does the minister dare deny that the cuts to the Canada social transfer, the mess in the employment insurance program, and the Liberal government's withdrawal from social housing are what has increased poverty?

Hon. Claudette Bradshaw (Minister of Labour, Lib.): Mr. Speaker, during my travels across Canada, I met people in every community who had been in psychiatric hospitals.

More important still, the representatives of municipalities and communities told me how they had suffered these past 15 years from budget cuts. They asked us to get involved. What did we do? In the last two budgets we made transfer payments to the provinces. We added \$11.5 billion more for health, \$2 billion for child benefits, \$1.9 billion for social housing. As Liberals, we shall continue along these same lines.

Mrs. Christiane Gagnon (Québec, BQ): Mr. Speaker, the cuts to the social transfer will, nevertheless, continue until 2003, reaching \$33 billion.

When the minister toured the food banks and self-help groups, did she not find that the problems of the great majority of people using them were not necessarily related to psychiatric illness but to poverty?

Hon. Claudette Bradshaw (Minister of Labour, Lib.): Mr. Speaker, I saw people with psychiatric illness, I saw poor people, I saw young people who had been in numerous foster homes.

What was I told by all the community agencies? That they want to work along with the Government of Canada, with the provinces and municipalities. That is what we are going to do.

* * *

[English]

FISHERIES

Mr. John Duncan (Vancouver Island North, Ref.): Mr. Speaker, last February DFO rejected a request from the Mi'kmaq to develop a contingency plan prior to the Marshall decision. That was over eight months ago. Last month in another meeting, one day before the Marshall decision, DFO again rejected a request to develop a plan. Now we see the results of this inaction: chaos,

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violence, confrontation, uncertainty. The minister is simply not getting the job done.

I ask the Prime Minister, where is his plan to resolve this growing crisis?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the minister of fisheries and the minister of Indian affairs have been working very hard. At this moment they have an open dialogue with all of the parties and they have managed the situation very well.

It is difficult because this judgment came down and has given these people their treaty rights. These rights were given to them a long time ago, before Canada existed, and we have to respect the commitment that was made by the King of England at the time, that those who came to Canada had to sign treaties with those who were here first. We are respecting that commitment.

Mr. John Duncan (Vancouver Island North, Ref.): Mr. Speaker, as a result of the Marshall decision the Mi'kmaq have announced that they are preparing to fish offshore within the 200 mile limit, and bands on both coasts are claiming they can fish where they want and when they want.

On every fishing front the government is being asked more and more questions and it has no answers.

Livelihoods are at stake. This is serious business. Where is the Prime Minister's plan to address this growing crisis?

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the hon. member makes an affirmation that the Mi'kmaq want to do this and that. In fact, 33 of 35 chiefs have made a commitment to a moratorium and a commitment to respect the situation. They do not want to abuse this situation, which is new for them, and they have collaborated very well with the government so far.

Of course there are some people who do not follow the advice of the Mi'kmaq leadership, but the great majority is following it.

We are thankful to the natives for their leadership and those who want to work with the government to find an adequate solution.

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• (1445)

[Translation]

EMPLOYMENT INSURANCE

Mr. René Laurin (Joliette, BQ): Mr. Speaker, obviously unaware of the inhumane consequences of the Employment Insurance Act, which denies benefits to honest citizens without resources, the minister responded to my question yesterday by saying "the accusations made by the hon. member are false".

Now that this issue has been put to rest this morning, will the minister first admit her mistake, and then admit that the quotas

imposed on her officials cause them to behave in an inhumane manner and continually harass honest citizens without resources?

[English]

Hon. Jane Stewart (Minister of Human Resources Development, Lib.): Mr. Speaker, my point yesterday and my point today is that there is no issue of quotas here. The issue may be one of the integrity of government programs, in this case the Employment Insurance Act.

If the hon. member has a particular case that he feels has been adjudicated outside the act, I would be glad to look at it.

* * *

IMMIGRATION

Mr. John McKay (Scarborough East, Lib.): Mr. Speaker, the Mike Harris government claims that the majority of immigration sponsors, and I emphasize the majority of immigration sponsors, default on their sponsorship applications.

Could the minister of immigration tell this House whether this allegation on the part of the Harris government is true?

Ms. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, the government takes very seriously the obligations of those who sponsor immigrants.

The Harris government and others would prefer to look at failure rates and default rates. The government prefers to look at success rates. The facts are that in Toronto, 86% of sponsorship applications are met. Across this country the rate of successful sponsorship is 90%. When I was in school if we got a mark of 86% or 90% we got an A and that was pretty good.

* * *

ABORIGINAL AFFAIRS

Mr. Philip Mayfield (Cariboo—Chilcotin, Ref.): Mr. Speaker, in the public accounts of Canada tabled here, we find the total monetary value of specific aboriginal claims. That amount is \$200 billion. That amount of money would make 200,000 millionaires. There is not enough money in all of Canada to pay out these claims. This amount is in excess of the entire annual income of the federal government.

When was the Minister of Finance going to tell Canadians that they owed this \$200 billion?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the hon. member ought to know that is not an amount that is owed. It is simply an amalgam of all of the claims that have been made. It is not a liability owed. It is simply an estimate of all of the claims that have been submitted.

Oral Questions

Mr. Philip Mayfield (Cariboo—Chilcotin, Ref.): Mr. Speaker, the Minister of Finance cannot diminish this liability in such a casual way. This \$200 billion in specific aboriginal claims is only the beginning. The public accounts of Canada reveal that there are 2,000 additional claims still being researched by aboriginal groups and the number is growing.

Does the finance minister plan to establish any limits, or does he intend to sign a blank cheque on behalf of Canadian taxpayers?

Hon. Paul Martin (Minister of Finance, Lib.): Mr. Speaker, the member's question is nonsensical. As he ought to know, that is simply a listing of all of the claims that have been made. If one is going to be open and transparent, one owes it to the Canadian people to let them know what other claims have been made. No liability has been established.

* * *

AGRICULTURE

Mr. Dick Proctor (Palliser, NDP): Mr. Speaker, the prairie farm lobby has been telling any MPs who would listen today what we have been telling the government for months. Namely, net farm income for both Manitoba and Saskatchewan is in a deficit position and AIDA and other safety net programs simply are not working because they were never designed to deal with a crisis of this magnitude.

Everyone agrees that the long term solution is for Americans and Europeans to reduce subsidies. We know that. What is the government's short term solution that will allow 16,000 prairie farm families to stay on the land this year?

• (1450)

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, this government understands very well the unfortunate situation of too many farmers in Canada today. That is why we put \$900 million in place and it is going to assist as many as much as we possibly can.

We continue to look for more resources. We continue to have very good dialogue with the provinces, the farm organizations and the national safety nets advisory committee that is meeting in Ottawa again this week to assist us in this challenge and this opportunity. We will continue to do so.

Mr. Dick Proctor (Palliser, NDP): Mr. Speaker, even the Liberal member for Provencher in statements before question period today agreed that Liberal MPs from Manitoba said that they recognized that farmers need resources urgently and that they need them now.

The numbers coming out today show that a specific bridging arrangement or transitional payment is required. Will the minister of agriculture inform the House whether or not he is prepared to

level that playing field now by providing some help, or will he just stand idly by as prairie farm families are forced off the land? Which will it be?

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, unfortunately our pockets are not as deep as those of the United States. We will probably not be able to level the playing field to the extent that the hon. member would like us to. However we will do as much as we possibly can and find as many resources as we possibly can to assist.

Mr. Rick Borotsik (Brandon—Souris, PC): Mr. Speaker, it is obvious and very depressing that there is no leadership and there is certainly no long term vision when it comes to Canadian agriculture.

Last Friday the Americans announced another farm aid plan. We in Saskatchewan and Manitoba cannot compete with that. Is the minister of agriculture prepared to buy American wheat when Canadian farmers no longer exist?

Hon. Lyle Vanclief (Minister of Agriculture and Agri-Food, Lib.): Mr. Speaker, it is just the opposite. The Americans are buying Canadian wheat and the hon. member knows that very well. They are buying it in very large quantities because of the quality of the wheat. They are saying that they are prepared to pay more for Canadian wheat than they are for American wheat.

I remind the hon. member again that this government put \$900 million on the table when a year ago his party said only \$276 million was needed. That is over three times what he and his party said they would do.

* * *

HOMELESSNESS

Mr. Gilles Bernier (Tobique—Mactaquac, PC): Mr. Speaker, the Liberal government sent the city of Toronto a bill for \$250,000 to supply emergency shelter for Toronto's homeless.

The minister responsible for homelessness says that she is in charge of co-ordinating the efforts of her government with the municipalities and the provinces. Is it the minister's policy for the Liberal government to make money off the backs of homeless people?

Hon. Arthur C. Eggleton (Minister of National Defence, Lib.): Mr. Speaker, absolutely not. We make our armouries available, as in the case the hon. member refers to, in emergency cases.

What the city of Toronto asked for was something over and above the normal policy that we provide across the country. There has been an agreement reached with the city of Toronto which it is quite happy with and we are quite happy with. We have provided for extra use of our armoury to help the homeless in Toronto which is what we want to do.

*Oral Questions***YEAR 2000 CHALLENGE**

Ms. Susan Whelan (Essex, Lib.): Mr. Speaker, small business is one of Canada's most important areas of economic activity consisting of more than 2.5 million businesses and accounting for more than 80% of all new jobs created in the past 10 years.

With only 64 days until December 31, can the Minister of Industry inform the House what plans have been made to ensure that small business has the tools required to meet the year 2000 challenge?

Hon. John Manley (Minister of Industry, Lib.): Mr. Speaker, I am pleased to report to the House that Canada is among the world leaders in year 2000 readiness. That is thanks in no small measure to the tireless work of members from all parties on the industry committee. They have worked hard not only to understand this problem and raise awareness of it, but also to recommend solutions.

A number of programs and initiatives have been taken to help small business. Can2K is helping small business as well as volunteer organizations and municipalities in rural and remote areas. Special tax relief has been offered by the Minister of Finance to enable small business to be Y2K ready. There is also support from the student connections program.

* * *

• (1455)

JUSTICE

Mr. Leon E. Benoit (Lakeland, Ref.): Mr. Speaker, yesterday a British judge ordered seven jail terms ranging between seven and fourteen years for the crime of people smuggling which has been likened to the new day slave trade.

Since 1995 out of 12 convictions for the crime of people smuggling in Canada, not one jail term was handed out. I repeat that of the 12 convicted of people smuggling, not one of them was sentenced to a single day in jail.

England got tough. The United States got tough. Australia got tough. This government by its lack of action has made Canada a primary target for people smugglers. Why?

Ms. Elinor Caplan (Minister of Citizenship and Immigration, Lib.): Mr. Speaker, I would like to put out to the member and to all Canadians that Canada has among the world's toughest legislation to deal with people smuggling, with up to half a million dollars in fines and up to 10 years in jail. It is up to the judges to determine what sentences are appropriate.

Having said that we have among the toughest legislation, we are also proposing to increase those fines and jail terms to send a

message to our courts that we will not tolerate people smuggling. We want those individuals who are found guilty to be prosecuted to the full extent of the law and for the courts to do their part as well.

* * *

[*Translation*]

AUDIOVISUAL PRODUCTIONS

Mr. Stéphane Bergeron (Verchères—Les-Patriotes, BQ): Mr. Speaker, Jeannine Basile, of Telefilm Canada, admitted in a letter she wrote me yesterday that existing control systems had enabled Telefilm Canada to uncover "a few cases of overbilling", and that companies that were "largely bogus (firms) could have existed at the time when programs to deduct depreciation costs were still around".

My question is for the Minister of Canadian Heritage. Will the minister not admit that it is unacceptable from a public administration standpoint that Telefilm Canada did not react more quickly and more vigorously to cases of overbilling and to the existence of bogus companies?

Hon. Sheila Copps (Minister of Canadian Heritage, Lib.): Mr. Speaker, the member is again making allegations. I urge him once again to pass on all his allegations to the RCMP, as his boss in the Quebec City head office has asked him to do.

* * *

[*English*]

AGRICULTURE

Mr. Bill Blaikie (Winnipeg—Transcona, NDP): Mr. Speaker, my question is for the right hon. Prime Minister.

The Prime Minister has said that he takes every opportunity to tell the Europeans and the Americans that they are wrong, and we welcome that. The problem is that in the meantime, Canadians cannot afford to be dead right about this. Canadian farmers cannot be expected to pay the price for Canada being dead right about this.

Is the Prime Minister prepared to consider going beyond the \$900 million? That may be what it takes in order to save the family farm and make sure farmers do not have to sacrifice themselves until such time as we get the EU and the Americans in line on this.

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, the minister of agriculture has been working with the ministers of agriculture from Manitoba and Saskatchewan. The programs are very often shared by the federal and provincial governments on a 60:40 basis. We are working on ways to improve what we can do with the money available at the federal and provincial levels.

VETERANS AFFAIRS

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, decades of financial mismanagement of pension benefits of thousands of foreign disabled veterans by veterans affairs has finally been exposed.

Witness the case of Joseph Authorson, a World War II vet unable to manage his pension who trusted the government to properly administer his finances. He and potentially thousands of veterans have been denied millions of dollars in interest owed to them.

The Department of Justice is notorious for lengthy and protracted lawsuits. Is the minister prepared to settle this issue quickly, or will she follow the usual path of denial and delay?

Hon. George S. Baker (Minister of Veterans Affairs and Secretary of State (Atlantic Canada Opportunities Agency), Lib.): Mr. Speaker, this matter is presently before the courts, but I can inform the hon. gentleman of this. In the bill by the Tories that went through this Chamber in 1990, which allowed interest payments to be paid from 1990 on, there was a clause that made it illegal for the government to pay retroactively.

* * *

• (1500)

PRESENCE IN GALLERY

The Speaker: I draw the attention of hon. members to the presence in the gallery of a number of visitors. It is not very often that we get two premiers and other members of their cabinets and houses with us. However, I would like to introduce the Honourable Roy Romanow, Premier of the Province of Saskatchewan, and the Honourable Gary Doer, Premier of the Province of Manitoba.

With them in our gallery are our fellow Canadians from the province of Saskatchewan: the Honourable Jim Melenchuk, Minister of Education; the Honourable Dwain Lingenfelter, Deputy Premier and Minister of Agriculture; the Honourable Maynard Sonntag, Minister of Highways; the Honourable Clay Serby, Minister of Municipal Affairs; the Honourable Jack Hillson, Minister of Intergovernmental and Aboriginal Affairs; and we have with us from the province of Manitoba the Honourable Rosann Wowchuk, Minister of Agriculture. We also have with us a former colleague of ours, Elwin Hermanson, who is Leader of the Opposition.

Some hon. members: Hear, hear.

Tributes

ARMENIAN PARLIAMENT

The Speaker: Yesterday in Armenia there was a great tragedy where we now know that the Prime Minister of Armenia, the Speaker, two Deputy Speakers and some members of parliament were assassinated.

The House will now hear statements in tribute from the different parties with regard to this tragedy that has overtaken all of us in the world.

Right Hon. Jean Chrétien (Prime Minister, Lib.): Mr. Speaker, all parliamentarians in the world could not believe what happened in Armenia yesterday. The Prime Minister, the Speaker of the House, the Deputy Speakers, ministers and members were brutally assassinated while they were exercising their duty on behalf of the people of that troubled land.

We are all very shocked. We want to say very strongly that violence is absolutely unacceptable and is the last way that problems can be solved.

• (1505)

For us to see what happened to the Prime Minister and the others in that country is completely unacceptable. We are very sad and we are praying for their families and for the people of Armenia that the situation will come back to normal.

[Translation]

I also want to pay tribute to the president of that country, which is currently undergoing an incredible crisis, for the calm that he displayed, for negotiating to put an end to the murderers' attack, and for promising them a fair trial.

On behalf of the Parliament of Canada and all Canadians, I wish to offer to Armenia, to its leaders and to the grieving families our most sincere condolences.

The Minister of Foreign Affairs will be there on Saturday to represent Canada. He will be accompanied by a member of this House who is of Armenian origin, the hon. member for Brampton-Centre. They will fly there in a few hours to represent us at the funerals. Let us hope that a tragedy of such magnitude will never happen again in any democracy in the world.

[English]

Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.): Mr. Speaker, on behalf of my colleagues in the Reform Party I would like to extend our deepest condolences to the families of Armenian Prime Minister Vazgen Sarkisian, Speaker Karen Demirchian, and the five other politicians who were assassinated yesterday in their parliament.

To the families there is nothing we can say or do to bring back their loved ones, but our prayers and deepest sympathies are with them.

Points of Order

To the people who committed these cowardly acts, each one of us here and all Canadians deplore with every bone in their bodies what they have done.

To the people whose concerns these murderers were supposed to be representing, we can only urge them to pursue their needs through peaceful means for murder will not produce peace, killing will not build reconciliation and violence will not secure a common future.

The Caucasus is an area of great concern. It is an area of great instability. Members of the Reform Party would hope that the people there who have deep concerns today would pursue them with peace in their hearts, peace in their actions, and avoid the bullet and violence.

[*Translation*]

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, the Armenian people were oppressed during centuries. They were the victim of genocide early in this century and it was only recently that they gained freedom and built a country.

Just a few years ago Armenia was hit by a terrible earthquake. Yesterday it was struck by another calamity. The Prime Minister of Armenia and several parliamentarians were killed while carrying out their parliamentary duties.

The Bloc Québécois offers its most sincere condolences to the families of the Armenian prime minister and his colleagues, and hopes that they will find the courage to overcome this terrible ordeal. We also share the sadness of the Armenian people following this tragedy, which will mark their history.

The Bloc Québécois also wants to express its dismay at such brutal acts, which have no place in a democracy. We all remember that a similar event occurred in Quebec's national assembly about 15 years ago.

Now that the hostages have been released, we hope that the murderers will be brought to justice and that democracy will prevail as quickly as possible in that country, for the benefit of all Armenians.

[*English*]

Mr. Bill Blaikie (Winnipeg—Transcona, NDP): Mr. Speaker, on behalf of the federal NDP caucus and our leader I join with the Prime Minister in deploring the events that took place in the Armenian parliament yesterday, in expressing our condolences to the families of those who were assassinated and to the people of Armenia, and in saying that I think it particularly reprehensible that this kind of thing should have happened in a parliament.

For me, and I am sure for parliamentarians around the world, parliament is the antithesis of violence. It may be a place where we exchange views in a spirited way, but it is a place where we commit

ourselves to working our differences out in a non-violent way by talking to each other and by observing the rule of law. For this kind of thing to happen inside a parliament is particularly deplorable.

• (1510)

I hope it rallies people all around the world to reflect on the value of democracy, on the value of parliament, and just how wrong was what happened in Armenia the other day.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, all Canadians were shocked and saddened yesterday when we heard of the terrorism and murder that had taken the lives of the Prime Minister, the Speaker and members of the Armenian assembly. I know that everyone in the House abhors and condemns what has taken place.

On behalf of the Right Hon. Joe Clark and the Conservative Party of Canada, we also offer our sympathy to the families of those whose lives were taken and to the people of Armenia whose history has been scarred with far too much violence and strife over the years.

In circumstances such as these we can only reflect on the fragility and sanctity of human life and pray that the people of Armenia will soon know better days and experience calm in the aftermath of this horror.

We offer our condolences and our solidarity to all Armenians in this difficult time and pray for peace and justice in that country and around the world.

The Speaker: As a sign of respect for our fellow parliamentarians who fell before the bullets in Armenia, I ask members to join me in standing for one minute of silence.

[*Editor's Note: The House stood in silence*]

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POINTS OF ORDER

COMMENTS IN CHAMBER

Mr. Gordon Earle (Halifax West, NDP): Mr. Speaker, I raise a point of order about a very grave matter, indeed. Racism has no place in the House, as I am sure you will agree, Mr. Speaker.

During debate last night I made the comment, and I quote "we see that one has been in chains for years and years". One MP from the Reform Party benches immediately said "Like him", referring to me. The official record of the House, *Hansard*, has recorded those words forever.

Racism is no laughing matter. Certainly the suffering of black slaves in chains is a terrible thing. I raise this point of order not only as a black MP but on behalf of the dignity of the House and all Canadians fighting racism.

Points of Order

Disreputable and unparliamentary language has no place in the House. As we set an example for children and families throughout the country, racism can neither be overlooked or condoned, especially within the House of Commons.

I call on the MP who said those words to set a positive example for our youth and for all of us. I call on the MP to have the conscience and fortitude to admit his words, withdraw his comments and set an example by apologizing to people of colour, to his colleagues in the House, and to all Canadians.

Finally, through this we can move forward and use this as an example of how to fight racism in our workplace. I hope through this point of order to have some good come out of something very bad.

• (1515)

The Speaker: The hon. member for Halifax West has not named another member of parliament so I find I am a bit at a loss to have someone withdraw unless I know who the hon. member is referring to. Does the hon. member have a name that I can address so this person can tell us what happened?

Mr. Gordon Earle: Unfortunately, Mr. Speaker, I was in the midst of a very important speech and did not look at the member who said it. I know it was a Reform member. The fact that it is recorded means that the individual doing the recording must know who this person is. More importantly, I believe the member himself knows who he is and what he said and I would hope that he, in good conscience, would come forward, admit and apologize.

Mr. Randy White (Langley—Abbotsford, Ref.): Mr. Speaker, the member made a very serious accusation. Equally serious is the fact that he does not know who said it or particularly where it came from. How is it possible to stand up in the House and make an accusation not only against one of our colleagues in the House but against a party when in fact he does not even know if it is in fact from the Reform Party.

I ask the member, in all fairness, that if he does not know then he should actually retract his comments.

Mr. Bill Blaikie (Winnipeg—Transcona, NDP): Mr. Speaker, I find the suggestion that somehow the hon. member for Halifax West should withdraw his remarks ridiculous on the face of it when *Hansard* actually records the fact that this was said. The member has said that he knows full well that it came from the Reform Party. He has made that claim and will stand by it. The fact is that somebody in the House said this. Whoever that person was ought to own up to it and withdraw it for all the good reasons that the member for Halifax West elucidated in his speech.

The Reform Party, instead of trying to defend this and trying to avoid the reality of this, should show a little more shame and say they will find out who among their members did this.

Mr. Ken Epp (Elk Island, Ref.): Mr. Speaker, I would somehow appeal to not only you, but also to the member making the accusation, that perhaps he has jumped ahead in an interpretation of what was said. It seems to me that when he says that we are in chains, he in fact is very free. Could the meaning not have been that the members are not now also physically in chains as this member is not? That would be the charitable interpretation of this statement.

Mr. Keith Martin (Esquimalt—Juan de Fuca, Ref.): Mr. Speaker, as a member of the Reform Party and somebody of mixed background, I find it personally offensive that the member from the NDP would make such a claim on this party.

I have read *Hansard* and *Hansard* clearly states that an hon. member made a claim “Just like him”. I would put to the member, who is also of mixed background, that he cannot claim at all that the comment was made by this party. As a member of this party, I can tell the House right now that there is not a single racist bone in this party.

The Speaker: I will recognize the hon. member for Palliser, but I ask him, is he prepared to identify the hon. member?

Mr. Dick Proctor (Palliser, NDP): Mr. Speaker, I was in the House when the member for Halifax West made his comments. I did not see the lips move but I heard and recognized the voice of the member for Prince George—Peace River as saying that comment.

• (1520)

The Speaker: We have a point of order raised by the hon. member. We have a member named. The hon. member is here in the House with us. The hon. member for Prince George—Peace River.

Mr. Jay Hill (Prince George—Peace River, Ref.): Mr. Speaker, I was present last night during the debate. The hon. member is quite correct. I do not recall what was said. There were a lot of heated things said from all parties during the debate last night.

I want to assure the House and everyone watching today that if I did say something, and I am not saying I did, it certainly was not meant as a racist slur as the hon. member has accused. If whatever I said caused him any discomfort, I apologize.

The Speaker: Colleagues, the point was raised. We have heard a statement by hon. members. I consider the matter closed.

*Supply***BUSINESS OF THE HOUSE**

Mr. Grant McNally (Dewdney—Alouette, Ref.): Madam Speaker, this being Thursday, it is a pleasure to be able to finally ask the Thursday question.

In light of some serious issues, such as the airline industry restructuring, the Marshall decision on the east coast and its impact on other areas across the country, the serious concerns of agriculture and of course our broken immigration system, I am wondering if the House leader from the government side might be able to tell us the business of the government for the remainder of this week and the week following.

Hon. Don Boudria (Leader of the Government in the House of Commons, Lib.): Madam Speaker, I want to thank the hon. member for Dewdney—Alouette for asking me this very important question.

Let me take a moment to describe the business of the House between now and the break during Remembrance Day week.

Today of course is the Bloc opposition day. On Friday, the government orders that will be called will be Bill C-4, the space station bill, and Bill C-5, the tourism bill.

On Monday, the present intention is to call Bill C-9, the Nisga'a legislation.

Tuesday shall be an allotted day.

Next Wednesday, it is our intention to call the report stage of Bill C-8, the marine parks bill. For those members who are familiar with the last session, I believe it bore the number Bill C-48.

Next Thursday, it is our intention to resume consideration of the proposed Address in Reply to the Speech from the Throne.

Next Friday, we will deal with any aforementioned business not yet completed should that be the case. If that is not the case then we will take other bills still on our list, perhaps the municipal grants bill if that bill is available for us to consider.

GOVERNMENT ORDERS

[*Translation*]

SUPPLY

ALLOTTED DAY—AIR CANADA

The House resumed consideration of the motion, and of the amendment.

Mr. Guy St-Julien (Abitibi—Baie-James—Nunavik, Lib.): Madam Speaker, I will be dividing my time with the Liberal member for Mississauga West.

I am speaking today in the context of the policy framework made public earlier this week by the Minister of Transport.

I must thank the minister for appearing before the Standing Committee on Transport and all of its members. His vision of a Canadian airline industry that is not only safe and prosperous, but also meets the needs of Canadians in the XXI century is clear and lucid.

That vision identifies the issues requiring government action and the areas in which such action will make it possible to strengthen this industry on the eve of the new millennium.

• (1525)

One of the questions being debated is the possibility of amending the Air Canada Public Participation Act. Under this legislation, no individual or group of individuals may hold or control more than 10% of voting shares in Air Canada.

When Air Canada was privatized in 1988 and the Air Canada Public Participation Act came into effect, the view at the time was that Air Canada shares should be spread over a large shareholder base. Whether that point of view is still valid in 1999 is debatable.

In his statement on his policy last Tuesday, the minister indicated that he was prepared to increase this limit, if, and only if, doing so would help achieve the objective of a prosperous airline industry under Canadian control.

To this end, the minister asked the two Standing Committees on Transport to examine the question of the 10% limit and, after consulting the main stakeholders and considering the future of the industry, to make recommendations on a possible change to this limit.

All the members of this House know that the airline industry must undergo major changes; they are inevitable. The broad policy for the restructuring of the airline industry in Canada the minister presented to us establishes guidelines for the transformation of an industry, currently comprising two main carriers, into an industry in which a dominant carrier will emerge.

In this regard, the public at large, consumer associations, independent carriers, travel agents and other stakeholders have raised serious concerns about the impact of consolidation on competition in the airline industry.

In fact, in my big region of Abitibi—Baie James—Nunavik, with over 36 airports, and airlines such as Air Inuit, Air Creebec, First Air, Air Boréal and Air Wemindji, First Air is the third largest regularly scheduled airline in Canada and its Inuit owned parent company, Makivik, is paying close attention to statements and actions by the various groups in the reorganization of the airline industry in Canada.

The fear is that a dominant carrier could, by design or inadvertently, act unfairly. Such action would eliminate or limit competition with the intent of controlling air traffic.

In August of this year, Canada's Minister of Transport wrote to Konrad Von Finckenstein in his capacity as Commissioner of the Competition Bureau. In particular, the minister called on the commissioner and the bureau to help the government develop a position that would take the interests of Canadians into account, while giving the private sector the necessary leeway to develop proposals for the structure of a viable industry. The bureau's response, dated October 22, was made public last Tuesday.

I would like to take a few minutes to examine certain issues having to do with domestic competition that were identified by the Competition Bureau.

I am referring here to the issue of predatory pricing and to the issue of airport access. The Competition Bureau notes that a dominant carrier will have both the incentive and ability to engage in various types of anti-competitive behaviour, including predation. Within the airline industry, predatory behaviour can take various forms, including predatory pricing.

Predatory pricing occurs when an airline temporarily sets low fares to inflict losses on one or more rival airlines, or matches fares while adding additional capacity. Once it has eliminated the competitor, the carrier restores higher prices.

The policy framework announced by the federal Minister of Transport deals with this very issue. The document states that "Small and new entrant carriers are potentially vulnerable to excessively aggressive competitive attacks from a larger, established airline. Small carriers run the risk that a dominant carrier may try to drive them out of a market or out of business by substantially lowering fares and increasing capacity in the short run with the intention of recovering the short term losses with price increases in the long run".

Initially, consumers might seem to benefit from lower prices, but the long term result will be a narrower range of choices and higher prices.

• (1530)

The federal Minister of Transport stated that predatory prices will not be tolerated. According to the overall policy, the Government of Canada must ensure that effective measures are taken to deal with abuse in the air transportation industry.

The commissioner recommended that some sections of the Competition Act and its regulations be amended to grant him the authority to act in this area. Under the overall policy of the federal Minister of Transport, the government recognizes that this is a key issue which must be dealt with decisively.

Supply

The minister has asked the House and Senate committees to make recommendations on the best way to reach this goal.

Also, small or new air carriers have trouble gaining access to airports. This is a complex problem that was also examined in detail by the Competition Bureau.

In order to be competitive, new Canadian carriers must get reasonable access to departure and arrival slots as well as various airport facilities, such as boarding gates, loading bridges and ticket counters.

The federal government intends to come up with innovative ways to facilitate access to airports. I would like to elaborate on this point.

A "slot" is an expected time of departure or arrival that is available or allocated to a specific airline, for a specific date, at a specific airport. Take, for example, Toronto's Pearson airport. It is the only Canadian airport that is currently operating at full capacity. It is also the airport where most new entrant carriers will want to land.

A carrier created by merging Air Canada and Canadian Airlines would use up a large portion of the slots at Toronto's airport, particularly during peak hours.

Since the slots are reserved for carriers as long as they need them, it would be difficult, if not impossible, for other carriers to get enough slots to establish new services.

The policy framework announced by the federal Minister of Transport deals with this specific issue. It notes that independent carriers and airport authorities have identified access to airport facilities at the large congested airports as a potential barrier to competition.

Without being able to offer services at Lester B. Pearson International Airport in Toronto and other major airports, new entrant carriers and other small carriers will not be able to compete effectively against a dominant carrier.

The policy framework states that the dominant carrier may need to give up some of its access to congested runways so that other airlines can add to their domestic services.

Guidelines or regulations to ensure fair and competitive allocation of slots may be needed at Toronto and at any other airports where slot control proves necessary.

The guidelines would ensure that a reasonable portion of the surrendered slots comes from the most congested times, days and seasons, as these slots are the hardest to obtain.

In conclusion, in a restructured industry with a dominant carrier, it will be necessary to promote competition. The government intends to put in place the necessary mechanisms to encourage the arrival of new entrant carriers and the growth of existing ones, such

Supply

as First Air, Air Inuit, Air Québec, Air Canada, Air Wemindji, Canadian Airlines and others in Canada.

Mr. Gérard Asselin (Charlevoix, BQ): Madam Speaker, my colleague from Abitibi—Baie James—Nunavik comes from a region similar to the north shore. It is served frequently by two airlines, but services are very limited.

The member will have to convince me that the level of air transportation services depends on the merger. Will a merger ensure efficient air transportation services in the regions, be it through Onex, Air Canada or Canadian?

The quality of services at airports is already in jeopardy. Services in the regions have been diminishing. The frequency of flights is left up to the carriers. The price of a ticket is very high for travellers who have to fly.

I would like the member for Abitibi—Baie James—Nunavik to reassure me that the transport minister's involvement and his being in connivance with Onex on this issue will in no way hinder any possible agreement between Canadian and Air Canada.

• (1535)

If Onex were to acquire Air Canada and Canadian, I have my doubts, I fear, and I am almost convinced that this company would serve American interests first and foremost. I would rather we maintain our autonomy with regard to air transportation, with Canadians keeping control of the airline industry.

Mr. Guy St-Julien: Madam Speaker, I have taken careful note of the hon. member's question.

I am indeed from a large region encompassing Abitibi, Témiscamingue and Nunavik. It is the largest region in all ten Canadian provinces, with an area of 802,000 square kilometres, 36 airports, a population of 100,000, and 68 mayors, counting the aboriginal chiefs and mayors in Nunavik.

In committee, the Minister of Transport spoke several times of northern communities and small communities. On October 12, I introduced Motion M-129 to the House, to protect northern Quebec. On October 19, I asked some questions in a transport committee meeting. I also did so on October 26.

Yesterday, I made a statement in the House, precisely to send a message about the north to the Minister of Transport.

Mr. Davis, the President of First Air, is asking the minister to oppose any agreement that does not specifically guarantee the interests of northern consumers, the people of the Arctic and of Northern Quebec, and those of the aviation industry and its employees, airports and investments.

The President of Makivik, Peta Aatami, said the same thing I have said several times here in this House: The federal govern-

ment is legally and morally responsible for protecting the interests of the Inuit covered by the James Bay and Northern Quebec Agreement who could be affected by any reorganization of the Canadian air industry.

In response to the member's question, the Government of Canada stated, as outlined in the minister's speech, that it was going to respect small communities, both those in the south and those in major centres such as Val d'Or and Amos, as well as the airports at Lebel-sur-Quévillon, Matagami and Radisson. I could go on, there being 68 in all within my riding. Particularly in the Sept-Îles sector and other parts of Northern Quebec, the Government of Canada must respect the progress that has been made in air transportation to date.

Mr. Pierre Brien (Témiscamingue, BQ): Madam Speaker, as a member of the previous Progressive Conservative government, which brought us deregulation and astronomical increases in fares, including for our region, while promising us that this deregulation would promote competition and thus lower fares, the member for Abitibi—Baie-James—Nunavik is not worried.

He must know that the basic fare for a flight from Rouyn to Montreal and back is over \$600. In addition, does the fact that an American company, namely American Airlines, will indirectly become the owner, and that this will be a quasi-monopoly, or just about, not worry him even more?

He should rise in his place and denounce the Onex proposal, which will have a disastrous impact on a region such as ours.

Mr. Guy St-Julien: Madam Speaker, the hon. member has asked me whether I should not be speaking out.

We have nothing to learn from the separatists and the péquistes. We need only mention Québec Air. What did they do? The PQ government never held any hearings before the transport committee. It signed orders. It did not protect northern regions.

Today, I am here to protect northern Canadians, and that is what I am going to do. My message is that I am here to defend my constituents.

Mr. Ghislain Fournier (Manicouagan, BQ): Madam Speaker, I am pleased to speak today to my party's motion to maintain the provisions of section 6.1(a) of the Air Canada Public Participation Act limiting ownership of the capital stock of Air Canada by any person or group to 10% of the voting shares.

I want to say that this government's conduct is disturbing.

• (1540)

Everywhere I have been—last night, I attended two meetings and 200 people came to the first one—I can tell you there was unanimity within the community and among groups, and the Bloc

Quebecois is leading a fierce battle and will continue to do so. Looking at what the government is doing today, I would never have believed a democratically elected government could stoop so low in its loyalty.

I think transparency is being dealt a terrible blow and this government does not have notion of what justice is. This is purely and simply a dictatorship. I indicated earlier that there was unanimity within the community and the business community in particular, but the media are unanimous as well.

Anyone who paid attention to the media, both print and broadcast, this morning, noted that they were hard on the government. I would like to quote two articles, because if I had to quote all those I read this morning, I could go on all afternoon, and if we had to record everything that was said on television last night and this morning, we would not get out of here tonight.

The article I will quote is from the *Journal de Montréal* and is written by Michel C. Auger. It is entitled "Alas, he is a minister." It reads: "If David Collenette were a judge, we could easily—"

The Acting Speaker (Ms. Thibeault): I must interrupt the hon. member. The member knows full well that a minister or a member of this House cannot be named and that quoting something cannot be used as an excuse to do so.

Mr. Ghislain Fournier: Madam Speaker, that is how the article reads, and I asked permission to read the article, but I will refer to the Minister of Transport.

I was saying:

We could easily have him disqualified for being biased in the matter of the airline merger. Unfortunately, he is a minister. For quite some time we suspected the Minister of Transport—

This is not the Bloc Quebecois speaking. That is what was written in the paper this morning.

—of being biased in favour of the Onex proposal, if only because of the remarkably close ties that exist between that company, Canadian Airlines International, and the Liberal Party of Canada. Tuesday, before the transport committee of the House of Commons, the Minister of Transport provided the last piece of evidence proving that he is indeed biased with regard to this issue. He announced that the federal government was prepared to suspend—without asking for anything in return—the application of the act that prevents an individual or a company to hold more than 10% of Air Canada shares. The 10% rule is important because it is the only legal obstacle to the Onex proposal, which is the only proposal that requires such a change. Such a rule limiting concentration of ownership was included, mind you, in practically all transactions to privatize Crown corporations over the last few years. While in the public interest, this limitation will be waived by the government in support of a proposal made by a private company. Most importantly, it was the only lever available to the federal government to have a direct influence on this transaction, which will determine to a large extent the future of air transportation in Canada. It is a rather unique situation. Onex made a proposal that could not even be considered without an amendment to an act of parliament. Practically at the first opportunity, the government announced that it would agree to this request and not ask anything in return.

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• (1545)

The article goes on:

This is what the transport minister means by "parliamentary consultation". It is a kind of consultation that is completely meaningless because it comes after the fact, after the vote on Onex's offer by Air Canada's shareholders. We might as well say that the transport minister works for Onex.

I did not say it, it is in today's paper. The article goes on:

Of course, if we do not allow the government to modify the 10% rule, Onex's offer will die.

It is quite clear.

We could always believe that the government does not want Air Canada to win by default. However, there must be an amendment to an act of parliament to make Onex's offer legal. That must be justified by saying that the Canadian public will gain something from it. Better guarantees for air service in remote areas could have been required.

For example, in my riding, on the north shore, the distance between Ottawa and Sept-Îles is 1,200 kilometres. And the price of tickets is very high. A trip from Ottawa to Sept-Îles costs more than \$1,000.

The article goes on:

Do you know of many corporations that have got, with nothing in return, such favours from a government, when their bids were contrary to the law and could not have been made to the interested shareholders? But the Minister of Transport had nothing to ask for in return. We might as well say right away the minister works for Onex. Meanwhile, it has to be noted that this same government and this same minister did not lift a finger to help Air Canada, the more profitable of the two corporations, but the one that is unfortunate enough not to have friends in high places among the friends and the bagmen of the Liberal Party of Canada. What is even more ironic is when the minister states that once the airlines merger is completed, the government intends to be very watchful of the new monopoly, that it intends to protect the rights of consumers and the rights of official language minorities and that it will deal severely with any attempt to inflate prices. In short, the government intends to watch closely the new monopoly, but it claims that has no role to play in the creation of the new monopoly and that it is letting market forces determine everything. As long, of course, as the market sees to it that the friends of the government end up the winners.

I really wanted to quote this article. I think I will only skim over the other one. I will not read from it, but comment on it. I will defend the position of the Bloc Quebecois.

In this morning's issue of *Le Droit*, we see that on air transportation "The Liberals do not agree with each other".

But where are the Liberals? During the last campaign, a Liberal delegation came in my riding and told us not to stay behind the boards, but jump on to the ice instead. Where are the Liberal members for Quebec now, when they should be jumping in and exposing the unfairness of this government? We know for a fact that, in this government, only one vote counts, the Prime Minister's vote. If he votes yea, all Liberal members vote the same way. If the votes nay, they all say nay.

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They do have a spokesperson. But the parrots all keep repeating what their boss says. They have marching orders. That is how the government views democracy. Did members ever see the hon. member for Vaudreuil—Soulanges stand up for Quebecers in the House and disagree with the government? Where is he? He keeps repeating the same old story and he tries to come up with a defence for the transport minister.

The Acting Speaker (Ms. Thibeault): I am sorry, but the hon. member's time has expired.

Mr. Gérard Asselin (Charlevoix, BQ): Madam Speaker, I thank my colleague for Manicouagan for all this information. I did not have the time to read the press clippings this morning.

• (1550)

Yesterday, the minister told the transport committee "Safety remains Transport Canada's top priority".

It takes some nerve on the part of an MP or a minister to say such things. How can the minister explain that, in Quebec's north shore and Gaspé region, we have had three plane crashes in eight months.

A Mira Aviation plane crashed on landing in Gaspé. A Nordair plane crashed in Sept-Îles, in the riding of Manicouagan. People were injured and the passengers had to call for help, because no one had seen the crash. Finally, an Air Satellite plane crashed in Baie-Comeau on December 7. That accident was witnessed by a six-year old girl, from her parents' residence.

When the federal government delegated to Nav Canada responsibility for transport safety, Nav Canada made cuts at the expense of passenger safety. It reduced the number of air traffic controllers, shut down control towers, and eliminated firefighting services at airports. Now, the federal government wants to privatize those airports, which already are not viable.

My questions to the hon. member for Manicouagan are as follows. Does he think that, in the region of Manicouagan and particularly in Sept-Îles—which is currently served by two airlines, namely Air Alliance and Canadian Airlines—the airport will be more viable? Will there be better customer service? Will travel agencies in his riding gain anything? They create jobs in his riding and provide ticket, reservation and checking services. The number of passengers will increase. Since 1996, travel agencies have been losing money. Yet, they create jobs. Could the hon. member tell me about his concern regarding current versus future airline services in Sept-Îles, which is the largest city of his riding of Manicouagan?

Mr. Ghislain Fournier: Madam Speaker, I would like to thank my hon. colleague from Charlevoix. I congratulate him on the excellent work he is doing on the transport committee. His question

gives me the opportunity to tell the House about a scandal that occurred at the Sept-Îles airport.

Money is not spent on enhancing security in the transportation industry, as the hon. member for Charlevoix pointed out. When I was city councillor, we were told that the airport was being transferred to us.

I was against the project, because the airport, which was located in my ward, came with an annual deficit of \$2 million, \$2.2 million to be exact. However, the city council met and I was there when we were told "Give us five minutes and we will explain how you can get rid of the \$2 million deficit". I said "You have been running a \$2 million deficit every year for 30 years now. That is \$60 million. Why were these measures not taken before today?"

They started by saying "We have a firefighting service with trucks and 9 firefighters that we pay for year round and have never been put to task. Besides, if there were a fire, there would not be enough pressure, as there is not enough water. We have a pumper, but it is not powerful enough. We have to get help from the Sept-Îles firefighters. There were two fires and both times the firefighters from the city of Sept-Îles were called to do the work. So we will get rid of the firefighting service and save almost a million dollars".

We were told that there were three airstrips and only one was in use. It is 1,000 feet longer than the average strip and 50 feet wider. It can handle a departure and a landing every ten minutes. We could save \$800,000.

There was a restaurant that took up a whole floor and cost \$300,000 in heating bills. We were told it could be moved downstairs, that service would be better and the savings would be \$200,000.

So, they reduced the deficit and there will even be a small surplus this year. This goes to show how the money was utterly wasted at Sept-Îles airport. However, security services are being cut, even though we have had fatal accidents.

• (1555)

Mr. Pierre Brien (Témiscamingue, BQ): Madam Speaker, we are debating today a motion tabled by the Bloc Québécois asking the House of Commons to reaffirm its desire to maintain a provision of the act limiting the ownership by any company or person to 10 per cent of the voting shares of a corporation, especially in the case at hand of the eventual purchase of Air Canada by Onex.

Very seldom do we see a government intervene in a battle for control between private sector corporations by loading the dices as it has done in the present case.

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Nobody will succeed in convincing us today that the government was not in league with Onex from the beginning.

Let us look at each stage of the process leading to the present situation—Onex' last offer was made only an hour and a half ago—and see how the actions of Onex and the government add up to what the member for Roberval described during today's Oral Question Period as "the crater we are inexorably headed for, which is the acceptance of the Onex project".

Incidentally, Onex is the company which will take control, and which has a particular interest in this acquisition. One wonders about its long term intentions for the companies that it is trying to buy, Canadian Airlines and Air Canada.

It is very strange to note that, on the subject of these two firms, Canadian Airlines and Air Canada, the one in the greater financial difficulty today is Canadian Airlines.

If no changes are made at this point, Canadian Airlines' ability to carry on business in the coming quarters is very limited. It will probably have major problems—and this will not be the first time, because it has already had them—and, surprisingly, on a number of occasions, this very government, the federal government has come to its aid. Whether by providing foreign routes, or by providing funding when American Airlines arrived on the scene the first time, the federal government has always helped to bail out Canadian Airlines.

This time, however, it is becoming a bit too indecent to artificially support the company. Accordingly, a new player has arrived—Onex—which intends to join Canadian, with American Airlines behind the scenes, to take control of Air Canada.

Air Canada is the more profitable of the two companies, is the only potentially profitable one of the two and is being taken over by the other because of this intervention.

Even if last minute information gives the impression of a certain number of parameters being changed, it is not in fact the case when we look at the long term, the change to the rule of 10% is not insignificant in what is going on. It serves to give the advantage to the player or the hand holding the strings behind Canadian and behind Onex—American Airlines.

The minister is making fine speeches about "allowing the shareholders to speak, and when a definitive scenario has been decided upon—", that is what the government is saying, "when it is all over, we are going to look after the interests of consumers and everyone else." The government is setting out broad principles.

At one point, this government suspended part of the Competition Act and decided or announced that the 10% limit would be changed. All of a sudden and as if by chance, the very week of the deadline—the companies wishing to make a take-over have until

midnight tonight—the minister announced his intention to review the 10% rule and demonstrate a very open mind.

• (1600)

It is hard to believe that the people from Onex, who seem to have a great familiarity with the people in the Liberal Party, the Prime Minister and the Minister of Transport, who are great pals, were not kept informed of the government's intentions.

Of course that would be very hard to prove, but the actions, the outcome and the progress of this matter demonstrate very clearly that there is a very close collaboration between certain people in government—those with influence and decision makers, anyway—and the people from Onex.

Where will all this take us? It will lead to a situation where the strongest of the two companies will find itself in a weaker position. In this case, Quebec, where Air Canada is well established, will suffer more job losses because of the federal government's involvement.

This also makes us wonder about a number of other issues in terms of the future, if the airline industry were to become predominantly influenced and controlled by a foreign company such as American Airlines, for example.

I am convinced that air transportation in the Abitibi—Témiscamingue region is not a top priority for American Airlines. What will happen to our regions?

We Bloc Québécois members represent the regions of Quebec. I want to clarify something. Here in Ottawa, people talk about Quebec as if it were a single region. But the regions of Quebec include the North Shore, Lower St. Lawrence, Saguenay—Lac-Saint-Jean and Abitibi—Témiscamingue regions. When we talk about regional air transportation, we are not referring to Montreal-Toronto, but to air transportation to and from our regional centres.

We are very concerned. Earlier, my colleagues mentioned that airports had been taken over by the communities. If passenger and freight volumes go down, it will change the cost-effectiveness figures for the organizations that manage air traffic.

There are many things to consider. I am not even talking about airfares, which have already increased drastically since deregulation, with the result that it is now very difficult for people living in regions to travel at an affordable price. A traveller who did not plan his or her trip between Rouyn and Montreal well ahead of time to take advantage of a major rebate is looking at a round trip fare of more than \$600.

By contrast, those flying out of Montreal or Toronto can travel quite far for the same \$600. There is something indecent about this, particularly when you think that, because of the specializing that is

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taking place in the health sector, patients travel by plane wherever they can get treatment, which generates huge costs.

Regional development probably does not mean a lot to members opposite. It makes me laugh when I hear the Liberal member for Abitibi—Baie-James—Nunavik congratulate and thank the Minister of Transport for his work. He made this statement in a meeting of the Standing Committee on Transport.

I have no congratulations for the minister, far from it, and particularly not with regard to this issue. This same minister who closed the military college in Saint-Jean—let us not forget that—is now working to ensure that Quebec will come out a loser in this biased process in which the federal government has a hand.

There is obviously some disagreement within the government on this matter, and it is perhaps worth pointing out. There are some interesting quotations. In the October 26 edition of *Le Devoir*, Marc Lalonde, who is cut from the same cloth as the members opposite, had this to say:

It is odd that a public bid for a hostile takeover of the country's major air carrier should be launched on the assumption that the existing legislation will be changed to allow that takeover to occur. In all my years in the public sector, I have never seen a more disturbing challenge to the rights of parliamentarians.

God knows, Mr. Lalonde has been around for a long time. So this is one of their friends speaking, not a nasty separatist from Quebec. He says that the process has been biased from the start, because one of the players has the advantage of privileged information.

As for the fact that it will be possible to amend legislation, if necessary, what message does this send for other private transactions? The message it sends is this: "Stay on the good side of the members opposite and, if you are having trouble with a particular issue, worry not because we will take care of the legislation in due course, depending on our interests, the party coffers, and 56 other variables".

• (1605)

There are members from Quebec in this government and others elsewhere who can also see through this transaction, and I am certain that the lobby was limited to a few government insiders. The policy must be changed, and the government must not agree to change the rules of the game mid-stream to the advantage of one player and one carrier.

Mr. Gérard Asselin (Charlevoix, BQ): Madam Speaker, as I said this morning in my speech, the Bloc Québécois has contributed and will keep on contributing to the improvement of air transport in Canada, especially in Quebec regions.

Journalists will report again that Bloc Québécois members are well prepared, that they attend every committee meeting, every sitting of the House. Aware of the urgency of the situation, today

the Bloc Québécois moved an opposition motion with a view to informing Canadians of what an airline merger will mean for them.

After putting questions to Air Canada officials, the minister, officials from the competition bureau, and Canadian Airlines yesterday, the committee will have the opportunity to hear from Onex next week.

From what Air Canada and Canadian Airlines were able to tell us in response to our questions, we have learned that Canadian Airlines has been talking to the transport minister since January 1999.

We are going through turbulent times. The air transport industry is going through a storm. The minister took it upon himself to amend section 47, essentially telling the competition bureau: "This is none of your business, I am using section 47 to give the airlines 90 days to prepare their bid and come to an agreement."

Why did the minister not ask Canadian Airlines and Air Canada to sit at the table as early as January? Why did he not ask both major Canadian carriers to sit down together? Instead, he waited and opened up section 47 at the request of Onex. Then Onex tabled its bid. Air Canada made another bid. Onex had no choice but to make a higher offer. The decision will be up to the shareholders, those who own shares in Air Canada and Canadian Airlines. They will accept the best proposal with no regard for which offers the better service.

They will not look to see whether Rouyn-Noranda, Témiscamingue, the north shore, Manicouagan, or Gaspé have improved service. They will look to see which is the better deal. Shareholders will decide, not parliamentarians, and they will do it according to the proposals put before them.

The minister made promises to Onex. Onex said "I have a problem. If I become the major manager, if I put in a lot of money, I am taking a risk with the 10% rule". So the minister replied "Well, we will increase it, we will change the Competition Act".

Could the hon. member for Témiscamingue tell me why the 10% rule should be changed in this case, when it was not changed for Petro Canada? The Caisse de dépôt et placement du Québec was prevented from investing in CP Rail, and was told: "No, it is 10%". The federal government said, about the bank mergers, "No, it is 10%".

In this case, the Minister of Transport is saying "Onex will serve American interests, I will not have to subsidize anymore, to prop up an air carrier. It makes no difference if 10,000 jobs are lost. It does not bother me. You deal with the problem. Tell us what you need to buy both airlines. As for section 47, it is a done deed. We will amend the Competition Act. And as for the 10%, we will increase it to 25%".

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Why is the minister prepared to do so in this case, when it was not allowed in other cases?

Mr. Pierre Brien: Madam Speaker, the answer to that is quite simple: it is to favour its friends. There is no other reason. The government is far more sensitive to political affinities than to regional economic development, particularly in Quebec.

I am happy my colleague raised this issue. In the past, this section was used to prevent Quebec portfolios from acquiring too many shares. In Quebec, we have a number of development tools such as the General Investment Corporation, the Caisse de dépôt et placement, the Fonds de solidarité, major players that can become significant shareholders in various projects. The federal government did not like the 10% rule in some cases. Sometimes it suited the government, sometimes it did not, but we will have to see the consequences this will have in the future.

• (1610)

How will it be possible now to justify this in the other sectors still subject to this rule? If the government wanted a debate on whether the 10% rule is important or not, we could have had that debate outside the context of the Onex, Air Canada and Canadian transaction.

But the government now wants to change the rules in mid-game, in a specific case, to favour one player in particular. This is totally unacceptable. That is why the House must support the motion to reaffirm that the rules will not be changed.

[*English*]

Mr. Steve Mahoney (Mississauga West, Lib.): Madam Speaker, I will be delighted to share my time with my hon. colleague and good friend from Mississauga Centre.

I was interested to hear the debate, particularly from the Bloc members when they talked about the various issues surrounding the 10%. What I have not heard them talk about, and I am a little puzzled by this, is the real motivation behind them putting this issue before the House.

Before I talk about that I want to thank them for bringing this forward. Frankly, I think it is a good opportunity for many of us. I have many, many employees of Air Canada and some of Canadian Airlines living in my riding who have been calling me. This gives me an opportunity to put my views on the record and discuss the issue here in parliament.

Members opposite say that there is no debate. What are we doing today? Everyone is being given an opportunity to express their views. In fact, what the Bloc has done is exactly what the Minister of Transport asked parliamentarians to do; to give their views to him, to give our best advice to him, and obviously to reflect the

feelings and opinions of our constituents so that he indeed can deal with a number of the issues involving this potential merger.

The minister has not changed the rules. For members opposite to say so is nothing more than misleading. Maybe it is intentional, perhaps to get around the real underlying issue.

I suggest that the problem the Bloc has, which I think I understand, is that the head office of Air Canada is in the great city of Montreal. We all know that in recent history there have been dozens of major corporations move out of the city of Montreal, which I think is a tragedy. Why have they done so? They have done so because of policies put in place by the current provincial government, and other provincial governments before it, led by separatists. They have done so because of the separatist policies of the Bloc. They cannot do business with the uncertainty that exists in the province of Quebec. I think that is a shame.

In fact, one member opposite made a remark that Bloc members are working hard at committee and that they participate in debate in the House. Let me tell the House that he is right. I have been quite impressed with the number of members of the Bloc who have come to the citizenship and immigration committee and to the public accounts committee to make good quality contributions to the committee and to the democratic process. It is because they do not discuss the issue of separation. The one flame that continues to burn in the heart of that party is to separate the province of Quebec from the rest of Canada. We know that.

If we could leave that issue aside and take it out of the body politic of the Bloc, we would find some very decent, hard-working men and women who can contribute to this place. However, as long as that is there, I submit that it clouds virtually every issue which they address. It also leads to hidden agendas, which is, frankly, what we are seeing here today.

• (1615)

Having said that, I believe the Bloc has done us a favour in at least bringing it forward. The Bloc members know the government is not going to support them but that does not matter. What matters is that as parliamentarians we have the opportunity to stand here and to tell our constituents exactly what is going on. If we simply want to read the newspapers, as the hon. member earlier did, we can get any kind of distorted view we wish to and we can put it forward as having some sort of credibility.

If the minister had changed the rule unilaterally without discussion in this place, I too would be upset. That is not what he has done. I sat at the committee meeting. I am not a member of the transport committee but I wanted to hear firsthand what the minister's plan was. He said that he wanted our views, that he wanted some consultation, that he wanted to hear from members of all parties in the House of Commons. Imagine opposition members complaining about that. It is really quite remarkable. They must get

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up in the morning and ask “What has the government done that we can twist and turn around so we can oppose it?”

I want to give some credit to a couple of members and they might go into apoplectic shock. I heard speeches earlier today from two members of the Reform Party, the member for Esquimalt—Juan de Fuca and the member for Souris—Moose Mountain. Both gentlemen gave thoughtful, reasoned, intelligent remarks, something I am not used to hearing from the Reform Party. I was quite amazed. I will give credit where credit is due.

However, the comments do not seem to match other comments made by the leader of the Reform Party at a fundraiser in Calgary. Let me share those with the House because they are somewhat confusing and somewhat contradictory to the remarks made by the two members I just referred to.

The leader of the Reform Party said: “We want to wait until all the final offers are on the table. Our aim is to get the best deal for the air travelling public”. I would have thought the Minister of Transport had said that. I would not have thought the Leader of the Opposition actually came up with something that seems to be a rational policy. He said: “Whichever deal is accepted we want a free enterprise market to deal with this. That could involve the government encouraging greater foreign and regional competition”. What does he mean?

I would suggest that he wants the skies of Canada to be opened up to the extent that foreign airlines, be it American, be it United, be it whatever, can come into Canada and transport passengers between Winnipeg and Toronto, between Montreal and Vancouver, while ignoring all of the very difficult routes. They would simply cherry pick the best routes so those foreign carriers can make a profit on the best, easiest, most economical and efficient routes in Canada. They would be sucking the lifeblood out of whatever airline becomes the dominant Canadian airline. Let me stress clearly that is what is going to happen in my view.

Whether the shareholders vote to accept either the Onex deal that is on the table now or some other deal that is put forward, and I guess it has to happen soon, or whether they decide to accept the offer put on the table for Air Canada, there are pros and cons to both sides of those issues. But in my view there will only be one major airline by this time next year. It will be running the major routes in this country.

Are we going to do what the Leader of the Opposition has suggested and allow foreign airlines to come in and destroy that company? That could happen.

• (1620)

The minister has stood in his place and has said he will not change the foreign content issue. Foreign ownership of Air Canada will not increase beyond 25%. He has said that.

I could not believe it so I had to verify it in *Hansard* but I heard the Reform Party critic ask the minister why he would not even consider allowing foreign ownership content to increase to 49%.

Just as there is a hidden agenda by the Bloc, members of the Reform Party seem to be driven and motivated by a need to Americanize this country. They do it all the time. They stand and say “Do it the way they do it in the United States. They do it better”. They confuse issues.

The minister is consulting. He wants to hear the views of all parliamentarians and all Canadians. I have great confidence that he will make the right decision.

[Translation]

Mr. René Canuel (Matapédia—Matane, BQ): Madam Speaker, I listened to my colleague and associate. He said that we had introduced this motion on an opposition day today because we want sovereignty. I would have liked him to be a little more logical. I would have liked the House to stick to the issue at hand, because it smells to high heaven.

One of their own, Marc Lalonde, said “Look, I do not think we should go that route”. And now my colleague says “The minister is carrying out consultations, but calm down, that does not mean he will change the regulations”.

Will he be able to assure me sometime in the future that the minister will not make any changes? He will not be able to give me any assurances. He will skate around the issue. He will say anything.

I said that this is dangerous. Can we have the assurance that security will be enhanced and that the air rates will not go up? Of course not. They say almost anything. When we ask questions, they do not even answer. Such behaviour in the House of Commons goes against the spirit of democracy. And flouting democracy in the House of Commons, that is serious business. What was said earlier about the Bloc was an insult to the constituents not only of Matapédia—Matane but of each and every riding. There are 44 of us here. It was an insult to all the people of Quebec.

I ask my colleague opposite to apologize, because my constituents will just not take it. I ask him if he can assure us that the 10% rule will not be changed. Can he confirm that security will be enhanced, that the rates will at least remain the same and that in remote areas the level of service will be maintained?

[English]

Mr. Steve Mahoney: Madam Speaker, constituents in my riding find it insulting every time a Bloc member talks about taking a

major part of the country out of confederation. I do not apologize for a single thing I said in this or any other speech in regard to that.

Let me answer the question. The member talks about servicing small communities. I can tell him that my province of Ontario has many small communities as he would well know, as does the province of Quebec. I can tell him that the government is concerned that those communities continue to be serviced by air.

The airline industry is part of nation building. We cannot leave the people of Nunavut without that kind of service. We cannot leave northern Quebec and remote regions in Labrador or western Canada without some kind of access to affordable quality service. The minister has laid that out in his program which he presented to the committee. Pricing is absolutely a concern. Service to small communities is a concern. Jobs are a concern, not only for Air Canada employees, but for Canadian employees.

• (1625)

I believe that through debate in parliament, through discussion in committee, through submissions that will be made by many people who will be appearing before the transport committee, all of those issues need to be addressed. I agree with the member that they are extremely important. The government is committed to that.

Above all, the government is committed to ensuring that we continue to have one of the finest, safest airline industries in the world, which we do. We have terrific people who work in them and we have two quality airlines. We just have one that is in serious financial trouble and that issue must be addressed.

Ms. Carolyn Parrish (Parliamentary Secretary to Minister of Public Works and Government Services, Lib.): Madam Speaker, it is my pleasure to share my time with my colleague the member for Mississauga West.

I rise to speak against the motion raised by the Bloc today. In his policy framework for airline restructuring in Canada, the Minister of Transport indicated on October 26 that the government was prepared to consider increasing the 10% limit to a new level to be decided following input from parliamentarians, only if such a measure contributes to a healthy Canadian airline industry.

The importance of a healthy airline industry in Canada cannot be overstated. Canada's airlines provide employment to thousands of skilled workers and are important contributors to our economy. In a country as large as Canada, they help support the very fabric of our society by connecting communities separated by hundreds, sometimes thousands, of kilometres.

As international trade and travel increase, our airlines provide Canada with critical links to the rest of the world. Canada needs a

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healthy airline industry to continue to enjoy these benefits and to create even greater benefits.

As my hon. colleagues are aware, the government has been very closely monitoring developments in the industry. It has assessed the implications of a major restructuring in order to form its policy framework.

The Government of Canada is committed to protecting the public interest in issues such as pricing, service to small communities and the rights and concerns of airline employees. I and my caucus colleagues have been made intimately, sometimes forcefully, aware of the concerns of the employees of both Canadian Airlines and Air Canada.

As the member of parliament for Mississauga Centre, I represent a riding that is home to hundreds, sometimes it feels like thousands, of airline employees. It is the employees of both airlines as well as the Canadian traveller that I remain most concerned about.

Travellers are justifiably concerned about airfares. Competition encourages lower airfares and increases the affordability of air travel. Currently almost 90% of air travel within Canada is on discounted fares. Seat sales allow families in Vancouver to visit relatives in Montreal. They allow small business people on restricted budgets to travel more easily. They encourage tourism.

It is reasonable to be concerned that a major restructuring of the Canadian airline industry could lead to higher airfares for all consumers. The government is very much aware of these concerns and the importance of affordable air travel to all Canadians.

As stated in the policy framework for airline restructuring in Canada, clearly the best way to promote affordable air travel is to have an air industry that remains healthy as well as competitive. It is competition rather than government intervention that will be most effective in moderating airfares in the long run. However, we must consider that competition may not exert sufficient control on prices in all circumstances. It is for this reason that competition concerns have been addressed at such length by our government.

The government already has tools at its disposal to address pricing concerns, including section 66 of the Canada Transportation Act which allows the Canadian Transportation Agency to act on complaints regarding basic fares on monopoly routes. As the Minister of Transport has stated, the government will go further and assess whether these provisions should be broadened to address market dominance.

As well, the government will require commitments on pricing from the dominant carrier during any restructuring process. The government will consider adding relevant conditions to its approv-

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al of any restructuring. The government will not tolerate any price gouging of Canadian consumers.

The importance of air travel to small communities is also a very serious concern. Our airlines help support the fabric of our nation by providing crucial air service to hundreds of domestic destinations, many of them accessible only by air.

• (1630)

Small communities rely on air services often more than large communities. Airlines provide links to larger markets, help attract investments and provide an indispensable lifeline to the rest of Canada.

As my hon. colleagues can appreciate, a major restructuring of the airline industry could lead to a rationalization of some air services. In this regard the public, consumer representatives and northern residents have expressed their concern that air services to smaller communities could decrease or even disappear. As set out in the government's policy framework, the key to addressing this issue is to ensure that barriers to entry and to growth in the market of small regional airlines are reduced to the greatest extent possible and that there are protections from possible predatory behaviour on the part of a dominant carrier.

History has demonstrated that where there is a demand there will be entrepreneurs willing to provide service, even in small markets. There must be an environment that will allow competition to exist. With this in mind our government has indicated that it will work to ensure that the necessary conditions for attracting competition are in place.

I would like my hon. colleagues to note that the Canada Transportation Act already requires the last and second last carrier serving any community to give notice of their intention to stop service so that there will be adequate lead time for any other carrier to prepare to offer replacement service. These sections will be reviewed to determine if they remain adequate.

In addition, the government has stated that it will require commitments on service to small communities from the dominant carrier during the restructuring process and will consider adding more conditions before restructuring is approved.

Lastly, I would like to address concerns regarding employment. The Canadian airline industry employs thousands of skilled workers directly and indirectly. These employees have worked diligently. Many of them have made significant sacrifices to ensure the success of their companies. They have endured economic downturns and have witnessed corporate downsizing. They have agreed to pay freezes and to pay cuts. They are important contributors to

the Canadian economy. I believe they merit the consideration of our government in any airline restructuring.

The government has already consulted various groups on the issue. Labour leaders have expressed the concern that employment levels may be substantially affected by a restructuring of the airline industry. They want to ensure that job impacts and dislocations are minimized and that any employment adjustments are handled exclusively through normal retirement, attrition and voluntary separation packages.

Airline employees are very concerned that airline consolidation will cost them their jobs. They fear forced relocation and layoffs. It is for this reason that the government will insist that employees be treated fairly and will require commitments from a dominant carrier to this effect. The government will encourage labour management discussions with a view to reaching an agreement which is satisfactory to all.

The government believes that Canadian consumers want and deserve the benefits of competition, that small communities require air service and that airline employees deserve to be treated fairly. At the same time the government believes that these objectives are consistent with a healthy, Canadian controlled airline industry.

If my hon. colleagues believe that these are laudable goals, then they should agree that we must be prepared to take the necessary steps to manage a major restructuring of the Canadian airline industry. I call on my hon. colleagues to support the government initiatives presented by the Minister of Transport on October 26, including a provision for the government to consider increasing the 10% limit on individual ownership of Air Canada's voting shares.

The Minister of Transport has been very clear on his willingness to consider a legislative change right from the beginning. One has to look no further than the minister's news release of August 13, 1999, in which he said:

The Government of Canada will also consider what further action might be required, including the possibility of introducing legislation to facilitate the implementation of an acceptable proposal and making any necessary changes to the policy and regulatory framework governing airlines.

Clearly the government has stated its openness to legislative change from the day the use of section 47 was announced, which was August 13.

This issue will only be decided following input from parliamentarians and then only if such a measure contributes to achieving a healthy, Canadian controlled airline industry.

I will repeat this for the sake of all here. The government has stated that a change to the 10% limit will only be considered if it

will contribute to achieving a healthy, Canadian controlled airline industry.

To make a decision prior to proper consultation, as is effectively proposed by the hon. member's motion, would not only deprive the government of the benefits of the advice of the parliamentary standing committees, it would also be unfair to the proponents of the private sector proposals that are seen to be addressed by shareholders.

• (1635)

For this reason, I oppose the motion. I also appreciate, as my colleague did, the opportunity to state my position in the House. Perhaps it will relieve me of the millions of phone calls I have been getting.

Mr. Deepak Obhrai (Calgary East, Ref.): Madam Speaker, I listened with great interest to the debate today. I heard the minister's speech and my colleague's speech.

She talked about having an open debate, which is right. She talked about certain issues like regional communities being serviced, employees and the excellent airlines that we have. I agree with her. There is no question that we have great airlines. She made a good point. We do not oppose that; we agree with it.

However, we do have differences. We know there is a definite need to restructure the airline industry in Canada and that we are facing the prospect of one airline. If the ownership rule was raised, as the Competition Bureau chief said, we do not see any danger in that. We see that as meaning that jobs will be protected, the excellent service will continue and the skills in the aviation industry will remain in this country. We do not see a danger. As a matter of fact, we see our two airlines growing, providing Canadians with more opportunity for jobs.

Why are we becoming restrictive? The Minister of Transport would like to raise it to 25%. What is the problem in restricting this to 49% to improve competition? We would have a healthy aviation industry in this country.

Ms. Carolyn Parrish: Madam Speaker, I am very pleased to respond to my friend from Calgary East. I too read the recommendations and found that what was lacking was practicality. The Competition Bureau suggested that we could bring in all kinds of new airlines. It did not really matter who owned them, we could raise the ownership portions to astronomical heights.

What has to be understood, which the minister understands, is that this country was originally connected by railroads. Now its lifeblood is being pumped through the airlines. The heart of the country and its regions are being fed through the airlines.

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It would be a gross miscarriage of justice if we lost some control over Canadian ownership and some control over the direction this new mega airline will go in. It would be a very sad situation if we, as parliamentarians, stood back and let the market forces take over. We have to understand that some of us really believe this will keep the country together. It is important to control it to a certain extent and to monitor it so that it is the best airline it can be and one which will continue to make Canada proud.

[*Translation*]

Mr. Gérard Asselin (Charlevoix, BQ): Madam Speaker, recently I met with representatives of Air Canada, its subsidiary Air Alliance and Canadian International Airlines.

The problem facing the managers of these two companies is that their service is expensive in the regions because they do not have enough passengers. If so, it is also because prices are high.

I would ask my colleague if she would support, in the restructuring of airline services in Canada, having a carrier for international flights and an interprovincial carrier and having unrestricted competition to serve the regions. Local carriers would serve them and feed into the hubs for interprovincial and international flights.

I think we would then have more and better service regionally.

• (1640)

[*English*]

Ms. Carolyn Parrish: Madam Speaker, I hope I am not misinterpreting the member for Charlevoix. My impression is that he is willing to relegate Canadian Airlines to be the little local server, which would provide a lot of nasty competition to very successful small airlines which are out there right now, and that he is willing to allow Air Canada to continue to be the international carrier.

My perception of what has been going on between Air Canada and Canadian Airlines for a long time is that it is like the big brother and the little brother fighting each other, but they are not prepared to take on the bully from across the road. I think our real competition lies offshore and that international airlines from other countries are taking a lot of the lifeblood out of this country.

No, I do not agree with the member's position.

Ms. Wendy Lill (Dartmouth, NDP): Madam Speaker, I am happy to be splitting my time with the member for Regina—Qu'Appelle.

I am pleased to speak to the question surrounding the airline industry. It concerns many people in my riding of Dartmouth and they are looking to Ottawa for leadership on this issue.

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It is also a symbolic issue for Nova Scotia and Canada, a debate which shows how the Liberal Party has moved from being a proactive force in Canadian politics to being a caretaker government which equates the corporate good with the public good. It clearly shows how out of touch members opposite have become with the reality of most Canadians.

My constituents have approached me on the issue of the travel industry. It is an industry which employs many people in Dartmouth. They fear for their jobs. We have heard about the more than 25,000 direct jobs involved in Air Canada and Canadian Airlines, but I have also heard from people who make a living selling seat sales. They worry that they will have no jobs when there are no regional carriers, no national competition and no more seat sales.

A retired Air Canada worker was in my office yesterday. He is concerned about the future of his pension. He is not a direct employee, but he is scared because this process may threaten his income. Many direct employees, be they pilots, mechanics or flight attendants, have told me or my staff that they will be forced to move to keep their jobs due to the restructuring. These people are being brave, but they are worried. Consumers in Dartmouth are also worried.

Atlantic Canada has a sad history of watching our young people go down the road. I do not think I am exaggerating when I say that most families in my riding have a close family member in central or western Canada. I also know that many people have moved to Dartmouth from Cape Breton, rural Newfoundland or from the Acadie to find work. Most of these peoples' families are still down home. A major force which helps to connect these families are airplanes.

Due to the former Conservative policies there is no real train service left for most people in the maritimes. The Trans-Canada highway system has been abandoned by the government and motorists now face tolls throughout my region, so that option is becoming less and less a factor as well.

What I hear people talking about over their coffee in the shop next door to my constituency office is the next seat sale to Calgary, Sydney or Gander. I am also amazed by the anger people express over the fact that it seems to cost more to fly from Halifax to St. John's than it does to fly from Toronto to London, England.

People do not talk about the relative merits of the Onex or Air Canada offers. They are not concerned about the share price. They want to be able to see their kids. They want to know they can fly to see their parents and be by their side in an emergency.

These anxieties should have been addressed by the government. It had the opportunity. The government started the ball rolling by invoking section 47 in the summertime, but there were no assurances from the minister for Dartmouth consumers. A throne speech was delivered, but again silence on this issue. There was nothing for maritimers.

The minister did say at one point that this was a matter for the private sector, a position I believe he still stands by. He has mumbled vague words about price protection, but nothing specific. This week the minister has given assurances that the company will be accommodated and that the 10% ownership rule could be changed, but no such specifics to protect consumers.

The minister will do nothing to protect consumers because he is part of a party and a government which does not believe there is a role for government in the marketplace to protect consumers. He is protecting the choices of shareholders, not stakeholders and not the public.

It is sad that we have come to this. Canada was not built this way and Canadians have never wanted it to be this way.

Halifax harbour has had a proud and vital part in the development of my country and our community.

• (1645)

We should always remember that its piers, its rail links and equipment did not arrive with this pretty setting. It was largely built by public money. In large part, Canada was created based on promises of a public investment in a cross-Canada rail link.

Our airline industry was also built by public money. These investments were visionary in their recognition that accessible transportation links in Canada are not a frill but a necessity.

The policy allowed for the concept of the Canadian government acting for the public good. This tradition was gutted by the Conservative government in the last decade and it has been continued by the current Liberal regime.

It is sad that the Liberal government has lost that vision of the public good. It seems that at every turn on questions of trade, culture, the environment, health protection and transportation, the government feels that the corporate good outweighs the public good. The government has said that after shareholders have finished carving up the current air carriers it will bring in a law to allow the carve up. For the rest of us, the government has said "trust us".

I still remember the Liberals saying "trust us" for a national child care program, and the Liberals committing themselves to scrap the GST. I cannot trust them in any good conscience but I can call on them to remember the concept of public good in transport policy and do the following before bringing in any new law: Protect the maximum number of jobs and ensure that any job loss be offset through attrition and incentive packages; put in place a regulatory framework to guarantee fair prices and equal service to the consumer; explore all policy instruments at its disposal, which might include an equity partnership, to ensure that the public good

is protected in a restructured airline industry; have all affected stakeholders participate in any eventual decision about the future of our air transport industry prior to it being taken; and, keep foreign investors in a small minority interest and do not allow them to obtain a controlling position in the affairs of Canada's national airlines.

This is our national tradition. That is what I believe constituents want to see.

[*Translation*]

Mr. Gérard Asselin (Charlevoix, BQ): Madam Speaker, I have a little more time than before to put my question.

As I was saying, after meeting with Canadian and InterCanadian, the numbers are not there because it is expensive and it is expensive because the numbers are not there, in short, it is a case of which came first, the chicken or the egg. Or it is the case of Maple Leaf sausages, the more we eat, the more we like it, and the more we like it, the more we eat. We live with that.

I would like to put my question by citing an example. There are two sorts of travelers. There are those obliged to travel and those travelling on holiday.

The first type of traveller may be a business person who must get from point A to point B, for example from Baie-Comeau to Montreal. That person must be in both places on the same day, then come back the next morning to be at work. Another example is a person who leaves Baie-Comeau for treatment in Quebec City or in Montreal, and who comes back the same day or the next day. The return trip between Baie-Comeau and Montreal for such a traveller not leaving the country costs \$900.

If a person travels from Baie-Comeau to Montreal on his or her way to Paris or Florida, or anywhere outside the country, for a holiday, it will cost that person \$285. Where is the problem? The problem is that people in the regions pay for the air miles that frequent flyers collect. Some airlines give air miles and access to the V.I.P. lounge, but the person who must travel on business, or for treatment, helps pay these promotions from major airlines.

That should be abolished. I said earlier that we should help the regional carriers that bring passengers to hubs and to interprovincial or international carriers, so as to have lower airfares.

After talking to people from the chamber of commerce—and all chambers of commerce make representations at that level—one realizes that they are penalized, in terms of the airfare, because they leave from a region to go to a major centre. They are told that this is because the aircraft is half empty, or half full if one is an optimist. But the problem is that it is not profitable.

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Why? Because it is costly. Let us eliminate the gadgets and the promotional items and let us provide competitive prices for the regions. In order to do that, the Minister of Transport must promote regional development in the context of the air transportation industry. I would like to hear the hon. member's comments on this.

• (1650)

[*English*]

Ms. Wendy Lill: Madam Speaker, I agree with the hon. member that there certainly is a need for an investigation of the fee structure in terms of transportation across the country.

I know members of the House find themselves having to make ridiculous detours through Toronto to reach another location, perhaps in the maritimes. Sometimes when flying from Calgary, one has to go through a place like Winnipeg to get to somewhere in the north. There are a lot of examples of erratic and irrational detouring going on. I believe all of that has to be taken into account in terms of it being a system that will meet the needs of Canadians.

Mr. Peter Mancini (Sydney—Victoria, NDP): Madam Speaker, I listened with interest to the last question from the hon. member for Charlevoix. We, too, in Cape Breton understand how difficult that is. The cost of flying from Cape Breton to Halifax, a 40-minute plane ride, sometimes exceeds \$700 or \$800. It is cheaper to go from Halifax to Europe and back again, or at least one way, than it is to get from Cape Breton. With the decline in hospital services and so many other services that rural communities face, this is becoming an increasing burden on people in rural communities.

Ms. Wendy Lill: Madam Speaker, I agree with the hon. member from Sydney—Victoria.

Hon. Lorne Nystrom (Regina—Qu'Appelle, NDP): Madam Speaker, the surprises never cease. I also want to say a few words in the debate.

[*Translation*]

I support the motion proposed by the Bloc Québécois this afternoon on the future of Air Canada and Canadian Airlines in our country, Canada.

[*English*]

As I said, I really am in support of the motion put forward by the Bloc Québécois today. I am surprised that some of my Liberal friends are not supporting it as well.

I remember, for example, my hon. friend from Prince Edward Island, when he used to be a progressive left-wing Liberal, would get up and make all kinds of speeches about Canadian nationalism and how we had to look after our own country and stand up for

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Canada. I remember that before he became power hungry and ran as a Liberal in Prince Edward Island. I wonder where those speeches are now.

All the Bloc Quebecois is doing today is moving a motion that respects existing Canadian law. I am sure you are surprised by this, Madam Speaker, but the Liberal Party is going to vote against it. What the Bloc is saying today is that we should respect the current law that says that no single entity, including someone as wealthy as the member from Prince Edward Island, can buy more than 10% of Air Canada. That is the law and that is what the Bloc is saying today.

What does the Liberal Party say? It says "No, we are not going to support that".

An hon. member: You haven't been listening.

Hon. Lorne Nystrom: If I have not been listening, I will be very interested in watching the member stand in his place here later on today and vote in favour of the motion put before the House. We will then see who is going to be listening, myself or the hon. member from P.E.I.

When Air Canada was privatized, parliament in its wisdom, and I think it made the wrong decision to privatize in the first place, decided that no entity could own more than 10% of Air Canada and that a maximum of 25% of it could be owned by foreigners. We were paralleling the Bank Act in many ways where nobody could own more than 10% of a bank and no more than 25% of a bank could be owned by non-Canadian entities, institutions, pension funds, et cetera. That is what happened.

Now the Liberal Party is considering increasing the 10% rule. I wonder why. It think it is doing that because the Minister of Transport is favouring the proposition put forward by Mr. Gerald Schwartz who is the president of Onex.

• (1655)

It is interesting to talk about Mr. Schwartz. Mr. Schwartz is one of the most effective fundraisers in the Liberal Party anywhere in the country, contributing and raising hundreds of thousands of dollars for the Liberal Party and for candidates in that party, in particular in the province of Ontario. I think this is part of what the debate is about. If it was not about that why would the government want to change the 10% rule? Why does the government not say to Mr. Schwartz or anyone else, "If you want to make a proposal, do it in the context of existing law".

As my friend in the Reform Party says, it is like changing the rules in the middle of a game. That is what the Liberal Party wants to do. I am surprised at the hole that the Minister of Transport and the Prime Minister have on the backbenches. Some of these people will not rise in their place and say, "All this motion is doing is

supporting the existing law in the country". Why will they not get up and do that? It is because there is another agenda.

The minister from Toronto is favouring his buddy, Gerald Schwartz from Toronto, who is a big fundraiser for the Liberal Party of Canada. That is the kind of politics that we have here today. It says an awful lot about the need for more free votes in the House of Commons where a member can get up and voice his or her concern without fear of losing a job as a parliamentary secretary or chairmanship of a committee.

I have spoken to many members of the Liberal Party in the House who are dead set against what Gerald Schwartz is trying to do, who are not at all happy with the minister from Toronto and who are unhappy that the minister is talking about changing the rules to favour one airline over the other. Where are those people today? They are not going to get up and speak in support of the motion that is before the House.

This is a very important issue. I come from Saskatchewan. I come from a smaller market where we do not have many flights. We have very few flights by Canadian Airlines. We have a few more by Air Canada. We have very few flights in all. It is a captive market. The prices are very expensive in a small market like Regina or Saskatoon, Saskatchewan. People are very concerned about the future of the airline industry.

If the 10% rule goes through, how high does it have to go before in effect we lose control of an airline industry in the country to big financial institutions or big American airlines in the United States? I want members to think about that.

Even the Conservative Party of Brian Mulroney, when it privatized Air Canada, brought in the 10% rule for a purpose. It was to make sure the airline remained in Canadian hands. That was the Conservative Party.

Here we have a Liberal Party that is now more conservative than the Conservatives and more conservative than Brian Mulroney. It is a shame.

I can see members across the way nodding their heads in agreement that it is a real shame. If this rule goes through, we are going to lose the airline industry and people know that. It is only a matter of time before the big airlines buy out the Canadian airline industry, buy out Air Canada and Canadian Airlines. Big institutions in the United States will invest money and buy out these Canadian airlines.

That is the issue today. If we had a true parliamentary democracy in the country, the vote this afternoon on this motion would, I think, be overwhelming in terms of support for the motion put forward by the Bloc Quebecois. That is why we need change in terms of how the House governs itself.

Before my time expires, I have a couple of other things to say. One thing the government should consider is the federal govern-

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ment itself taking an equity position in a new national airline. I would suggest about 15%. I think 15% would give the people of the country, through the federal government, enough control to make sure that the industry stays in Canadian hands, that we have jobs here for Canadians, that rural communities and smaller communities will to be served, that the price which passengers pay when they fly on an airline will be reasonable regardless of the size of the Canadian market. I think that is one thing that can be done.

I believe that sooner or later, probably sooner than later, we are going to end up with one national airline. We do not have the market to support two big national airlines. I do not think any other country in the world, except the United States and perhaps Australia, has more than one national airline. Of course Australians have to fly almost always when they leave their country. I do not think we have the market to have two big national, successful, economic airlines in this country.

• (1700)

If we are going to have one airline, the government should seriously look at the possibility of an equity stake in that airline. The public should have some input and some clout. The public should have a couple of people on the board of directors of the airline and have some say over the direction in which that airline will go.

Those are some of the important issues we have to be debating today. I end by saying once again that we support the motion put forward by the Bloc. I think that the 10% rule will have to stay. If it goes, we are in danger of losing not only Air Canada, but Canadian as well within a few short years into the hands of investors from the United States.

Mr. Wayne Easter (Malpeque, Lib.): Madam Speaker, it was an interesting speech by the member for Regina—Qu'Appelle. There were a lot of words but not much substance.

Let me be clear. I too am in favour of the 10% rule, but I do not want to see the government tie its hands so that we do not have some flexibility.

One remark the hon. member made which did make some sense is that people are concerned about the future of the airline industry in this country. That is true. The government is concerned. The minister is concerned. That is why the minister outlined the five principles. That is why the minister dealt with the Competition Act in order to try to solve this problem in a very managed way.

The member took one personal shot at me which I should mention and that is that I am a little bit left. Yes, and I am proud of it. The difference between my party and that party over there is that we are willing to look at some flexibility for the good of the

country. We do not bury our heads in the sand as does the New Democratic Party which does not look at all the options.

What is the member's view on the five principles that the minister has outlined?

Hon. Lorne Nystrom: Madam Speaker, I learned a long time ago that there is a difference when a Liberal talks about principles and when a Liberal puts something into action and into effect. Sometimes there is a long distance between the two.

I remember my grandfather telling me many years ago about the Liberal Party promising medicare in the campaign of 1919. I did not see medicare in this country until about 1965 after it was brought in by a CCF government in the province of Saskatchewan. There is a long distance between the principles of the Liberal Party and the action of the Liberal Party.

I remember very well the Liberal Party campaigning in this House against the GST. Does anyone else remember that? I was here. I saw the Liberals filibuster on the GST in the House of Commons. They spoke in committee hour after hour, "If we are elected to government in this country, we will abolish the GST. We will get rid of the GST". About the only one who stood by her word was the Minister of Canadian Heritage who resigned her seat and ran in a byelection because of her commitment on the GST. I remember those debates.

I remember my friend from Prince Edward Island when he was the national president of the farmers union based in Saskatoon. I remember going out to his retirement and cheering him on as a good progressive left-wing thinker. Part of the reason was that he campaigned against the free trade deal. He was campaigning against NAFTA.

His Liberal Party was campaigning against NAFTA and the free trade deal. The Liberals were sitting in these benches calling Brian Mulroney a sell-out. They were elected and what happened? We are still part of the FTA. We are still part of NAFTA. There have been no changes, no amendments, nothing. We are now talking about selling our water. We are now part of the WTO. That former Canadian nationalist, Sergio Marchi,—I can use his name now as he is at the WTO—was campaigning against those deals. What is he doing now? He wants to expand them more and more.

That is the Liberal Party. Madam Speaker, I am sure if you were not in the chair you would get up and agree with me, because that is the history of the Liberal Party. Liberals say one thing and they do something else.

When members of the Liberal Party campaign in the opposition, they campaign for the left and they sound like New Democrats. When they are in government they sound like Conservatives, except for the last few years when they have sounded like Reformers. The Reform Party has set the agenda for them.

*Supply**[Translation]*

Mr. Gérard Asselin (Charlevoix, BQ): Madam Speaker, we are of course pleased to have the support of the NDP, the Conservatives and the Reform Party. The Bloc Québécois will back them one hundred percent.

• (1705)

There must be a few Liberal MPs who support this motion, such as the hon. members from Lac—Saint-Louis, Vaudreuil—Soulanges and Thunder Bay, and I trust Mr. Lalonde will stir up some Quebec members.

The primary intent of the Bloc Québécois' motion was to inform the public on issues relating to the future of air transportation, as well as to ensure that this situation was treated fairly and in the same way as the Caisse de dépôt et de placement du Québec when it was told that one could not invest more than 10% in the CN. The maximum for Petro-Canada and the banks is also 10%. Why should it be different for Onex? What complicity is going on between the Minister of Transport and Onex?

Hon. Lorne Nystrom: Madam Speaker, this is not a very difficult question and the answer is that Onex president is Gerry Schwartz, and that he gives a lot of money to the Liberal Party.

This is why the member from Prince Edward Island does not dare stand up in this House and vote in favour of the Bloc Québécois' motion. Mr. Schwartz contributed to the election funds of several Liberal candidates in the Toronto area during the last election campaign. This is one of the reasons why the Liberal Party will not support the motion.

[English]

Mr. Roy Cullen (Parliamentary Secretary to Minister of Finance, Lib.): Madam Speaker, I am pleased to enter the debate on the restructuring of Canada's airline industry, not necessarily to speak to the Bloc's motion. Usually when the Bloc brings something to the House it is a sort of myopic view of public policy. Here coincidentally, Air Canada's head office is in Montreal, Quebec and Air Canada does not want to see any change to the 10% rule. Therefore the Bloc has come in here supporting no change to the 10% rule.

I would like to speak on the key issues here, which are the amount of Canadian ownership and control in any industry in Canada and the question of competition and service.

The 10% rule should be put in context. When Air Canada was privatized however many years ago that was, the policy intent was to ensure that the shareholdings were broadly held across Canada. The government brought in a 10% rule to ensure the shares were widely held.

The question now before the government is whether the 10% rule should be relaxed. It makes eminent good sense to have a look at that. That is all our government has said, that we should not rule out any options, that we should have a look at the 10% rule.

The 10% rule does not apply to Canadian Airlines. What is the magic of this 10% ownership rule? It has to do with how widely the shares are held. It has nothing to do with foreign ownership.

To argue, actually to cheat, to say that we should not bring any policies forward that do not comply with legislation, the next time Air Canada or any interest group phones me and says that we need to change these policies or legislation, I will tell them that I am sorry because the legislation is here and that is what we are working on, so we will not consider any proposals. That is what I would do.

Our role is to legislate. We have a proposal in front of us which someone has asked us to look at. We must debate it. It is a good debate. Our government has said that parliamentarians are going to debate it.

I will certainly be voting against the Bloc motion. In a public policy sense it does not make any sense. Why would we close down that door at this point in time?

I would like to address the other hypocrisy I have seen in this debate. On the one hand the Reform Party says let the market decide, that the market should control these things, that it should determine what the best mix of air service and air structure is in Canada. Then the minute the government lays down some public policy principles, the Reform Party says that the government is interfering. The minute the government says that we should really look at the 10% rule, the Reform Party says we are creating favouritism. In fact we are creating favouritism the other way if we do not open that door because Canadian Airlines is not governed by the same 10% rule, not at all. We need to get serious in this debate.

• (1710)

In terms of the government's role, we came out with a set of five principles. To my mind that was what we needed to do, had to do and it is what we did. We said that rather than nickel and dime every single proposal or alternative that is out there, we are going to set a framework. The government has embellished that somewhat since the first five principles were set out. No matter what proposal we look at, the government should weigh it against these five public policy objectives. That is what our government did.

I would like to reiterate those five policy principles. The government said that no matter what proposal comes forward, and by the way, we do not have any firm proposal right now because nothing has been approved by any shareholders. Once a proposal is approved, we will evaluate that proposal against these criteria: Do we have Canadian control and ownership? Will we have good competition and service to consumers? Will we have good pricing in Canada? Will we be able to serve small communities? What

about the rights of employees? Will they be protected as best as they can?

Of course safety underlines everything. That is the mission of Transport Canada. That is its number one objective. Safety is a concern in the context of any proposal that would come forward.

Our government laid out the five principles. In fact, when the government relaxed section 47 of the Competition Act, I thought, naively perhaps, that maybe the airlines would start talking to each other.

In fact, the government's policy purpose may have been to have Canadian and Air Canada talk to each other to try to rationalize some of this excess capacity out of the system. It is no secret. People in Canada recognize that when there are two flights at the same time from Toronto to Calgary, one Canadian and one Air Canada, at 7 p.m., 8 p.m., 9 p.m., and 10 a.m. It is called wing tip to wing tip flying on the same routes. We cannot have the luxury of that kind of excess capacity.

Some pilots will say that the planes are sort of full. Probably they are, but at what price? We know the way the pricing is done these days. There are about 60 different prices. About 80% of the people sitting in that plane are covering the variable costs maybe, but that is about it. Airlines cannot survive that way, Canadian or Air Canada.

We know Canadian Airlines is in deeper trouble, but Air Canada really has not performed that well over the last 10 years either. We have excess capacity and we have to deal with it. We cannot hide. We cannot run. We have to deal with it.

Canadian ownership is an issue that is important to all Canadians. Frankly, I do not think we should compromise on the 25% rule at all.

In terms of the proposals we have in front of us, at least in terms of propositions, the question becomes how do they stand against that test? There has been a lot of misinformation about that in my view.

The Onex proposal is really proposing that American Airlines would have about 15% of Canadian. In fact, its shareholding goes down. In terms of its equity participation I think it is one member of the board of directors, or two out of thirteen, something in that order. We know that is not effective control.

The Canadian Transportation Agency will rigorously look at any proposal that comes forward. It will deal with the question, is it effective Canadian control?

The ringer, the hook, is in all the side agreements. There are side agreements with American Airlines and Canadian. We know about the reservation systems, maintenance.

Supply

The Canadian Transportation Agency will look at any proposals. It will study them and come back to the government and say that it has looked at them in some detail. The agency will say that it has looked at every single agreement that Canadian Airlines has with American Airlines and that from a policy perspective it is either effectively controlled in Canada or it is not. However, it is a valid public debate to have notwithstanding that we do not have all those facts in front of us.

• (1715)

Another aspect is the Competition Bureau. Its criteria is what does it do to competition. It does not have to worry about effective control or Canadian control. It just has to answer the question what is in the best interest of competition.

That is a very valid question but the bureau does not have to worry. If we look at cabotage, it means that we would open up our doors and allow foreign airlines to come in, pick up passengers in Toronto and take them to Calgary. It could be American Airlines, United or whatever. The bottom line in my view is that with the economies of scale of some of the huge American airlines our airline or airlines would be hard pressed to compete.

Why would we allow cabotage in Canada without getting the reverse, for example, in the United States? That would be folly. I do not think the Americans are prepared to allow cabotage in the United States. That to me is not an option.

The Competition Bureau clearly has a role to play. We are essentially looking at a one airline policy in Canada. Anyone who thinks that we cannot do anything about that is not really thinking through the facts. As a government we have a lot of options.

We could look at reregulating the industry. It is not an option that I would support, but we could do that in some limited way. I am very concerned about service to remote areas of Canada and some areas that might be marginal.

However, if we give an airline a chance to rationalize some of that capacity, instead of 12 flights a day into certain centres by Air Canada and 12 by Canadian Airlines almost at the same time maybe we would end up with 8 in those centres but we would have service to other areas on a much more frequent basis.

How do we structure that? We cannot structure it on the basis of hope. We have to put some policy meat on those bones. Our government through debates and discussions with all parliamentarians should consider that.

I do not like either of the deals that have been proposed the way they stand right now. I understand that Onex has come back with something today. It is trying to limit the perception of American Airlines effective control, but until we see all the side deals I do not know if we can really deal with that.

Supply

I am glad these companies are at least thinking of how they can try to meet the public policy objectives of the government. I looked at the Air Canada proposal. In my mind I saw one proposal that was a heavy, dominant American Airlines proposal and another one with Lufthansa and United. It was sort of like pick our poison. We have some work to do.

I would have liked to have seen one airline do the major financing in Canada. I am not convinced that it cannot be done. Why can it not be financed in Canada?

I am not sure that the Air Canada proposal deals effectively with excess capacity. They are going to run Air Canada. They are going to run Canadian Airlines as a separate entity. They are going to throw in a computer discount airline into Hamilton. What does that do to our capacity? By the same token, unless the new Onex deal has some interesting propositions with respect to American Airlines effective control I think that proposal is problematic.

I remember being at the transport committee one day when we were looking at the competitiveness of the air transportation sector. I asked a pilot group or some group about code sharing on domestic routes. All the airlines do code sharing internationally. Instead of having both a Canadian Airlines and an Air Canada flight leaving Toronto at 7 p.m. to go to Calgary, why would they not code share that?

Naively I thought when the government relaxed section 47 that the airlines would talk. All they have done is gone off their own separate ways and now we are into mergers. Maybe a merger is the only solution. The airlines say it is.

• (1720)

I was hoping that while they had this opportunity they could actually talk about rationalizing some of the excess capacity. On the notion of cherry-picking routes, Air Canada proposed to Canadian Airlines that it would take its international routes. That is where Canadian Airlines makes its money. Is that really working toward a solution?

The airlines have to get serious about dealing with this issue. I would like to see a little more creativity and imagination because at the end of the day we will have some very tough policy questions in the House. I am not sure that we are getting much closer. I really hope that we can.

Air Canada pilots have been to see me in my riding of Etobicoke North, which is very close to the airport. The seniority issues are very serious for Air Canada pilots. Whatever happens I would like to see the airlines, if merger has to be the solution, deal with it in a very complete and concrete way.

If merger is the only answer there are some exciting possibilities. For too long in Canada we had Canadian Airlines and Air Canada

beating each other up, sometimes deliberately, while at the same time the international carriers were coming in and picking up our business.

If we end up with one airline with some rules and benchmarks in terms of competition and service, it will be our job as legislators to put that into play. I think the prospects are incredible exciting. We can then take on the world with whatever airline comes out of this and actually create a very profitable airline that serves all Canadians very well. We are not there yet and still have some more work to do.

There is the question of providing a regulatory framework. We have Canadian Airlines and Air Canada with regional carriers. Some of the regional carriers like Air Nova, Air Ontario and Canadian Regional are owned by the major airlines. Somehow there has to be some rationalization of that capacity. I am not quite sure how that will work without ending up with a monopoly situation.

I look back to an experience in Toronto of a few years ago when we had a neat little airline called City Express. It was flying out of Toronto Island, Montreal and Ottawa. Some entrepreneurs put together the airline using Dash 8s. It was a great service. It was going very well. Suddenly Air Ontario came in with deep pockets and priced City Express out.

I am concerned about that. How do we make sure that if we have a monopoly type situation there will be competition. I am hopeful we can reach some sensible conclusions around that. We talk about the rhetoric of a two airline policy but in Canada we have about a six airline policy. There was a time when it was Air Canada and Canadian Airlines, but now we have some very serious players in the market; Air Transat, Canada 3000 and the WestJet.

As long as we can create an environment that is friendly to them and if we end up with one airline, perhaps that will be part of the solution on competition. We really have to apply our minds. The airline industry has to be much more creative. I do not want to pick on Air Canada, but frankly I am not that keen on the Onex bid either.

To line up Lufthansa and United and flow the money through to the shareholders, throw something into Hamilton and not deal with the capacity issue, would not be highly constructive. I am not sure that what is on their minds is picking up the pieces of Canadian Airlines.

• (1725)

I know we have talked about it but I will put it on the floor here. I do not think Canadians have a big appetite for that. The Government of Canada assigns the international routes. The other day I asked someone from Air Canada whether Air Canada presumes the international routes, if Canadian Airlines flounders, would be

allocated without any question to the new Air Canada. It seems to me that our government would have options. I do not know. I am not privy to those considerations of the government. We could take Air Canada's international routes and give them to Air Transat or Canada 3000. Why are we obliged to give them to any surviving airline? We have options.

I hope that all the players in the industry would stop playing games, apply their minds, be creative and try to come forward with propositions that meet our public policy objectives and the concerns and needs of all Canadians. As legislatures let us get down to the business of setting the policy framework that will make this happen in a way that is acceptable to the Government of Canada and to all Canadians.

Mr. Deepak Obhrai (Calgary East, Ref.): Mr. Speaker, I listened to my colleague's address. He raised all the problems that exist in the airline industry and put all the issues on the table. However, he did not say what should be done. He is leaving that to the airlines to sort out. He touched on some very good points, the biggest being competition. He talked about a regional airline that priced the other one out of business.

My question to my colleague is about increasing the foreign level as the Competition Bureau has indicated. Most people point out that it would go to the so-called new airline. I am looking at it another way. I am looking at airlines like WestJet that has done a tremendous job for services in the west. These companies are growing bigger and are taking over and providing that competition for Canadians—

The Speaker: I do not know if there was a question there, but the hon. member can address himself to the statement.

Mr. Roy Cullen: Mr. Speaker, the member opposite is a member of the Reform Party. Is it not your philosophy to let the market decide? Suddenly the government has to decide what—

The Speaker: My colleague, always address your statements to the Chair.

Mr. Roy Cullen: Mr. Speaker, my apologies. The role of government is to set a policy framework against which proposals will be weighed.

As far as foreign ownership, as I said before the sole perspective of the Competition Bureau is competition in Canada. I wish the Competition Bureau would be as rigorous on this as it is about gasoline pricing. I have certainly been involved in that discussion. It does not have to look at the question of whether it is Canadian controlled. That is a serious issue for Canadians. I would have problems going above 25%. From a strictly economic point of view one could argue that it might be more efficient.

Supply

As policymakers we have to look at things other than economic efficiency. In fairness to the Competition Bureau that is its mandate, but as legislators we have to look at it more broadly.

[*Translation*]

Mr. Maurice Dumas (Argenteuil—Papineau—Mirabel, BQ): Mr. Speaker, if I may, I would like to put a question to my friend from the Liberal Party.

Does he remember Bill S-31, which limited ownership in a Canadian company to 10%?

It was passed, of course, to prevent the Caisse de dépôt et de placement du Québec from buying shares in Canadian Pacific. I am surprised to see that today the government is willing to set aside the act to accommodate the Liberal Party's bagman, the Onex president, and increase the 10% limit to allow Onex to take over Air Canada.

• (1730)

[*English*]

Mr. Roy Cullen: Mr. Speaker, as I said in my remarks, when Air Canada was privatized the decision was made to limit single shareholders to 10%. That was done so that the shares would be widely distributed across Canada. I was not there at the time, but it was probably a sensible policy decision. My colleague was there and he agrees with me. The irony is that there is no such requirement for Canadian Airlines.

Foreign ownership is another interesting twist. In the Onex proposal, American Airlines would actually own less of Canadian Airlines than it owns today. I think it owns about 34% or 35% today. That would come down to about 15%. How can we apply one standard for Air Canada and another for Canadian Airlines?

The policy objective of widely distributing participation in Air Canada has been met. Why do we perpetuate this? It is a good debating point, but to me it does not make any sense to close down the option until we have had a discussion about it. Frankly, I do not see the public policy objective.

The unfortunate thing is that when Canadian Airlines was in severe financial difficulty American Airlines came in, put a lot of money into Canadian and sewed up a lot of agreements which, in the final analysis, as a business proposition, was probably the thing that had to be done. However, at the end of the day, Canadian has been strapped with some agreements which have really hampered it.

I am not very happy with the extent of control American Airlines might have over Canadian the way it is structured now. However, I

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gather that Onex has come forward this afternoon with a new proposal and I will read it with interest.

Mr. Gerald Keddy (South Shore, PC): Mr. Speaker, I was listening to the member's speech and, for the life of me, I do not know in which direction he is headed. He started at one point in the circle and he chased himself all the way around the circle. I will ask him a direct question which has to do with foreign ownership.

On October 26 the minister said that he would address the 10% foreign ownership regulation. He said that he would take another look at it. That has not happened yet, but there is a lot of discussion on it. The minister is willing to look at it. We now have a new Onex bid, with direct Liberal connections, that is apparently proposing 14.5% foreign ownership.

If the minister wanted to open this up for direct competition, would it not have been better to open up the foreign ownership bid early on when the Competition Act was cancelled? When the foreign ownership part is opened up 78 days later there are fewer people willing to put a bid together in the timeframe that is left during the 90 days when the regulations of the Competition Act have been suspended.

We are stifling competition. We are allowing one person to bid because they have already done their homework, they have already spent millions of dollars, and they already know how much and what limit they can reach.

Mr. Roy Cullen: Mr. Speaker, I will answer on two fronts. First of all, the member is in error. As many Canadians are doing, he is mixing up the 10% ownership rule with the foreign ownership rule.

The 10% rule means that for Air Canada, not Canadian Airlines, no single person or body can own more than 10% of Air Canada. That was implemented when Air Canada was privatized. The foreign ownership rule is the 25% rule.

When the Onex proposal came forward it was in the form of a proposition. Clearly, if the government at that point in time had a policy decision that it was not going to contemplate increasing the 10% rule, the government would have said so. Onex would not have proceeded up to this point if it did not feel the government was open to that discussion.

I find it amazing that Air Canada would be so dogmatic about the 10% rule. I think it is somewhat self-serving. If Air Canada came forward with a proposal which violated the 10% rule, my take on that would be that it would be saying that it does not meet the requirements of the law of the land now, but it would respectfully submit that there is a proposal on the floor which now exceeds the rule and it would like its proposal to be considered as well.

• (1735)

We are legislators. When people talk to us they ask us to legislate. Why is it so impossible for someone to say that we should reconsider the 10% rule?

At times, when it is convenient, people hide behind these rules. No one has actually increased the 10%. No one has done that. No one has violated the law of the land. Someone has come forward and said that perhaps we should reconsider. Frankly, if Air Canada had done the same I do not know how our government could possibly have said "You cannot do that", because we did not say that to Onex.

I am fully confident that if Air Canada had come forward with that proposition we would have had the same kind of policy framework that has been articulated more recently by the minister.

Are we playing games or are we interested in solutions? Let us try to work on this.

Mr. Peter MacKay (Pictou—Antigonish—Guysborough, PC): Mr. Speaker, I would indicate at the outset that I will be splitting my time with the hon. member for Kings—Hants.

I am very pleased to rise to take part in the debate, a debate which I think has caused a great deal of uneasiness. There have obviously been even elements of consternation in the debate today.

As we have seen in a number of instances, it appears that the government is now lapsing into crisis management. We have seen it in the fisheries as a result of the Marshall decision. We have seen it in the debate over the pay equity settlement. Let us hope that this particular situation is not going wind up before the courts. The hon. member who just spoke has indicated, quite rightly, that we as legislators have to deal with situations such as this.

I want to congratulate the Bloc for bringing this motion forward. The timeliness of it is extremely important. It is an issue that is moving along at breakneck pace and one which has not been handled particularly well by the government.

We will be supporting the motion because the motives behind the proposal to increase the ownership limit of Air Canada, the 10% rule, and the 10% public participation rule, are very important and credible and should be considered free of all outside influences. The 10% rule is one of the issues that is at the very crux of this debate, as well as the confidence that Canadians have in the deals which are being proposed and the solutions to this crisis in our airline that are being brought forward and supported, for the most part, by the government.

The current proposal calls for a change to the 10% rule. This is one change that would be completely influenced by one proposal over another on the issue of merger. It shows and smacks of favouritism.

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The process itself is one that has been fraught with a great deal of misinformation and a great deal of confusion. The government's timing of the announcement with respect to the suspension of the Competition Act was something else that caused a great deal of concern on the part of all Canadians and a great deal of concern in particular in the business community because it has broad, far-reaching implications for all business practitioners in the country.

The proposal to change the 10% rule at the beginning of the 90 day negotiation period might have been acceptable. It might have been acceptable. It would certainly have been more acceptable than what we have occurring in this instance, which is, 16 days before the end of the 90 day suspension of the Competition Act, we have the government basically moving the goal posts, changing the rules of engagement and allowing, without any doubt, a very undue and unfair advantage to one of the proponents, one of the proposed businesses that looked to engage and take over what is our national airline, or our two national airlines.

To put this in its proper context, with 16 days to go in the 90 day window for negotiation, the government suddenly, out of the blue, announced a plan to change the 10% ownership rule. That left absolutely no time for any serious offer or any serious business to come forward and develop, or at least put into the mix a bid with respect to this offer. The new proposal, if it were to come, would be at an unfair advantage. Even if a proposal could be made within the 16 day period, it would be completely unfair compared to a proposal made by, in this case, one of the proponents in the time period it has had. The timing itself is something that is extremely suspect and extremely tenuous when it comes down to the issue of fairness and competition, which is what is at the very root of this issue.

• (1740)

On the issue of the 10% rule, the proposal to change the 10% rule at this late date strongly demonstrates that the government is flying by the seat of its pants, improvising daily as to how to react or respond to the various businesses that are currently involved. As I said before, the crux of the issue is that there could have been more. In a competitive business world what we would surely want when it comes to our national airline is to have the best proposals and the best options to choose from. It is a very fundamental motherhood issue.

As the hon. member for Cumberland—Colchester put it, in terms that Canadians can understand, if we are going out to Canadian Tire to buy a toaster, we are not going to buy one brand of toaster without looking at the various options that are available. Compare that to having national airlines worth billions of dollars and the suggestion that we should simply buy this one because it has been proposed and it is the only option that is available because the government tells us so. Behind the scenes we know that is not the

case. This is not a situation where there was fair competition, where the rules that applied to one business applied to all. It is at the very fundamental root of the Competition Act that this is the case.

The Competition Act was suspended. The rules were pulled away and, very curiously, the minister asked that the bureau look at a very narrow part of this deal. He has chosen to take out of the mix the normal scrutiny that would be applied by the bureau and he has, for all intents and purposes, emasculated the Competition Bureau and given it a very specific mandate as to what it should look at in the context of this deal. He has said: "The minister's option is the preferred option and therefore I am going to point you in that direction. I am not going to ask you to look at the entire situation as you normally would if the Competition Act were in full force and effect, but I am going to suggest that you take this particular aspect of your job and you follow it. In the meantime, I will continue to oversee the situation". It was a very paternalistic and narrow view taken by the minister. The effect at the end of the day is that we may wind up with a dominant carrier approach which will not serve Canadians well.

One of the other fundamental motherhood issues is how this will affect jobs, how it will affect the employment situation in the country. The Canadian aviation industry includes thousands of employees in all regions of the country. Again I congratulate the Bloc for bringing the matter forward, but this is not limited to any one region of the country. It has drastic implications in the west, in the east, in the north and all over the country. More than anything else, this is something the government has to constantly have at the front of its mind and hopefully on its priority list, as to how it examines, manages or mismanages this issue.

What is the effect going to be on jobs in this country? There are dozens of smaller airlines that will obviously be affected as well, and there are hundreds of airports and hundreds of communities, in terms of being isolated in the service that will be provided to them, which will be affected in a profound way if this issue is not resolved in a fair and equitable manner.

This is not a new situation. It is something the government surely should have seen coming down the pike, but again, somehow, for some reason which is beyond me and beyond the understanding of many Canadians, the government is not reacting. It is simply improvising and reacting in a day to day way, as opposed to having some sort of concrete or deliberate path that it is following, giving Canadians the confidence they should have in their national government.

• (1745)

I again hearken back to the issue of employment. The government is proposing to completely restructure and revamp our national airline in 90 days. That is less than the gestation period of a mayfly. Somehow the government wants to completely change

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our national airline and asks Canadians to have faith in the process, all the while changing the rules of engagement as it goes along.

This is not something that should instil a great deal of confidence in Canadians. It is something we should slow down and something we should look at extremely carefully. We should ensure that those who are in the know are actually making the right decisions.

Part of the problem here is that we do not know who is in the know. We do not know what information is available. We do not know when the information was released that the Competition Act would be suspended. We do not know what information was exchanged between the various airlines prior to the suspension of the Competition Act.

We must be extremely diligent in the way we proceed in the next number of days, months and years because the effect is going to be profound and potentially devastating on communities in the country.

I wish Godspeed to the minister and to the transportation committee as they proceed in their deliberations because this is a very serious issue. I am hoping and putting trust in those members of the committee that they are going to hold to account the government on this matter.

Hon. David M. Collenette (Minister of Transport, Lib.): Madam Speaker, I want to thank the hon. member for his last comments, in the best of parliamentary spirit, wishing all of us well. This is a very difficult file and it does have ramifications for travel throughout the country. How we handle this will define who we are as a country and a people as we go into the 21st century.

I was in and out of the chamber, for which I apologize because I missed some of the hon. member's remarks, but I was led to believe that he made a statement to the effect that I have said that the 10% limit is to be raised.

What I said at the committee the other day for the public record is that the government is prepared to consider raising the limit of 10% if, and only if, there is an interest that will be pursued in improving the airline industry. In other words, if it improves the viability or the stability of the airline industry then we would consider it.

I think what we are doing is in the best of parliamentary traditions. We are consulting MPs. We are having a debate today. I welcome the debate as well because I think it has been a very good debate.

I hope the hon. member did not unintentionally mislead the House with his statement a few minutes ago.

Mr. Peter MacKay: Madam Speaker, I appreciate the attendance of the minister and his participation in the debate. I think it is

extremely important. As he said, the implications are grave. This is probably the biggest and most complicated file that this ministry has faced in decades.

I want to be very clear on this. I would never want to mislead the House or misrepresent the facts in the debate. My understanding is that the minister has floated the idea of changing the 10% rule. He has not said that he would or he would not.

However, the crux of the matter is that this causes confusion within the industry. This causes the participants in the debate to feel like they are on unstable ground as to what is going to happen next. The lack of policy, the lack of leadership and firm commitment as to what the rules of engagement are, is causing a great deal of misunderstanding, mistrust and confusion among the proponents and among Canadians.

I would encourage the minister to be perhaps more definitive and more diligent in making his position clear to Canadians and making his government's policy or plan clear to Canadians so that we do not have issues swirling out there in the public debate and this furor over what is going to happen and the confusion and consternation. That is not what is needed.

• (1750)

We need firm leadership from this minister and the minister of fisheries on other issues, and many issues that are out there right now. I am certainly glad that we have the ability to debate this in the House.

However, it would have been nice if we had been back here on the start-up date that was initially proposed in September. We would have had a better opportunity to look at all of these issues at an earlier instance.

Hon. David M. Collenette: Madam Speaker, I have two questions for the member. First, he talks about a lack of policy, has he read the policy framework that I deposited in front of the committee the other day?

Second, is he suggesting that we should have said that we would not consider raising the limit? I submit that if we had said that we would have been accused of bias by eliminating one of the proposals that will be considered by shareholders.

Mr. Peter MacKay: Madam Speaker, to a large extent, the minister has fallen on his own sword with that last comment. He deposited his government's policy the other day; 74 days into the situation he deposited his government's policy. In the middle of the game, he suddenly says "Oh, by the way, there has been a rule change and here is where we stand on it".

That the minister himself has suddenly come up with a policy on this particular point is not the type of leadership nor the solid

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positioning that those involved in this particular debate should draw any sort of solace or comfort from.

As to whether I have read this particular policy that was deposited the other day, the fact of the matter is no. We have a very competent and able member of the committee, the member for Cumberland—Colchester who, I am quite positive—and he is nodding in agreement—has read it. He has certainly made his views very clear on this and will continue to do so, I might add.

Mr. Scott Brison (Kings—Hants, PC): Madam Speaker, it is a pleasure to speak today on this very important issue. The future of the Canadian airlines industry is at stake and it is very important that we take this issue very seriously in the debate tonight.

The debate is about the 10% rule and that being the maximum that any one group can own of Air Canada. I am not defending the 10% rule. The issue before us should not be debated in the last stages of a negotiation period or in the last stages of a period during which the Competition Bureau has been suspended for at least one of the proposed mergers.

The 10% rule has inherently some flaws. It can help protect mediocre or even bad management. It can reduce shareholders equity and the competitiveness of a company. Potentially, there are even issues whereby the 10% rule could be seen as in violation of NAFTA seeing as the 10% rule was utilized in 1988 and apparently, if one reads the fine print, because of the fact that the privatization occurred before 1994 when NAFTA came into effect, this 10% rule may not be actually tenable under NAFTA. There are some real issues about the 10% rule.

The question is why are we not discussing the 10% rule and some of these other issues, including the cabotage issue, as part of the discussion of a general restructuring of the Canadian airline structure when we are not in the middle of a crisis? The difficulty here is that we always seem to get to a crisis position before we actually deal with some of the structural issues facing Canadians and the Canadian economy.

It is inappropriate to be trial ballooning significant changes in the nature or the structure of the Canadian airlines at such a difficult and heated time. We should have done this long before. I would argue that the suspension of the Competition Bureau's activities on the Onyx proposal should be considered an admission of failure by the government to lead and to actually provide some visionary restructuring to the Canadian airlines industry a lot sooner.

The fact that the Canadian airlines industry is having difficulty is nothing new. We have known this for a long time. In fact this government, which has been in power since 1993, has been aware of the challenges facing the Canadian airlines industry.

• (1755)

The consumers should not be asked to pay the price for the government's dilly-dallying, dithering and failure to address the major issues in a holistic, forward-thinking and visionary manner.

The minister stated in one of the papers I read this morning that he may be amenable to allowing foreigners to set up shop in Canada to provide Canadian based airline units with foreign-owned routes and servicing within Canada. Again, that is another issue that should be discussed when we are not in the heat of an airline crisis and in the heart of negotiations on at least two fronts now with two proposals.

We should have been discussing the 10% rule, the notion of cabotage and all these types of issues during a period of time when we were less rushed and when we were in less of a crisis environment.

Instead of this crisis management, knee-jerk reaction that the government is taking now, we could have actually provided a framework to the airline industry to allow restructuring to occur as opposed to having the airline industry and entities within the airlines industry, in this case Canadian and Air Canada, actually having to come up with proposals. The government is effectively cutting the suit to fit the cloth on this one. It is not really providing the structural framework that one expects from governments for the private sector to respond in a more long term and meaningful way.

The government's approach to the airlines is very similar to the government's approach on the bank merger issue. Members will remember that about a year ago we were very heavily ensconced in the debate on the bank mergers issue? The government had ignored, from 1993 forward, some of the structural reforms necessary in the financial services sector until, at one point or another, there were private sector proposals that forced the government to make a decision on those specific proposals. In this case and currently, we are focused in Canada not on the holistic nature of reforming and restructuring the Canadian airlines, we are focused on two specific mergers.

In the bank merger situation, the whole focus of Canadians, which should have been on restructuring the Canadian financial services sector to provide an industry that was more capable of competing globally and at the same time meeting the needs of Canadians, was suddenly focused on two specific merger proposals. Unfortunately, this is not, in my opinion, the right approach to develop public policy in the long term interests of the competitiveness of Canadian industry and in the long term interests of protecting Canadian consumers.

Since the government's merger decision in the financial services sector, we have seen some of the ramifications or repercussions of that decision. We have heard the Bank of Montreal announce layoffs of 1,400 workers in direct response to the merger decision. We have heard the Bank of Montreal announce that 100 branches

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will close. Members should keep in mind that one of the conditions that the banks had agreed to if the mergers were allowed was to maintain branch operations, to service all the rural communities currently being serviced and to maintain current levels of employment.

The finance minister, dealing with a crisis within his own leadership aspirations and trying to shore up support among the backbenchers, allowed for a Liberal caucus revolt. The Liberal caucus witch hunt on banks occurred. What we saw was an uprising within the Liberal backbenchers that effectively prevented a focus on public policy that would have been in the long term interests of the Canadian industry or in the long term interests of Canadian customers.

It is also important to realize that there has been a \$7.2 billion loss in bank shareholder capital in Canada since that decision. During the same period in the U.S. there has been a 7.4% increase in shareholder value with U.S. banks. This is very important given that 7.5 million Canadians are bank shareholders, directly or indirectly.

• (1800)

We have seen 1,400 jobs lost just with one of the banks involved since then because of the merger decision. The Dominion Bond Rating Service has downgraded Canadian banks, directly attributing its decision to do that to the Minister of Finance's decision. There has been a loss of market capital and a compromising of the ability of Canadians to save and invest for their future, in many cases for their retirement, all because of that decision.

My concern is here we are again focused on specific merger proposals and not dealing with the issues in a long term revisionary way. It is in stark contrast to the previous Conservative government's vision and courage to tackle the real issues not just facing Canadians today or tomorrow, but facing Canadians in the next century.

This government would not have had the courage to pursue a free trade agreement. This government would not have had the courage or vision to implement a significant tax reform and some tax policies that were not popular but proved to be the right policies in the long term. I do not believe this government would have had the foresight and vision and courage to implement some of the deregulation policies in financial services, transportation and energy.

Instead, here we are again in the heat of merger discussions coming up with policies to try to deal with specific mergers proposed by the private sector, having failed to provide a long term approach before a crisis situation. The government's approach to this issue and most issues it faces is one of crisis management. It is a knee-jerk reaction. It is analogous to someone installing a sprinkler system while the house is on fire. It is simply no way to

run a railway as one saying goes. It is no way to run an airline either, but it is also no way to run a government.

[*Translation*]

Mr. Maurice Dumas (Argenteuil—Papineau—Mirabel, BQ): Madam Speaker, I would like to ask a question of my colleague from Kings—Hants, for whom I have the utmost respect.

It is the same question I asked of the Liberal member opposite. He probably was a young student in 1982 and he may not remember why Bill S-31, limiting to 10% the ownership of any company by a buying company, was introduced at that time.

The Caisse de dépôt et placement intended to get substantial ownership of Canadian Pacific. The prime minister of the day—all the members will recall that it was a certain Pierre Trudeau who did not like Quebec very much and who feared Quebec's influence in everything—had Bill S-31 passed. It was to prevent the Caisse de dépôt et placement du Québec from buying Canadian Pacific. I must tell you that it was not the loftiest of initiatives.

Now we see that the government, to favour its friends, to allow the Liberal Party's bagman buy Air Canada, will use this legislation to let Onex become part owner of Air Canada and Canadian Airlines.

I hope my colleague from Kings—Hants will remember that. I wonder if he would like to comment on that.

[*English*]

Mr. Scott Brison: Madam Speaker, in 1982 I was not old enough to have a driver's licence. I do not remember the specific legislation. However, I have a great deal of respect for my hon. colleague, and I can say that the types of policies that governments implemented in 1982 and in fact in the 1970s were very different. I believe that even the Liberals realize that part of the reason is that we are operating in a global environment. We are dealing with many global realities which are quite different from those which existed in the 1970s and early 1980s.

It is very difficult for me to compare those two issues because I believe we are dealing with profoundly different global competitiveness issues today. What may have been appropriate then would probably not be appropriate now in a policy sense. It is also important to realize that Caisse de dépôt now owns 10% of Air Canada.

• (1805)

I hope at least in some form that is an answer for the hon. member.

Hon. David M. Collenette (Minister of Transport, Lib.): Madam Speaker, do I take it from what the hon. member for Kings—Hants said that he is in favour of bank mergers and against airline mergers?

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The best advice we have is that any change in the 10% rule will not abrogate any of our NAFTA commitments. The Alberta legislature did away with the 10% rule on Canadian Airlines last year because of course the parent was PWA, a creature of the Alberta legislature.

The Competition Bureau will indeed very much be at play in whatever happens. It will be looking at the merger in the normal way.

I remind the hon. member that the government was faced with three scenarios in July: a bailout of Canadian Airlines; a potential failure of Canadian Airlines; or finding some other way, imperfect as it may be, to find a proper solution.

Mr. Scott Brison: Madam Speaker, on the first question relative to the bank merger issue, our party was not in favour of bank mergers. We were in favour at that time of the Minister of Finance negotiating the best deal on behalf of Canadians. He had the opportunity to do that because the banks were willing to commit to 10% reductions in services charges, services to rural communities and branch openings and maintaining jobs with Canadian banks. Unfortunately the Minister of Finance blew that opportunity. He was so focused on the short term politics of the issue that he forgot about the long term interests of Canadians. That is the crux of that issue.

Relative to the crisis the government found itself in this summer on the airline industry and Canadian Airlines, I would suggest to the minister a more forward thinking and visionary approach over the past several years in restructuring the Canadian airlines industry in advance of this kind of crisis would have prevented this evolution of events.

Mr. Stan Dromisky (Parliamentary Secretary to Minister of Transport, Lib.): Madam Speaker, the discussion has been exciting and debate during the day has been very interesting.

I will continue to deal with some of the issues that have been presented. I realize that some of the concepts I will present will be repetitive but we all know that if we repeat things often enough it leads to an effective learning experience.

I commend the Minister of Transport for his presentation on this subject before the House and the Senate standing committees on Tuesday and the policy framework document he tabled. He has shed a great deal of light on a topic that has been of consuming interest to members of the House and to Canadians for several months.

The government position is now known. Private sector parties will now be able to act with full knowledge of the government's policy framework and the process announced by the minister that will be used to approve and condition any proposal to restructure the airline industry.

I would particularly like to address two important issues raised last Tuesday by the minister. Those have been the central theme for much of today's debate. The first was the limit on ownership of Air Canada's voting shares established in the Air Canada Public Participation Act at 10%. The second was the limitation on foreign ownership of any Canadian air carrier and the requirement for Canadian control that are established in the Canada Transportation Act.

Those two issues are often confused. They sound so similar but they address different concepts. Both issues are very relevant to airline restructuring and both were addressed by the Minister of Transport in his policy framework and his statements.

I hope that by addressing them together I will not only be able to illuminate two quite technical issues, but also to clear up any confusion that may exist between them in the minds of some members of the House. Some members are quite confused.

• (1810)

The 25% limit on voting shares held by foreign investors applies to all Canadian carriers, including Air Canada. It is an aggregate figure such that it places an upper limit on the ability of non-Canadians acting separately or in concert with others to influence the result of any shareholder vote. This quantitative limit is accompanied in the Canada Transportation Act by a qualitative test of control in fact by Canadians.

Responsibility for applying the ownership limit and the control test lies with the Canadian Transportation Agency, a quasi-judicial body that operates at arm's length from the government and the Minister of Transport. Those are very important points.

The other feature to note is that both the 25% test and the requirement for control in fact are ongoing obligations that are assessed before the airline is originally licensed to operate as a Canadian air carrier. That can be reassessed at any time based on developments with the airline that affect its ownership and governance, or on any other new information that may come to the agency's attention at any future time, or on the basis of complaint.

The purpose of these two tests, which together I will refer to as the Canadian ownership and control rules, is straightforward. The purpose is to ensure that all Canadian air carriers are owned and controlled by Canadians, that is, that this industry which is so key to all Canadians remains Canadian in the full sense of the term.

Moving now to a consideration of the 10% rule, this rule applies to Air Canada only as it appears in the Air Canada Public Participation Act, not the Canada Transportation Act or any other federal act of general application. No other airline in Canada is subject to such a rule, although this has not always been the case. Until 18 months ago, Canadian Airlines was subject to a similar

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restriction left over from the time it was owned by the province of Alberta. The provision was rescinded by the Alberta government in 1997.

The 10% rule is not aimed at non-Canadians per se. It applies to all shareholders, both Canadian and non-Canadian. This rule applies to any individuals as well as to individuals acting together, such that shareholders are expressly forbidden from entering into any agreement that would allow any person, together with the associates of that person, to own or control directly or indirectly voting shares which represent more than 10% of the votes that may be cast to elect members of the board of directors of Air Canada.

The 10% rule was included in the Air Canada Public Participation Act when it was passed in 1988 in order to ensure that Air Canada remained widely held. As I understand it, the idea was that Air Canada was already widely held in that it was a crown corporation owned in equal measure by all Canadians. So when the airline was privatized, parliament was loath to contemplate that this national carrier might some day be owned and controlled by any individual or group, even recognizing that they would be

Canadians as provided for by the Canadian ownership and control rules. It appears that this idea was sufficiently persuasive on its face that it received little debate among Canadians in the media or in parliament at that time and became part of the legislation that governs Air Canada to this very day.

The point to be clear on is that the 10% limit is not, and I repeat not—

The Acting Speaker (Ms. Thibeault): Order, please. It being 6.15 p.m., it is my duty to interrupt the proceedings. Pursuant to order made earlier today, all questions on the motion are deemed put and a recorded division deemed demanded and deferred until Tuesday, November 2, 1999 at the expiry of the time provided for government orders.

[*Translation*]

It being six 6.15 p.m., the House stands adjourned until 10 a.m. tomorrow, pursuant to Standing Order 24(1).

(The House adjourned at 6.15 p.m.)

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