CANADA

Debates of the Senate

1st SESSION • 38th PARLIAMENT • VOLUME 142 • NUMBER 38

OFFICIAL REPORT
(HANSARD)

Tuesday, February 22, 2005

THE HONOURABLE FERNAND ROBICHAUD
ACTING SPEAKER

CONTENTS

Debates and Publications: Chambers Building, Room 943, Tel. 996-0193

Published by the Senate
Available from PWGSC – Publishing and Depository Services, Ottawa, Ontario K1A 0S5.
Also available on the Internet: http://www.parl.gc.ca

THE SENATE

Tuesday, February 22, 2005

The Senate met at 2 p.m., the Honourable Fernand Robichaud, Acting Speaker, in the chair.

Prayers.

SENATORS' STATEMENTS

THE SENATE

APPOINTMENT OF ETHICS OFFICER, JEAN T. FOURNIER

Hon. Jack Austin (Leader of the Government): Honourable senators, later this day, I will give notice of a motion the purpose of which is to approve the appointment of Jean Taschereau Fournier as the Senate Ethics Officer. This motion, which I will formally move on Thursday, will be seconded by my colleague the Leader of the Opposition, Senator Noël Kinsella.

Honourable senators, this appointment is a key step in the process initiated by the ministerial undertaking that I gave on February 24, 2004. By following this process, the Senate will be taking the initiative of recommending to the Governor-in-Council the name of the individual who would be appointed Senate Ethics Officer. At the time of my undertaking, the government clearly recognized the validity of the views of honourable senators that the Senate Ethics Officer would function in relation to the responsibilities of senators under a code of conduct to be developed by the Senate itself. Accordingly, the Governor-in-Council agreed to await the recommendation of the Senate.

In that undertaking, I also committed to consult and obtain a consensus among senators on both sides of the chamber. In that regard, this motion expresses the consensus of government supporters in this chamber and the seconding of the motion represents the consensus of the official opposition. Both Senator Kinsella and I have consulted with independent senators.

At the core of the Canadian public's confidence in government and in the political process is the ethics and integrity of its institutions and their members. Canadians expect and demand that all their institutions of governance set the highest objective for the performance of public duty by those who hold the public trust.

The Senate Ethics Officer is an officer of the Senate who shall perform the duties and functions assigned by the Senate for governing the conduct of members of the Senate when carrying out the duties and functions of their office. The duties and functions of the Senate Ethics Officer are carried out within the institution of the Senate under the general direction of a committee of the Senate that may be designated or established by the Senate for that purpose.

Honourable senators, with this background in mind, I am pleased to join with Senator Kinsella in introducing Jean Taschereau Fournier. I will ask my colleague Senator Kinsella, in his statement, to provide a background of the career and qualifications of Mr. Fournier to this high office.

Hon. Noël A. Kinsella (Leader of the Opposition): Honourable senators, Jean T. Fournier is the former High Commissioner of Canada to Australia.

• (1410)

Mr. Fournier is also the former Deputy Solicitor General of Canada. He is being recommended to this chamber as the first person to fill the new position of Senate Ethics Officer, following extensive consultations with the Leader of the Opposition in the Senate, beginning with my predecessor, the Honourable John Lynch-Staunton.

Jean Fournier comes to the post with an outstanding background, one that should engender confidence in his impartiality and his wisdom, both here in this chamber and among all Canadians. His career in the civil service of Canada has spanned 35 years and seven prime ministers, most recently serving with distinction as High Commissioner to Australia. In that post, he had an opportunity to learn of the work in the area of ethics undertaken by members of the Senate of Australia and also to become familiar with the approach being taken by our counterparts in the House of Lords at Westminster.

Jean Fournier worked on diverse projects through the years, including the James Bay and Northern Quebec Agreement, helping with the work associated with putting the Canada Pension Plan on a sound financial footing, the Japanese Canadian Redress Agreement, the establishment of Canada's DNA data bank, and the establishment of FINTRAC, Canada's national agency for attacking the financial roots of organized crime and terrorism.

We have in Jean Fournier a very senior and experienced deputy minister who served as Deputy Solicitor General of Canada for seven years and as the Under Secretary of State for Canada for five years.

Honourable senators who are acquainted with him will know that I have just touched on a few highlights of a truly remarkable career. Individuals with such a long and distinguished track record are few and far between, and I am confident that this chamber will recognize the rare gem that has been turned up in the quest for a Senate Ethics Officer. I am also confident that the Senate will give serious consideration in its resolution dealing with this matter.

NEWFOUNDLAND AND LABRADOR

OFFSHORE OIL AND GAS AGREEMENT

Hon. Joan Cook: Honourable senators, last Monday, February 14 was a monumental day for the people of my home province and for future generations of Newfoundlanders and Labradorians. The signing of the Atlantic Accord was the culmination of a period of passionate and, at times, trying

negotiations between the Governments of Canada and Newfoundland and Labrador. However, with a guarantee of $2 billion over eight years and the opportunity to become a self-sustaining province, the outcome was well worth the effort invested. All of those involved, especially Premier Danny Williams and Prime Minister Martin, should be proud of the hard work that brought this accord to fruition.

Economic prosperity has eluded Newfoundland and Labrador for far too many years, in spite of its wealth of natural and human resources. This agreement will go a long way in allowing the province to fully maximize its resources and grow into a have province. However, as Premier Danny Williams stated, this deal is about more than money. As a proud and resource-rich member of the federation, Newfoundland and Labrador's success will be Canada's success.

This day will live on in the collective memory of my province, not only because of the well-deserved economic prosperity it will bring but also because of the cooperation that was realized by the Governments of Canada and Newfoundland and Labrador.

When Sir Cavendish Boyle wrote *Ode to Newfoundland*, he described the province as a "smiling," "frozen" and "wind-swept" land. Honourable senators, on February 14, in that proud moment, we dared to add the word "prosperous," for the signing of the accord is a first step toward that end.

METRO HALIFAX BUSINESS AWARDS

Hon. Donald H. Oliver: Honourable senators, on February 3, the Halifax Chamber of Commerce celebrated the success of some of its members when it held the Metro Halifax Business Awards. More than 600 business leaders filled the Westin Hotel to capacity to celebrate all that is good about doing business in the Halifax metro region. The Metro Halifax Business Awards is the only award ceremony that recognizes all types and sizes of business, celebrating the drive, passion and ingenuity that characterizes the business enterprise in the Halifax metro region.

This year's sponsors included *The Globe and Mail*, the Business Development Bank of Canada, Grant Thornton LLP chartered accountants, and my former law firm, Stewart McKelvey Stirling Scales.

The year 2005 marked the fifth anniversary of the awards. Over the past five years, the awards ceremony has recognized 60 businesses with gold, silver and bronze medals. Twelve awards were granted in four categories: New Business of the Year, Small Business of the Year, Business of the Year, and Business Person of the Year. Colin MacDonald, CEO of Clearwater Foods Limited, was honoured twice, earning a gold award for Business Person of the Year and a bronze award for the second runner-up in the Business of the Year category.

The Halifax Herald Limited received the gold award for Business of the Year. Sarah Dennis, who accepted the award on behalf of The Halifax Herald Limited stated: "Nova Scotians can sometimes be modest about their accomplishments, but the talented collection of companies at this ceremony reaffirms my belief that the province can compete against the best in the world and succeed."

Honourable senators, these awards recognize businesses and business people who exemplify the best the city of Halifax has to offer, innovators willing to take chances, push the boundaries and stretch the limits of success. Honourable senators, I wish to take the opportunity to honour not just the winners but all the businesses and business people in Nova Scotia whose hard work and ingenuity help to make our province a leader in enterprise and innovation.

[*Translation*]

JUTRA AWARDS

CONGRATULATIONS TO THE HONOURABLE JEAN LAPOINTE AND MR. MICHEL BRAULT

Hon. Viola Léger: Honourable senators, I am extremely proud to have this opportunity to congratulate and applaud our colleague Senator Jean Lapointe, who has been awarded the Jutra for best actor in a supporting role for his work in the film *Le dernier tunnel/The Last Tunnel*.

Bravo! Bravo! Bravo!

Jean Lapointe embodies immense sensitivity to everyone he meets and everything he touches. His love of humanity in all its forms is evident in all his songs and all the characters he plays on stage, or on the small or large screen. Senator Lapointe has but one role in life: to love his fellow humans.

Jean, I add my voice to all the thousands who make up your adoring audience: We all love you.

Michel Brault, another of Quebec cinema's greats, also received well-deserved honours at the Jutra Awards ceremonies.

As a cameraman, cinematographer, director and producer, Michel Brault has been associated with nearly 200 productions. His film *Les Ordres* won the best director award at the Cannes Film Festival and four Genies. Michel Brault's personality and talent are an integral part of the evolution of Quebec cinema since the end of the 1950s. According to director Denys Arcand, Michel Brault is "the father of Quebec cinema."

The importance of Quebec cinema to Canadian culture is recognized the world over.

Honourable senators, much could be said about culture in the upper chamber, particularly about the urgency of creating a standing Senate committee exclusively on culture, but today I want to sing the praises of both Michel Brault and the Honourable Senator Jean Lapointe.

In closing, I give you Jean Lapointe's message to his son in the song *Demain mon fils*:

Soon, you will be all grown
Soon, you'll be on your own
Soon, you'll do as you please
Visit places far away
That were dreams yesterday

And take life at your ease
And alone like a new matador
You will enter the ring
Fear and death you'll ignore
Rushing to see what life will bring

Soon, you'll be all grown
Soon, time will be your own
Soon, in your middle age
The wrinkles on your face
Well settled into place
The years will form their cage
And alone like a great matador
You will leave the ring
Your heart and body sore
Dreading what life may bring
Soon you will be old
But you will see fivefold
And looking o'er the years
Then will you understand
What I have learned firsthand
Of my dear father's fears

Watching your own son in the ring
From your lonely distant view
Feeling the terror that can bring
You will know my love for you.

• (1420)

[*English*]

GUIDE-SCOUT WEEK

Hon. Catherine S. Callbeck: Honourable senators, this week, February 20 to 27, Guides and Scouts across the country are celebrating Guide-Scout Week. During this time, both organizations will come together in friendship and sharing to mark the joint birthday of Lord Robert Baden-Powell, the founder of the Scouting movement, and his wife Olave, the World Chief Guide.

Across Canada, celebrations will include recognition events, special banquets and camps. Members of both organizations may put on displays and demonstrations of Guiding and Scouting activities in shopping malls, store windows, libraries and other public places. One may even see members wearing their uniforms to school and to work.

Also during this important week, Guiding members mark February 22 as World Thinking Day, in honour of the birthdays of Lord and Lady Baden-Powell. This occasion was first created in 1926 at the fourth Girl Guide-Girl Scout International Conference held in the United States. At that time it was decided that there should be a day when Girl Guides and Girl Scouts all around the world think of each other and reflect on their common heritage.

As part of World Thinking Day, Canadian members of Guiding raise funds for the Canadian World Friendship Fund. A portion of this money goes to the World Association of Girl Guides and Girl Scouts to promote Guiding in developing countries, for mutual aid projects and to support the upkeep of the four world centres. In Canada, the remaining portion funds travel grants for trainers and girls to attend international events, and provides emergency disaster relief at home and abroad.

Through Guiding and Scouting, our youth are building self-esteem and learning the value of public service through activities and projects in their communities. However, this good work could not be done without the dedicated men and women who volunteer their time to help shape our leaders of tomorrow. They are to be commended for their generosity of spirit.

Honourable senators, please join me in honouring the members of Girl Guides and Scouts Canada during this very special week.

[*Translation*]

ROUTINE PROCEEDINGS

BILL TO CHANGE BOUNDARIES OF ACADIE—BATHURST AND MIRAMICHI ELECTORAL DISTRICTS

REPORT OF COMMITTEE

Hon. Lise Bacon, Chair of the Standing Senate Committee on Legal and Constitutional Affairs presented the following report:

Tuesday, February 22, 2005

The Standing Senate Committee on Legal and Constitutional Affairs has the honour to present its

FIFTH REPORT

Your Committee, to which was referred Bill C-36, An Act to change the boundaries of the Acadie—Bathurst and Miramichi electoral districts, has, in obedience to the Order of Reference of Tuesday, February 1st, 2005, examined the said Bill and now reports the same without amendment but with observations, which are appended to this report.

Respectfully submitted,

LISE BACON
Chair

(*For text of observations, see today's* Journals of the Senate, *Appendix p. 484.*)

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

On motion of Senator Bacon, bill placed on the Orders of the Day for third reading at the next sitting of the Senate.

[*English*]

HUMAN RIGHTS

REPORT TO AUTHORIZE COMMITTEE TO EXTEND DATE OF FINAL REPORT ON STUDY OF INTERNATIONAL OBLIGATIONS REGARDING CHILDREN'S RIGHTS AND FREEDOMS PRESENTED

Hon. A. Raynell Andreychuk, Chair of the Standing Senate Committee on Human Rights, presented the following report:

Tuesday, February 22, 2005

The Standing Senate Committee on Human Rights has the honour to present its

NINTH REPORT

Your Committee, which was authorized by the Senate on Wednesday, November 3, 2004, to examine and report upon Canada's international obligations in regard to the rights and freedoms of children. In particular, the Committee was authorized to examine: Our obligations under the United Nations Convention on the Rights of the Child; and, whether Canada's legislation as it applies to children meets our obligations under this Convention, respectfully requests that the date of presenting its final report be extended from March 22, 2005 to March 31, 2006 and that the Committee retain until April 30, 2006 all powers necessary to publicize its findings.

Respectfully submitted,

A. RAYNELL ANDREYCHUK
Chair

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken in consideration?

On motion of Senator Andreychuk, report placed on the Orders of the Day for consideration at the next sitting of the Senate.

REPORT TO AUTHORIZE COMMITTEE TO EXTEND DATE OF FINAL REPORT ON STUDY OF ISSUES RELATED TO NATIONAL AND INTERNATIONAL OBLIGATIONS PRESENTED

Hon. A. Raynell Andreychuk, Chair of the Standing Senate Committee on Human Rights, presented the following report:

Tuesday, February 22, 2005

The Standing Senate Committee on Human Rights has the honour to present its

TENTH REPORT

Your Committee, which was authorized by the Senate on Wednesday, November 3, 2004, to examine and monitor issues relating to human rights and, *inter alia*, to review the machinery of government dealing with Canada's international and national human rights obligations, respectfully requests that the date of presenting its final report be extended from December 23, 2005 to March 31, 2006 and that the Committee retain until April 30, 2006 all powers necessary to publicize its findings.

Respectfully submitted,

A. RAYNELL ANDREYCHUK
Chair

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

On motion of Senator Andreychuk, report placed on the Orders of the Day for consideration at the next sitting of the Senate.

REPORT TO AUTHORIZE COMMITTEE TO EXTEND DATE OF FINAL REPORT ON STUDY OF CASES OF ALLEGED DISCRIMINATION IN HIRING AND PROMOTION PRACTICES AND EMPLOYMENT EQUITY FOR MINORITY GROUPS IN FEDERAL PUBLIC SERVICE PRESENTED

Hon. A. Raynell Andreychuk, Chair of the Standing Senate Committee on Human Rights, presented the following report:

Tuesday, February 22, 2005

The Standing Senate Committee on Human Rights has the honour to present its

ELEVENTH REPORT

Your Committee, which was authorized by the Senate on Wednesday, November 3, 2004, to invite from time to time the President of Treasury Board, the President of the Public Service Commission, their officials, as well as other witnesses to appear before the Committee for the purpose of examining cases of alleged discrimination in the hiring and promotion practices of the Federal Public Service and to study the extent to which targets to achieve employment equity for minority groups are being met, respectfully requests that the date of presenting its final report be extended from December 23, 2005 to March 31, 2006 and that the Committee retain until April 30, 2006 all powers necessary to publicize its findings.

Respectfully submitted,

A. RAYNELL ANDREYCHUK
Chair

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

On motion of Senator Andreychuk, report placed on the Orders of the Day for consideration at the next sitting of the Senate.

REPORT TO AUTHORIZE COMMITTEE
TO EXTEND DATE OF FINAL REPORT ON STUDY
OF LEGAL ISSUES AFFECTING ON-RESERVE
MATRIMONIAL REAL PROPERTY ON BREAKDOWN
OF MARRIAGE OR COMMON LAW
RELATIONSHIP PRESENTED

Hon. A. Raynell Andreychuk, Chair of the Standing Senate Committee on Human Rights, presented the following report:

Tuesday, February 22, 2005

The Standing Senate Committee on Human Rights has the honour to present its

TWELFTH REPORT

Your Committee, which was authorized by the Senate on Wednesday, November 3, 2004, to invite the Minister of Indian and Northern Affairs to appear with his officials before the Committee for the purpose of updating the members of the Committee on actions taken concerning the recommendations contained in the Committee's report entitled *A Hard Bed to lie in: Matrimonial Real Property on Reserve,* tabled in the Senate November 4, 2003, respectfully requests that the date of presenting its final report be extended from March 31, 2005 to March 31, 2006 and that the Committee retain until April 30, 2006 all powers necessary to publicize its findings.

Respectfully submitted,

A. RAYNELL ANDREYCHUK
Chair

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

On motion of Senator Andreychuk, report placed on the Orders of the Day for consideration at the next sitting of the Senate.

DEPARTMENT OF PUBLIC SAFETY AND EMERGENCY PREPAREDNESS BILL

REPORT OF COMMITTEE

Hon. Colin Kenny, Chair of the Standing Senate Committee on National Security and Defence, presented the following report:

Tuesday, February 22, 2005

The Standing Senate Committee on National Security and Defence has the honour to present its

FIFTH REPORT

Your Committee, to which was referred Bill C-6, *An Act to establish the Department of Public Safety and Emergency Preparedness and to amend or repeal certain Acts*, has, in obedience to the Order of Reference of Tuesday, December 7, 2004, examined the said Bill and now reports the same without amendment.

Respectfully submitted,

COLIN KENNY
Chair

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

On motion of Senator Kenny, bill placed on the Orders of the Day for third reading at the next sitting of the Senate.

• (1430)

THE SENATE

NOTICE OF MOTION TO APPOINT
ETHICS OFFICER, JEAN T. FOURNIER

Hon. Jack Austin (Leader of the Government): Honourable senators, I give notice that on Thursday, February 24, 2005, I will move:

That, in accordance with section 20.1 of the *Parliament of Canada Act*, chapter P-1 of the Revised Statutes of Canada (1985), the Senate approve the appointment of Jean T. Fournier, of Ottawa, Ontario, as Senate Ethics Officer for a term of seven years.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT

BILL TO AMEND—FIRST READING

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons with Bill C-39, to amend the Federal-Provincial Fiscal Arrangements Act and to enact An Act respecting the provision of funding for diagnostic and medical equipment.

Bill read first time.

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the second time?

On motion of Senator Carstairs, bill placed on the Orders of the Day for second reading two days hence.

ANTI-TERRORISM ACT

NOTICE OF MOTION TO AUTHORIZE
SPECIAL COMMITTEE TO MEET DURING
ADJOURNMENT OF THE SENATE

Hon. Joyce Fairbairn: Honourable senators, I give notice that, at the next sitting of the Senate, I shall move:

That, pursuant to rule 95(3)(a), the Special Senate Committee on the Anti-terrorism Act be authorized to meet during periods that the Senate stands adjourned for a period exceeding one week.

NEED FOR INTEGRATED DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE

NOTICE OF INQUIRY

Hon. A. Raynell Andreychuk: Honourable senators, pursuant to rule 57(2), I give notice that, two days hence:

> I will call the attention of the Senate to the need for a strong integrated Department of Foreign Affairs and International Trade and the need to strengthen and support the Foreign Service of Canada, in order to ensure that Canada's international obligations are met and that Canada's opportunities and interests are maximized.

[*Translation*]

BUDGET SPEECH

ACCOMMODATION FOR SENATORS IN COMMONS GALLERY

The Hon. the Acting Speaker: Honourable senators, before we proceed with Question Period, I want to remind the Senate that the budget speech will be given in the other place at 4 p.m., Wednesday, February 23, 2005. As in the past, senators must take their seats in the section of the gallery reserved for the Senate in the House of Commons. Seating will be first come, first served.

[*English*]

As space is limited, this is the only way we can ensure those honourable senators who wish to attend can do so. Unfortunately, any guests of senators will not be seated.

QUESTION PERIOD

INFORMATION COMMISSIONER

EXTENSION OF ACCESS TO INFORMATION ACT TO CROWN CORPORATIONS AND GOVERNMENT INSTITUTIONS

Hon. Gerald J. Comeau: Honourable senators, my question is for the government leader. Last week, one of his colleagues, the President of the Treasury Board, outlined several measures that the government intends to take to strengthen the governance and accountability of Crown corporations. Significantly, the government will subject several Crown corporations to the Access to Information Act. However, this is not the first time we have heard this story. Approximately two and a half years ago, the August 6, 2002, *National Post* reported that the bill would be introduced that fall to extend the act to include Crown corporations and other institutions that were then exempt.

The backgrounder this time around states that:

> The government will act in a timely manner to implement the measures outlined...through a combination of legislative changes, regulations, policies and guidelines.

Could the Leader of the Government advise us what the government means by "a timely manner"?

Hon. Jack Austin (Leader of the Government): Honourable senators, I would hope, along with Senator Comeau, that "a timely manner" means in good time, that is to say, with all due speed, taking into account due consideration of all appropriate issues that have merit to be considered.

An Hon. Senator: In the fullness of time.

Senator Comeau: I will have to read the blues concerning that response because I still do not know what it means. The proof is the proof.

Honourable senators, on another question, of the 18 Crown corporations currently exempt, the government is only committing to make an additional 10 corporations subject to the Access to Information Act for now. Eight Crown corporations will therefore continue to be exempt while the government decides how to address the matter of commercially sensitive information. Two of these Crown corporations, VIA Rail and Canada Post, were part of Adscam. Could this be the reason a number of these Crown corporations, including these two, continue to be exempt from the Access to Information Act? Is there a fear that politically embarrassing information might be released to the public?

Senator Austin: Honourable senators, nothing of the sort is the basis for the government's actions. The honourable senator, I am sure, is acquainted with the reality that a number of Crown corporations are active in a commercial role and are exposed to competitive influences from other corporations, both domestic and international. For example, Canada Post is in competition with famous carriers that are not based in Canada. In fact, Canada Post is the subject of a complaint under NAFTA that it is guilty of uncompetitive behaviour.

It is important, honourable senators, as I said last week, that careful consideration is given to protect the investment of the taxpayers of Canada with respect to that type of commercial operation. Where the matters of governance do not relate to commercial questions, it is the policy of the Treasury Board to make that information available under access to information.

Senator Comeau: On that very question, the minister will know that section 18 of the Access to Information Act does provide the government the means by which it can refuse to divulge information that would be of a commercially sensitive nature. The Access to Information Act already applies to the Business Development Bank, Farm Credit Canada and the Royal Canadian Mint. Therefore, regarding those corporations that are not exempt, the government does in fact have the means to protect that type of commercially sensitive information. As it is written, the law provides protection of such information. Given the existence of section 18 of the Access to Information Act, why should the government continue to exempt these Crown corporations?

• (1440)

Senator Austin: I am not sure that I understand the logic underlying the honourable senator's question. However, some Crown corporations are exempt under existing law. The government is considering whether that existing law needs to be amended in order to provide access to information of a non-commercial kind under the Access to Information Act. The exemption is being examined to determine if it is justified.

FINANCE

AUDITOR GENERAL'S REPORT— FUNDING OF FOUNDATIONS—ACCOUNTABILITY

Hon. Donald H. Oliver: My question is for the Leader of the Government in the Senate. This morning, the Auditor General appeared before the National Finance Committee and again outlined her many concerns regarding using foundations as mechanisms to achieve government objectives. One of her concerns is that she has no legal mandate to follow the money once it has left the treasury. The government tries to paint the existing arrangement as one that keeps the foundations at arm's length.

However, Ms. Fraser gave us an interesting example concerning the British Columbia auditor, who has the power to examine any organization that receives provincial money to find out how that money is spent. Indeed, the British Columbia auditor recently examined the books of the Canadian Institute for Health Information because the government had contributed money to that organization. Ms. Fraser pointed out that no one has suggested that this audit called into question the independence of that organization. However, ironically, she cannot audit the CIHI, even though it has received federal money.

Could the Leader of the Government in the Senate advise the house how, precisely, allowing the Auditor General to follow the money would undermine the independence of foundations or institutes?

Hon. Jack Austin (Leader of the Government): Honourable senators, the discussion of the role of foundations and the views of the Auditor General could be carried on extensively. Perhaps in another part of the Senate's Order Paper that would be a useful discussion and/or debate item. At the moment, the foundations in question are independent, not-for-profit organizations. The government has encouraged their coming into being as an important policy tool that allows the government to fund initiatives in areas of innovation, research, the environment, and health and education.

In her February 15 report, the Auditor General stated that she does not question the merits of foundations as a vehicle to achieve the government's policy objectives. Therefore, we are talking about the role of the Auditor General in standard financial auditing and in performance auditing. The issue is not that these foundations are not audited, because they are audited according to the standards of the Canadian audit system. As well, under the funding agreements, they are required to do performance audits, which have been used, traditionally, as management tools rather than as tools for public reporting. Performance audits have been used for the appraisal, by management, of their performance against the objectives to which they agreed, and for Treasury Board to understand whether the performance is in accord with the funding agreements.

The Auditor General is of the view that she should be the auditor who follows the trail of all public funds, wherever they might lead. This government and several other governments, including those under Prime Ministers Chrétien, Mulroney and Trudeau, have taken the position that the Auditor General is an auditor of the ministries and agencies of the government.

If, however, funds are handed to an arm's-length, independent organization, or if they are transferred to the private sector, then the Auditor General's mandate should end at that point. For example, in the so-called sponsorship issue, the Auditor General does not have a parliamentary or legal mandate to go beyond the departments and agencies involved in the transfer of funds. In other words, the Auditor General cannot follow the trail, in a forensic way, to the corporations that received the funds, or beyond them to their subcontractors or their sub-subcontractors. The authority to audit in that way is the jurisdiction of the RCMP or other agencies that have authority to deal with criminal investigations, or, as we have seen, it can be done by way of an inquiry mandated with the authority to do that kind of transaction.

The question is: What is the public policy value of the Auditor General contracting with audit firms, who prepare the audits, so that they report to her instead of to management? In other words, these foundations are subject to audits that are commissioned and paid for by management. If they were commissioned and paid for by the Auditor General, likely the same audit firm would be contracted to do the work. That was also true with respect to the performance and value audits.

If you adopt the principle that the Auditor General is entitled to follow all parliamentary funds to their ultimate destinations, uses and consumptions, then no doubt the Auditor General would be interested in auditing the House of Commons and the Senate.

AUDITOR GENERAL'S REPORT— FOUNDATIONS—TABLING OF ANNUAL REPORTS IN PARLIAMENT

Hon. Donald H. Oliver: In response to the Auditor General, the Department of Finance said that the Treasury Board would encourage departments to table the annual reports of foundations in Parliament. In response to a question that I raised this morning, Mr. Tom Wileman, a Principal in the Office of the Auditor General, pointed out that this means that tabling remains at the discretion of the minister.

Honourable senators, the government does not have a problem with the concept of these annual reports being tabled but refuses to make them mandatory. Could the Leader of the Government in the Senate advise whether there is a valid policy reason for such tabling not being mandatory but, rather, left to the discretion and whim of the minister?

Hon. Jack Austin (Leader of the Government): Honourable senators, the government's policy is that these are independent, not-for-profit organizations that are managed by peer groups according to a mandate and a funding agreement. The tabling of reports of private, non-government organizations was not seen to be logical.

Senator Oliver: Is that the case when $9 billion is at stake?

Senator Austin: Honourable senators, we have had this discussion before in Question Period. The $9 billion refers to funds transferred by the Government of Canada to independent, non-profit organizations. Those organizations are accountable, and they do account for their performance.

Tabling in Parliament would require non-government agencies to come forward and justify their performance to Parliament, rather than to the public and to the community which they serve. Is it good public policy, I would ask rhetorically, for Parliament to involve these foundations and their purposes in a political examination? That is a question that I suppose will hang out there for some time.

• (1450)

NATIONAL DEFENCE

SEARCH AND RESCUE— REPLACEMENT OF FIXED-WING AIRCRAFT

Hon. J. Michael Forrestall: Honourable senators, my question for the government leader has to do with ensuring that there are aircraft available for search and rescue in Canada. As the leader will recall, the Minister of Finance promised, almost a year ago, some $300 million to the Canadian Forces to allow them to purchase 15 aircraft within the next 12 to 18 months to replace the aging C-130 Hercules and the CC-115 Buffalo. The Department of National Defence has recently said the procurement to replace the fixed-wing search and rescue aircraft is waiting on the statement of requirements — where have we heard that phrase for the last 20 years — and that that document is waiting for the release of the defence review. Can the minister confirm that this is a proper scenario thus far?

Hon. Jack Austin (Leader of the Government): Honourable senators, I would like to hear the supplementary question before responding.

Senator Forrestall: As a supplementary question, is it not true that the only reason we have not seen the document from the air force — that is to say, the operational requirements — is that there is an operations and maintenance deficit of hundreds of millions of dollars and they have had to fund operations out of the capital budget? Indeed, is it not true that the defence review funding was contingent upon base closures such as Goose Bay, Bagotville and North Bay? In a minority Parliament where certain political seats are at stake, a bit of pressure probably arises. I am sure the leader's seatmate will agree.

Honourable senators, the defence review had to be rewritten. If that is indeed the case, when can we expect to see it so that the statement of requirements can be released? We must get on with ordering the necessary replacement equipment so that search and rescue can continue. Surely, none of us believe for one minute that the Canadian Air Force will not carry on search and rescue, no matter what this government does to prevent them.

Senator Austin: Honourable senators, I do not mean to be flip by saying that I am sure we will have the answer in a timely manner. I defined what I meant by "timely manner" earlier in Question Period.

I agree with Senator Forrestall that there are outstanding and important questions related to the airlift capacity and the search and rescue capacity of our military. These are issues we have considered in Question Period, and they are being considered in the defence review and by the government. I can give no further advice or facts at this moment. Perhaps on Thursday we could engage in further question and answer.

CANADIAN BROADCASTING CORPORATION

UKRAINE— RADIO CANADA INTERNATIONAL CUTBACKS

Hon. A. Raynell Andreychuk: Honourable senators, I am again asking the Leader of the Government in the Senate about radio transmission into Ukraine. While I think I received a sympathetic hearing from Senator Austin, I am receiving nothing but pro forma letters from the Prime Minister and the CBC, both indicating the responsibility of the other. The responses are all sympathetic but nothing is happening. The service was cut from a daily service to a two-day-a-week service. We now find out that the shortwave service has been cut, which in essence means that it is not going into Ukraine unless the people there can get it by some other means. The only real transmission is to Kiev, where of course the service is not as important as it is elsewhere. Many people have been counting on receiving information about Canada and the rest of the world from our service, and they are now getting nothing.

In helping Ukraine, can the government not put some money where it puts its actions and words? Will there be any service, and will the government intervene? It appears that if we leave the matter to the independence of the CBC and the money it receives from the government, nothing will happen. The service is, in essence, of no value.

Hon. Jack Austin (Leader of the Government): Honourable senators, in answer to the first exchange with Senator Andreychuk, I indicated a similar approach to hers with respect to the importance of Ukraine and the importance of Canada continuing its broadcasting into Ukraine. Since that time, I have spoken to officials in the Department of Foreign Affairs and also to officials of the Canadian Broadcasting Corporation and their international service. Senator Andreychuk has correctly described the current standoff. The CBC advises that they have transferred resources to South American broadcasting and that to remobilize their broadcasts to Ukraine would cost substantial funds, in their terms, which they do not have. The Department of Foreign Affairs has not provided any encouragement that it would contribute anything in the way of funds. One might describe it as all sorts of support short of real help on this particular issue.

I have no further advice to give Senator Andreychuk at this time. The parties have certainly drawn my attention to this matter, but beyond that, I have not been able to effect any developments.

Senator Andreychuk: I think it is incumbent on the government to show its real commitment to Ukraine, particularly when the reduced service is now cut back such that it is no longer a shortwave service. We put Canadian taxpayers' money into supporting a free and fair election and promoting a democratic system in Ukraine, and now we are turning our backs on them. There has to be some response from us. We had an independent Ukraine, and we stopped paying attention to the processes and the needs. We did not fully support Ukraine at that time, and it floundered. We cannot afford to do it a second time. The amount of money needed to continue this service is minimal compared to the benefits of democracy in that country. I am appealing to cabinet to take up the cause.

Senator Austin: Honourable senators, I will continue my representations.

ENVIRONMENT

NATIONAL ROUND TABLE ON THE ENVIRONMENT AND THE ECONOMY—APPOINTMENT OF MR. GLEN MURRAY AS CHAIRMAN

Hon. Terry Stratton (Deputy Leader of the Opposition): Honourable senators, my question is addressed to the Leader of the Government in the Senate. It is "la patronage" time. News that failed Liberal candidate and former Winnipeg mayor Glen Murray has been recommended by the Prime Minister to chair the National Round Table on the Environment and the Economy confirms that cronyism is alive and well in this Liberal government. Surprise, surprise. Could the Leader of the Government in the Senate please explain what environmental qualifications the former mayor has such that he would be picked for this position that pays $450 a day?

Hon. Jack Austin (Leader of the Government): Honourable senators, the government is quite proud of the appointment referred to by Senator Stratton. The former mayor of Winnipeg was chosen by the people of Winnipeg to be mayor, and in that experience he was acknowledged to be a substantial leader in the development of public policies affecting the well-being of municipalities. He was a leader in bringing environmental practices to Winnipeg and in sponsoring debates with respect to environmental development.

I hope my honourable friend does not think that supporting a political party renders an individual ineligible for public service.

• (1500)

Honourable senators, we all believe that the party system is absolutely the keystone to the way our parliamentary democracy works. We want the best Canadians that can be found to come to Parliament, to the other place or to here, if they are fortunate, and to provide public service of the highest standard. I believe that a person with former Mayor Murray's qualifications is absolutely unassailable as someone who can provide such public service to this country.

Senator Stratton: Honourable senators, the Leader of the Government explicitly stated that Mr. Murray introduced environmental changes to the city of Winnipeg. Would he mind telling us what those were? I would appreciate knowing that because I recall no significant changes in the city of Winnipeg during his tenure as mayor, although there may have been some minor changes.

I have a supplementary question. This government promised to do things differently. The current Prime Minister promised to do something about the democratic deficit in this country. What does "Mr. Dithers" do? He blatantly rewards a political ally with a cushy government job. The *Winnipeg Free Press* quoted one well-connected Liberal who put in stark terms what this appointment was all about. The Liberal stated, "This is about recognizing that he" — Murray, that is — "made a significant jump from the mayor's office to be a candidate."

However, he was a failed candidate, honourable senators. He lost to a Tory. The mayor of Winnipeg was so popular that he lost to a Tory. That is how popular his environmental changes were. That is how popular he was as a fiscally conservative mayor. He was a very popular mayor.

Could the Leader of the Government in the Senate account for this blatant act of self-serving patronage? I do not believe for a minute that Mr. Murray is qualified for this job. He has no background in matters of the environment whatsoever. He was just a failed Liberal candidate.

Senator Austin: Honourable senators, we are seeing a new definition of "succinct" by Senator Stratton.

Senator Stratton: Remember that. I will remind you.

Senator Austin: Honourable senators, I will have to find out the timing of succinct this afternoon.

Honourable senators, I understand why the deputy leader on the other side is trying to make a show of an appointment of a person who was a Liberal candidate. Partisan politics is something which we have heard of not only in the past, but it is also practised in Ottawa in this current period of political life. I would say again that former Mayor Murray demonstrated exemplary leadership in his role as mayor. He has shown his ability to work with people, to develop consensus, to move issues forward and, in that respect, is admirably suited for this particular appointment.

I would repeat that we should not make a lot of partisanship. I recall former Prime Minister Brian Mulroney taking issue with partisanship when Liberals were being discussed. I believe in one particular instance it had to do with Bryce Mackasey. Does anyone remember that? Yet, when that government came into office, its practices were of equal standard in the area of patronage to that of the previous government.

The merit principle rose dramatically in the Chrétien era, and it continues to rise.

Senator Stratton: Honourable senators, is the leader suggesting that the former Minister of Public Works, who also became a former ambassador, Mr. Gagliano, is a fine example of patronage appointments? Come now, please. I will accept that Mr. Murray could move things forward. My statement was that he is not qualified in the area of the environment.

This Prime Minister promised that he would do things differently. So far he has not shown one example of that, has he?

Senator Austin: Honourable senators, I do not want to give Senator Stratton the last word because he had nothing new to say in his third intervention, and neither do I.

[*Translation*]

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. Bill Rompkey (Deputy Leader of the Government): Honourable senators, I have the honour to table in this chamber the delayed answers to four questions. The first is in response to a question raised in the Senate on February 10, 2005, by Senator Gustafson, regarding the Agricultural Income Stabilization Program, suggested changes.

[*English*]

Honourable senators, the second response is to an oral question raised in the Senate on February 10, 2005, by Senator Cochrane, regarding compensation for hepatitis C victims. I have two responses to oral questions raised in the Senate on February 1, 2005, by Senator Keon, regarding avian influenza. The first is on the question of screening process and the second is on monitoring in Southeast Asia.

AGRICULTURE AND AGRI-FOOD

AGRICULTURAL INCOME STABILIZATION PROGRAM—SUGGESTED CHANGES

(Response to question raised by Hon. Leonard J. Gustafson on February 10, 2005)

In regards to the declining production margins, the Government of Canada, in cooperation with the provinces, offers a number of programs aimed at providing the agricultural sector with the tools they need to more effectively manage their operations. Business Risk Management programs, such as the Canadian Agricultural Income Stabilization (CAIS) Program, Production Insurance and the Cash Advance Program, are available to provide producers with income stabilization, disaster assistance, crop loss risk management and the availability of cash flow in order to allow them to manage the economic aspects of their operations.

The CAIS Program has been designed to include Production Insurance indemnities and premiums in the reference margin calculation, which helps producers maintain their reference margin, and therefore their support level, at historic levels. Governments are also considering expanding Production Insurance to include livestock.

That being said, however, the issue of deteriorating farm income has been one of the crucial issues raised by the industry. In order to address this issue, Minister Mitchell has asked the Honourable Wayne Easter his Parliamentary Secretary, to undertake a review of factors impacting on Canadian farm income.

Analysis of the issues identified in the consultations will be undertaken and an action plan will be developed with industry and provincial governments in preparation for the federal, provincial and territorial Ministers of Agriculture at their annual meeting this July.

Meanwhile, governments have been working hard to expand and develop new markets for Canadian products and promoting a fairer international environment to ensure that Canadian producers can maximize revenue from the market place.

In regards to the CAIS deposit, provisions are in place to ensure the CAIS program is accessible and affordable to all producers. The design of CAIS does not require that producers build up significant accounts in order to receive assistance. Beginning farmers can receive significant government support in their first year of operation.

Given the financial crisis facing the agriculture sector and industry concerns with the deposit, the deposit requirements have been simplified, as producers are only required to have one-third of their requirements for the 2003 and 2004 program years to leverage full government assistance. Federal/Provincial/Territorial Ministers of Agriculture asked officials to examine alternative mechanisms to the deposit requirement and will meet in the near future to further discuss this important issue.

HEALTH

COMPENSATION TO HEPATITIS C VICTIMS

(Response to question raised by Hon. Ethel Cochrane on February 10, 2005)

On November 22, 2004, Minister Dosanjh announced the Government of Canada's intention to enter into discussions on options for financial compensation to people who were infected with hepatitis C through the blood system before January 1,1986 and after July 1, 1990.

Discussions began immediately after that announcement and have been proceeding since then. Discussions have involved many people including: the counsel for those infected with hepatitis C through the blood system before January 1, 1986 and after July 1, 1990; the Joint Committee that oversees the 1986-1990 Hepatitis C Settlement Agreement Fund; the counsel for provincial and territorial governments.

In order to most effectively move this forward, all parties have agreed that, while discussions are ongoing, the substance of the discussions will be kept between the parties.

AVIAN INFLUENZA—
OUTBREAKS IN SOUTHEAST ASIA—
MONITORING AND SCREENING PROCESSES

(Response to questions raised by Hon. Wilbert J. Keon on February 1, 2005)

The Government of Canada maintains ongoing vigilance at Canada's airports with the capacity to respond to and assess sick travellers. Quarantine Officers are located at the Toronto, Vancouver, Halifax, Montreal, Calgary, Edmonton and Ottawa International Airports. Established protocols exist with airlines and with Canadian Customs Officers who may identify sick travellers that need to be assessed by a Quarantine Officer at a port of entry. The Public Health Agency of Canada provides up-to-date information to its Quarantine Officers concerning the avian influenza situation, and other disease outbreaks of concern. Quarantine Officers thus maintain a high level of awareness for conditions of concern in their assessment of sick travellers.

Media reports indicated that the only region in the affected areas of Asia that has implemented screening measures for people are at China's points of entry in the provinces of Guangxi, Yunnan and Guangdong.

The Public Health Agency of Canada (PHAC) works very closely with the World Health Organization (WHO) to monitor the avian flu situation in South East Asia and shares the information with provinces and territories. The surveillance and the dissemination of the information is done through various international and national mechanisms.

The Global Public Health Information Network (GPHIN) is a powerful alert system tool developed in 1997 and maintained for the WHO by the Public Health Agency of Canada. Operating as an internet-based early warning system, GPHIN has brought great gains in time over traditional systems in which an alert is sounded only after case reports at the local level progressively filter to the national level and are then notified to the WHO.

Influenza surveillance is done in Canada through FluWatch, a national system for detecting circulating influenza viruses and monitoring the spread of disease. FluWatch collates, analyzes, interprets and disseminates information, on a weekly basis, about influenza activities across the country, and internationally, to providers and users during the flu season.

In addition, the Public Health Agency of Canada has put in place the Canadian Integrated Outbreak Surveillance Centre (CIOSC), a web-based real-time disease alert system deployed nationally to health units in all provinces and territories, as of December 2004. It monitors the emergence of enteric and respiratory infectious diseases in Canada. CIOSC is part of the Canadian Network for Public Health Intelligence, an initiative to develop and implement systems to facilitate inter-jurisdictional infectious disease alert and response activities.

These mechanisms monitor influenza activities from a human health perspective. A comparable surveillance system, CAHNet (Canadian Animal Health Network) exists to monitor influenza activities from an animal health perspective, under the lead of the Canadian Food Inspection Agency. Through regular exchanges of information between the two networks, CAHNet and CIOSC, linkages between human and animal health surveillance systems are being strengthened to facilitate information sharing on avian influenza.

Since the 2003 SARS outbreak, the Public Health Agency of Canada, together with provincial and territorial governments, has also established a national hospital-based surveillance system for severe respiratory illnesses to detect emerging respiratory infections, such as SARS and avian influenza.

The Public Health Agency of Canada continues to monitor the avian influenza situation in South East Asia and has been updating the Provinces and Territories (P/Ts) on a regular basis. PHAC has also recommended that P/Ts continue with surveillance for severe respiratory illness in hospitals in light of residual/new avian H5 outbreaks.

[*Translation*]

PAGES EXCHANGE PROGRAM
WITH HOUSE OF COMMONS

The Hon. the Acting Speaker: Honourable senators, I should like to draw your attention to the fact that we have a page visiting us from the House of Commons. He is Patrick Dunn, from Rothesay, in the very beautiful province of New Brunswick.

[*English*]

He is pursuing his studies at the faculty of arts and social sciences at Carleton University, and he is majoring in history.

ORDERS OF THE DAY

BUSINESS OF THE SENATE

Hon. Bill Rompkey (Deputy Leader of the Government): Honourable senators, I should like to call Bill C-24 as the first item of business, followed by the other bills as they stand on the Order Paper.

[*Translation*]

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS ACT

BILL TO AMEND—SECOND READING

Hon. Paul J. Massicotte moved second reading of Bill C-24, to amend the Federal-Provincial Fiscal Arrangements Act and to make consequential amendments to other Acts (fiscal equalization payments to the provinces and funding to the territories).

He said: Honourable senators, I want to thank you for allowing me to speak at second reading stage of Bill C-24 concerning the Federal-Provincial Fiscal Arrangements Act. At the first ministers' meeting in September, Prime Minister Martin announced that the federal government would make significant changes to the fiscal equalization program as well as the territorial formula financing.

The equalization-receiving provinces expressed some concerns about how this program works, and the federal government responded. These provinces had concerns about equalization funding in particular. They were worried about the difficulties they had had planning their budgets in recent years because of the fluctuation in equalization payments from one year to the next. The new framework announced by the Prime Minister squarely addresses these concerns. This is precisely the purpose of the bill before us today.

Honourable senators, the measures in the bill constitute a significant change to equalization and TFF. The changes to equalization and TFF will allow all the provinces and territories to count on funding that is more stable and predictable. These changes also provide for a third party to advise the Government of Canada on the best way to allocate this money to the provinces and territories.

• (1510)

Before setting out the legislative proposals contained in Bill C-24, allow me first to give a brief overview of equalization and TFF. This is important in putting the bill in perspective.

Many people do not know that equalization has been in effect since 1957 and territorial formula financing since 1985. As you are aware, these programs are intended to ensure that Canadians have access to comparable public services regardless of where they live. These programs enable provinces and territories to offer those services without resorting to high tax rates.

Equalization payments and territorial formula financing have largely succeeded in providing the necessary financial support while reducing inequalities between Canada's regions. That means that Canadians have access to a comparable level of quality social and health services, wherever they live.

Honourable senators, this is the fundamental basis of the very nature of our Canadian identity. It is important to recognize that equalization payments are unconditional; provinces are free to use the funds according to their own priorities. So, how does equalization work?

In short, the equalization program transfers money to the less prosperous provinces in accordance with their revenue-raising capacity. This means that as a province becomes more prosperous its equalization entitlement declines. In effect, equalization is intended to reduce financial disparities so that all Canadians have access to the quality health and social services that they have come to expect and demand, regardless of where they live.

Honourable senators, I would like now to look at the details of the funding agreements that have been reached with the provinces and territories as part of Bill C-24. The changes to these programs include three important elements: first, complete protection for provinces and territories against overall and individual declines in payments in 2004-05; second, a new framework for equalization and territorial financing starting in the 2005-06; and finally, an independent review of these two programs by a panel of experts.

I would like to expand on each of these three elements, beginning with the protection to provinces and territories against a decline in payments. This element of the amendment of equalization payments to the provinces and TFF consists of a series of transitional measures to make these programs more closely resemble the new framework that will be implemented beginning in 2005-06.

No doubt you are aware that the provinces and territories have asked for more stable funding. To achieve that, the Government of Canada will ensure that the total of equalization payments is not less than $10 billion in 2005-06 and that TFF will not be less than $1.9 billion in 2004-05.

In addition, each province and territory will be guaranteed that its equalization or territorial financing payments for 2001-02 to 2004-05 will not be lower than was estimated in the February 2004 budget and included in the budget for those years.

Let us look now at the second element of the changes to equalization and TFF: a new framework. Starting this year, the government will establish a legislative financial framework for both equalization and territorial financing. The new framework will establish fixed payment levels, which, as I have said, will provide predictable and growing funding for provinces and territories.

As a result, provinces and territories will be in a better position to plan for future needs. This is a fundamental improvement over the manner in which payments were previously calculated.

Initial funding levels for 2005-06 will be set at $10.9 billion for equalization and $2 billion for TFF. Thereafter, these amounts will grow at a rate of 3.5 per cent annually. Since overall payments are set in advance and increase each year, provinces and territories will know with greater certainty the amounts that they will receive each year.

The government is committed to reviewing the overall funding levels of equalization and TFF after five years. If appropriate, the government will make adjustments in 2010-11. What does this mean for provinces and territories? This new framework means that over the next ten years, and subject to review after the first five years, the equalization and TFF programs will provide for the payment of an additional $33.4 billion to provinces and territories, compared to the 2004-05 annual amounts forecast in the 2004 budget, which were estimated at $9.5 billion for equalization and $1.8 billion for TFF.

Honourable senators, the amount of $33.4 billion is a significant increase. In fact, it represents the biggest increase ever made in these support programs to the provinces and territories.

You will recognize, no doubt, that simply pumping more money into the system is not enough. The third element of the equalization changes is the creation of an independent panel of experts. The panel will take a hard look at how the current level of equalization and territorial financing allocates money to the provinces and territories.

Specifically, the independent panel of experts will review how the legislated equalization and territorial financing levels should be allocated for the provinces and territories in the fiscal year 2006-07 and beyond.

Provinces and territories will nominate two members of the panel. Among other matters, the panel will be asked to evaluate the current methods for measuring fiscal disparities among the provinces and territories; to examine alternate measures, such as those based on overall macroeconomic indicators; to review how fiscal disparities between various provinces developed over time, and to look at the costs associated with providing services in the territories in order to help the governments and the public to evaluate the general level of equalization and territorial financing; and finally, to advise the government on whether it should set up a permanent independent body to advise it on the allocation of the equalization and territorial financing payments in the framework of the levels established by the act.

Although the panel's role will be advisory in nature, the government is committed to listening to its recommendations and to making decisions based upon that advice in consultation with the provinces and territories. If this bill and the framework it contains are adopted, the panel would be asked to report back to the government by the end of 2005.

I should emphasize that that would be within a time frame to have an effect on equalization and territorial financing allocations for fiscal year 2006-07.

I should also point out that equalization and TFF are not the only types of federal assistance provided to the provinces and territories.

Indeed, the ten-year plan to strengthen health care, which was signed in the fall, will provide $41.3 billion in new health care funding for the provinces and territories. This new money will be used to ensure that Canadians have quick access to essential health services by strengthening the ongoing federal assistance under the Canada Health Transfer, or CHT.

Moreover, in order to accelerate and expand the renewal and the reform of the health sector, the Government of Canada will take a number of steps to strengthen the Canada Health Transfer, including the setting up of a new $19 billion fund for the CHT.

Honourable senators, this commitment exceeds the recommendations made in the Romanow report.

• (1520)

I should point out that this $41.3 billion agreement on health, combined with the $33.4 billion provided under the new equalization and TFF framework, will result in a total increase of $74 billion in federal transfers to the provinces and territories over the next ten years. The provinces and territories will be able to use this $74 billion to improve the services that they provide to their residents.

Canadians can rest assured that the federal government, along with the provinces and territories, will keep working to improve their standard of living. I am sure you will agree that the measures proposed in Bill C-24 represent a major investment in equalization and territorial funding. By adopting this bill, we will ensure that Canadians have access to comparable levels of services in every region of this great country.

For these reasons, I urge you to give your unanimous support to this legislation.

[*English*]

Hon. David Tkachuk: Can the honourable senator tell this chamber whether any consideration has been given to the arguments of the Provinces of Saskatchewan and British Columbia that they should have the same formula as Nova Scotia and Newfoundland and Labrador?

Senator Massicotte: As honourable senators know, those provinces are responding to an arrangement made with Nova Scotia and Newfoundland and Labrador. That arrangement was part of a 1985 agreement regarding offshore resources. There have been many programs for various provinces, but Bill C-24 does not deal with that issue. Bill C-24 deals with the equalization program across Canada; any special arrangements made with the federal government must be dealt with as an aside. The arrangement with Nova Scotia and Newfoundland and Labrador is a separate issue to be dealt with in a separate bill or in the budget.

Senator Tkachuk: Honourable senators, am I correct that Bill C-24 has no bearing on whether Nova Scotia and Newfoundland and Labrador obtain their money on the basis of the new deal they have struck with the federal government?

Senator Massicotte: That is correct.

Hon. Leonard J. Gustafson: Honourable senators, would the honourable senator ask the government whether it would use the same criteria for Saskatchewan as it is using for the Eastern provinces? I ask that question on the premise that favouring some provinces over others creates an East-West problem. People perceive serious problems that the government does not recognize.

Senator Massicotte: To be clear, Bill C-24 deals with the fiscal equalization payments. The formula is complicated, encompassing 33 economic measures — the ability of provinces to pay and reallocation of services among the provinces. The bill does not deal with special programs for Saskatchewan or other provinces. Those are separate issues; Bill C-24 does not deal with them.

Senator Tkachuk: Honourable senators, I recall Mr. Romanow saying on an open-line show, when he was the Premier of Saskatchewan, that he could not reduce the provincial sales tax because the province would lose far too much money in equalization payments.

Is there any consideration given to the formula itself in this bill to make it more fair?

Senator Massicotte: It is important to understand that the existing law, as well as this proposed legislation, measures the ability of the provinces to pay and collect taxes, not the taxes they collect. Hence, I do not agree that reducing sales tax would affect the equalization payment a province would get. What is measured is the potential of a province to collect taxes rather than the amount actually collected. A province may decide not to tax particular resources, but the calculation is based on 33 measures of ability to pay.

The Subcommittee on Fiscal Imbalances of the Standing Committee on Finance in the other place is mandated to examine the whole process. We have heard arguments in Quebec for the last couple of years about fiscal inequality and of finding another way to measure it. The subcommittee must report by the end of 2005 on a measure to provide more equity in the system.

Senator Gustafson: Honourable senators, in a meeting called by the Premier of Saskatchewan, attended by senators, members of the House of Commons and members of the provincial legislature, it was very clear that the general consensus was not to take anything from the Maritime provinces. Most people were pleased about the arrangement that was made. However, the general consensus was also that, in fairness, Saskatchewan should receive the same benefit.

Senator Massicotte: As I have said, Bill C-24 does not contain any special deals for the provinces. Bill C-24 sets out a formula that measures the potential of provinces to pay. Under that formula, the top-paying province is removed, which is Alberta in this case, the next five are averaged, and that average becomes the level of funding provided across Canada. The difference between the average potential to pay of those five and that of the rest, which some people call the have-not provinces, is the amount that is paid to those have-not provinces. It is a mechanical approach, and one that does not include one-off situations. One-off situations fall under completely separate legislation or budget procedures.

Hon. Donald H. Oliver: Honourable senators, I wish to join in the debate on Bill C-24. At the outset, I should like to commend Senator Massicotte for his thorough, comprehensive and very detailed explanation of a highly technical and difficult bill.

Whereas Senator Massicotte spoke to the details of the content of the bill, I will deal more with an explanation of equalization from the point of view of a have-not province like Nova Scotia.

The equalization program is widely supported in Canada because it encompasses a fundamental sense of social equality shared by most Canadians. That sense of social equality manifests itself in the belief that all Canadians, no matter where they live, should enjoy similar levels of government services. It is also believed that these services should not cost appreciably more in terms of taxation levels in one region of the country than in another. This does not mean, however, that public services must be identical across the country. There will always be differences among provincial programs because of the inherent differences among the regions of the country, and we welcome this diversity.

Instead, the equalization program seeks to ensure that the differences in provincial services arise from the uniqueness of each province and not because of differences in a province's financial ability to provide them. To a great extent, the equalization program has succeeded over the years to provide the level of support required so that all Canadians believe that their provincial governments provide reasonably similar services without resorting to unduly high levels of taxation.

This success of equalization has contributed immensely to our efforts to build a strong nation based on the principles of social and economic equity. Indeed, the concept of equalization is considered so important to the well-being of Canadians that it was incorporated into the Constitution Act, 1982, as a federal responsibility. The federal government set out its general purpose in the new Constitution, but states in section 36(2):

> Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

Equalization payments are not a common feature of countries around the world, honourable senators. They are something almost uniquely Canadian.

Equalization transfers are an important element in the spending plans of many of the recipient provinces. The Department of Finance has reported on its website that the program is an important source of revenue for these provinces, at times accounting, on average, for $1 out of every $7 raised by recipient provinces' own revenue systems. For instance, in the Atlantic provinces, the program has provided as much as 37 cents for $1 raised locally. This is significant and points out that, without equalization transfers from the federal government to these provinces, many Canadians would suffer a reduction in government services.

• (1530)

Federal equalization transfers are not simply a matter of federal largesse. The principle underlying equalization is that the federal government has a responsibility to ensure that each province has adequate revenue to provide a minimum level of public service without recourse to exceptionally high levels of taxation. Furthermore, the amount received by each eligible province is determined by a formula that, over the years, has evolved in response to changing economic conditions.

Although the federal government has transferred funds to the provinces since the earliest days of Confederation, as outlined by Senator Massicotte, it is only in the decade following World War II that a system of federal transfers to the provinces sought to equalize provincial fiscal capacity. From the programs' inception in 1957, it was hoped that the transfers would improve the fiscal ability of the recipient provinces so that all Canadians could receive similar levels of service at comparable levels of taxation.

Honourable senators, initially payments were to be determined by a formula that sought to equalize the fiscal capacity of provinces using only three tax bases — personal income tax, corporate income tax and inheritance taxes. Since then, the formula has undergone repeated changes as the system evolved through regular renewal of its essential elements and through additions to the formula. In spite of all the changes to improve the formula, the system remains a constant source of contention among the provinces and between the provinces and the federal government.

While the system underwent periodic change over the decades, 1982 really stands out in time. It was a momentous year for the program not only because its basic principle was incorporated in the Constitution but also because major changes were made to several of its program elements. The equalization yield was set as the average for Quebec, Ontario, Manitoba, Saskatchewan and British Columbia — the five-province standard. The exclusion of Alberta from this formula, as Senator Massicotte just explained, avoided the problems associated with the large revenue swings in Alberta's oil revenues. The federal government also introduced the notion of a ceiling on total payments by placing an overall limitation on the annual increase in total equalization payments.

The structure of the equalization formula, as it was developed in 1982, has remained relatively unchanged to this day, in spite of several renegotiations over time. However, the main objective of these alterations appears to have been to contain the overall growth of equalization payments.

The federal equalization program aims to reduce fiscal inequities in Canada. It accomplishes this through unconditional grants that make up the difference between actual provincial taxes or revenues and some measure of the highest average, or representative level, of the same taxes or revenues. The program seeks to ensure that the yield of provincial taxes and related revenue sources reflects not the actual tax rates and tax capacity of the province but a broader concept of average tax base and average tax rate. Together, these will give an average yield for the tax measure or revenue source.

Honourable senators, as I mentioned earlier, eligibility to receive equalization funding is determined by a formula measuring each province's revenue-raising capacity against a five-province national standard. Again, honourable senators, the five provinces involved in determining the national average or standard are Quebec, Ontario, Manitoba, Saskatchewan and British Columbia. Note the absence of the Atlantic provinces in that traditional formula. In the past, this national standard was the average of as few as two provinces and as many as 10 provinces.

Provinces with revenue-raising capacity below the national standard received equalization transfers from the federal government to bring their fiscal capacity up to that standard. The revenue-raising capacity — that is, the fiscal capacity — of each province is measured by examining its ability to raise revenues from 33 different revenue sources, as Senator Massicotte has explained, or tax bases. Those revenue sources include personal income tax, corporate income tax, sales tax, property tax, and many others to make up the 33 sources. Where the provincial yield exceeds the average national yield, no grant is paid to that province.

Of course, the actual calculations are slightly more complicated. Like the Income Tax Act, the mechanism of the equalization program is understood by only a few people across this country — and I am not one of them. This lack of understanding is most unfortunate. This equalization program, which strives to provide broad, economic support to Canadians, should not be accessible only to an elite group of technocrats. The program has a profound effect on the daily lives of millions and millions of Canadians through its impact on the budgets of federal, provincial and territorial governments.

There is an opportunity at this time to address the problem through the work of a special advisory panel that the legislation proposes to create. The panel would examine, among other things, the possible methods of determining each province's share of total equalization payments. Honourable senators, I sincerely hope that Parliament will not miss the opportunity to bring more Canadians into the dialogue surrounding the renewal of this important program. Given the formula's complexity, it is not surprising that the whole process of revising the equalization program has given rise to so much disagreement between the provinces and the federal government and, indeed, among the provinces. It should be understood that any manipulation or tinkering with the main components of the formula, the number of revenue sources, the national standard, the clawback provisions, the payment ceiling and the payment floor, could affect the level of transfers received by the province. The current equalization formula is simply inherently conducive to conflict between governments. Let us hope that the work of the advisory panel will result in the adoption of a new formula that will be less divisive.

Bill C-24, tabled in the House of Commons on November 23, 2004, would implement the new equalization and territorial formula financing, TFF, framework announced at the first ministers' meeting on October 26, 2004. The proposed framework contained in Bill C-24 would provide more

predictability and stability of payments to the provinces and to the territories. As an example, it would set total fiscal equalization payments at a minimum of $10 billion and total TFF payments at a minimum of $1.9 billion, an increase of about $600 million over the total equalization and TFF payments estimated in the February 2004 federal budget and an increase of $1.2 billion over the October 2004 Estimates.

Honourable senators, I will not go into more details of the bill, because Senator Massicotte did that extremely well. However, I would like to say one thing about the Standing Senate Committee on National Finance.

The Finance Committee has a long-standing interest in the equalization program. In March 2002, the committee released its report on the effectiveness and possible improvements to the equalization policy. The committee was in strong favour of the concept of equalization but it urged changes to certain elements of the program that it believed to be inconsistent with the intent of equalization. After examining the outstanding issues of the day, the Senate Finance Committee made eight recommendations on Canada's equalization program, of which it recommended two major changes to the equalization program. The first change — the removal of the ceiling on the total equalization payments to the provinces — was implemented by the federal government. The second recommended change was the restoration of the 10-province standard in determining provincial entitlements under the equalization program. Had those two changes been in effect over the last two decades preceding the report, equalization payments from the federal government to the provinces during that period would have increased by $3.2 billion and $31 billion respectively. Although the committee recognized that this implied an increased financial burden for the federal government, the committee firmly believed that the two changes would contribute to achieving the true spirit of the equalization policy which was intended to reduce the disparity between recipient and non-recipient provinces.

• (1540)

Honourable senators, in conclusion, the National Finance Committee will continue to examine Bill C-24 and issues of equalization with great care. I believe it can be relied upon to continue its previous good work in the matter of the equalization program. Bill C-24 is important legislation that needs to be properly examined. At the same time, I am fully aware of the time constraints that govern the examination of Bill C-24, and I can assure honourable senators that the committee will respect those deadlines.

Senator Tkachuk: Honourable senators, I want to ask a question. It seems that the Premier of Saskatchewan got religious on this issue just recently. I want to ensure that he is invited to state his case or his political representatives are invited to state their case to the committee. Will the committee invite the premier and/or his finance minister to testify?

Senator Oliver: I thank the honourable member for his question. The answer is yes. The committee feels that all provinces should be invited to attend to give evidence and to participate. To that end, should this bill be referred to the National Finance Committee, we would ensure that every province in Canada, every premier and head of a territory, will be invited to appear before the committee some time next week or the week after, but before the end of this month. That is the intention.

Hon. Lowell Murray: Honourable senators, Senator Massicotte and Senator Oliver have covered the ground well and thoroughly. I intend to discuss a number of aspects of the bill and of equalization that I might have an opportunity to follow up at the committee or even at third reading.

Before I do that, I cannot resist intervening and commenting, to a small extent, on the exchange that we heard earlier between the two senators from Saskatchewan, Senator Tkachuk and Senator Gustafson, on the one hand, and Senator Massicotte on the other. It is true what Senator Massicotte says, that the offshore accords with Newfoundland and Labrador and Nova Scotia are a separate issue and will be dealt with separately, so we are told, by legislation to be introduced at a later date. That being said, it is a fact — at least in my opinion — that the working of the equalization formula has caused serious injustice to Saskatchewan in the past, which I raised during the course of a budget implementation debate last spring. I confess that I was using as my main source of information the testimony of the Saskatchewan government on two occasions before the National Finance Committee and also an excellent analysis done by Professor Tom Courchene of Queen's University for the Institute of Research on Public Policy.

Saskatchewan was done an injustice, first, with regard to the sale of Crown leases. I think Professor Courchene said the clawback amounted to 200 per cent. In a nutshell, Saskatchewan's revenue base was unduly inflated by the value that the federal government attributed to the sale of Crown leases. As senators from Saskatchewan know better than I, these are done by auction. As Professor Courchene points out in his paper, what the federal government was doing in attributing a certain value to them was really second-guessing the market with the resulting large clawback.

Premier Calvert went to see the Prime Minister about this issue last spring. We discussed this in the Senate. He obtained some kind of undertaking from Mr. Martin. Since that time, the federal government has made a payment to Saskatchewan in the amount of about $120 million to compensate and has effectively acknowledged the error.

The second issue has to do with the fact that Saskatchewan is part of the five-province standard and Alberta is not. With Saskatchewan in and Alberta out, Saskatchewan comes across looking like a resource-rich province. Professor Courchene uses the example of three-tier oil. I do not know what three-tier oil is, but whatever it is, if one were to take a 10-province standard, the share of the revenue base of Saskatchewan would be 37 per cent. In the five-province standard, however, Saskatchewan's share of the revenue base is 97 per cent. Again, their revenue base is much more inflated. Professor Courchene reckons that this has cost them $1 billion over a number of years, and I think it is only fair to say that they are entitled to some remedial action on the part of the government.

I am venturing now into more uncertain territory, but I think it is the case that under the working of the formula as it has existed up to now, for the year 2005-06 — and someone will correct me at the committee if I am wrong — I think Saskatchewan would not be receiving equalization at all. However, given that the formula and the whole notion of relative fiscal capacity has been set aside, the federal government simply decided what the allocations would be and Saskatchewan still is and will still be receiving equalization in the fiscal year that begins on April 1. I offer that information for whatever consolation it may be to the Saskatchewan senators and others.

[*Translation*]

Honourable Senator Massicotte is boasting, on behalf of the government, of having proposed a more stable and predictable program; stable and predictable for the fiscal year 2005-06, but a black hole thereafter. What will the formula be? We do not know. What will the allocation of equalization payments between the provinces be? We do not know. Everything is in the hands of an independent panel of experts, who will be reporting sometime in the next 12 to 18 months. That is when we will know.

[*English*]

All we know for sure is that there is a pot of $10.9 billion starting in 2005-06, that it will increase by 3.5 per cent per year and that this, itself, is reviewable in five years. I leave aside for the moment whether $10.9 billion is the right place to start. I will leave aside for the moment the question of whether the rate of increase is the appropriate increase, although I note that, historically, the growth in equalization payments has been lagging behind the growth in federal revenues, lagging behind the growth in gross domestic product and lagging behind the growth in present and projected provincial expenditures. That aside, the fact is that no one knows what the formula will be and what the allocation will be among the provinces, that is, what provinces will be recipient and what provinces will be non-recipient.

Until now, equalization payments have been formula driven based on your province's relative fiscal capacity measured through a representative tax system, that is, your province's fiscal capacity relative to what I will call a national average, but this, we all know, is a five-province standard. Now equalization has been delinked from the concept of relative fiscal capacity.

• (1550)

The government itself has decided what the allocations will be for the year 2005-06; as for subsequent years, well, we have to wait to see what the panel reports.

I do not want to sound alarmist, but I think this can be problematic for the two provinces that have signed offshore accords, Newfoundland and Labrador and Nova Scotia. According to these agreements, at various points the benefits are dependent upon those provinces remaining as equalization-recipient provinces. However, with the formula completely up in the air, who knows what might happen after the panel reports? I suppose it is even conceivable that one or other or both of those provinces could be deemed to be non-recipient provinces. It might take a majority Liberal government to impose that kind of solution.

It might be bad faith, and again I do not want to sound alarmist, but I think those provinces are more than somewhat exposed. The Finance Minister of Newfoundland and Labrador, Mr. Sullivan, wrote a letter, I think, to Minister Goodale. I have not seen Mr. Sullivan's letter, but Mr. Goodale's reply was released. The exchange of letters seemed to take place at just about the time the accords were signed. Mr. Goodale acknowledged that Newfoundland and Labrador might be living in a state of some uncertainty and tried to give some comfort. That letter is available, and I leave it to honourable senators to judge how much comfort it offers. One of the things Mr. Sullivan says is that, in the event of a dispute in the future, he will hire an independent expert and consider his advice. Newfoundland and Labrador can take whatever comfort they like from that.

I have here the terms of reference of this famous panel that is being appointed; however, I will not read them into the record for lack of time. Nevertheless, the panel is being asked to examine alternative approaches, including so-called macroeconomic variables, in other words, possibly do away with the representative tax system and the concept of relative fiscal capacity and go to macro-variables such as personal incomes, gross domestic product, and so forth.

I do not suggest for a moment that our Senate Finance Committee had the last word on that, but we looked at five of those macro-variables, which were the only ones that suggested themselves, and we came to the conclusion — and we did get some help from the Department of Finance in doing this — not only that every one of those macro-variables resulted in a smaller equalization pie but also that on every one of them the big winner was the federal Department of Finance. There were some winners and losers among the provinces, but each with a smaller equalization pie. In terms of those so-called macro-variables that we examined in the context of a five-province standard and a 10-province standard, in all of them the only big winner was the federal treasury. Extreme caution is advised before anyone jumps at some of these simple if not simplistic solutions.

The government also asks the new panel to consider the possibility of a permanent, independent body that would advise on the allocation of equalization payments. They have that in Australia, and some of us were there a few years ago and heard some stories about how it works. The commission travels around to the various states and examines the needs and comes back and makes a recommendation to central government as to how the money should be doled out. Can you imagine that taking place in Canada? I cannot. I cannot imagine anybody who values his or her life wanting to be a member of such a commission. In any case, Australia's situation is somewhat different because their equalization program considers expenditure needs as well as revenue capacity, and over 70 per cent of the revenues collected in the country are collected by the central government.

Senator Oliver again mentioned the 10-province standard, which our Senate Finance Committee recommended and which 20 years ago the royal commission headed by Donald Macdonald recommended, and which various other people have recommended, as the only fair and equitable way to go. The new party of the united right is in favour of that, and they are on the right track. I think where they go off track is their recommendation that non-renewable resources be taken completely out of the formula. The Senate committee looked at that in a five-province standard context, and we found that most of the recipient provinces would be big losers.

Last spring, just before dissolution, I had some research done in the context of a 10-province standard, in other words, 10-province standard excluding natural resource revenues. We were dealing with the period 1994-95 to 2001-02, and the result would have been a big hit against just about all the recipient provinces, especially Quebec, which would have lost $3.5 billion, and Nova Scotia, almost $2 billion. The other numbers are of the same order of magnitude, allowing for population and so forth. The 10-province standard is a great idea, but taking non-renewable resources out of the formula simply cancels out the advantage of going to the 10-province standard. I am aware that Mr. Harper has said that he would phase in the removal of non-renewable resources, but given the order of magnitude of the hit against the recipient provinces, there would have to be some phase-in. In any case, I understand that an argument can be made and is made for removing non-renewable resources from the formula.

Professor Ken Boessenkool made the argument in his capacity as an academic when he appeared before our committee, and he has been a senior adviser to the new party. Essentially, the argument is that revenues from non-renewable resources are like the sale of a capital asset and should not be counted as ordinary revenues. However, against that is the fact that those revenues are taken into the Consolidated Revenue Fund, and they certainly add to the standard of living of the provinces that have them. A similar debate is going on about user fees and whether user fees should be included as part of provincial revenues, and the fact of the matter is that our user fees —

[*Translation*]

The Hon. the Acting Speaker: I regret to inform Senator Murray that his time is up.

Honourable senators, is leave granted for Senator Murray to continue?

Hon. Senators: Agreed.

[*English*]

Senator Murray: The question is whether user fees are considered simply cost recovery or whether they are in the nature of a direct tax that goes right into the Consolidated Revenue Fund, and there is quite an argument being made that they too ought to be included. Most of the provinces — in fact, I think all of the provinces — are of the view that all of the revenue sources should be included in the representative tax system in measuring relative fiscal capacity of the various provinces.

It was also stated in the debate in the other place by the spokesperson for the official opposition, Ms. Ambrose, that the equalization floor in this bill is "fiscally imprudent." Her concern is that, if the economy takes a dive, some provinces would be equalized to a higher fiscal capacity. Well, I suppose that is conceivable. She made a very substantive contribution to the debate — and I do not want to knock it; it is probably conceivable that that could happen. However, if she looks at it, she will find that the history has been that this so-called equalization program that is supposed to equalize fiscal capacity almost never does in terms of the national average. It gets into the 90 per cent range for most recipient provinces, but they are almost never equalized. Historically, they have always fallen behind complete equalization of fiscal capacity in the so-called "equalization" program.

• (1600)

I would refer to one matter that Senator Oliver spoke about eloquently. It has to do with the fact that we presently have a most worrisome climate in federal-provincial fiscal relations. We hear criticisms of the health accord, which was signed some months ago and about which I spoke in the debate on the Speech from the Throne. I believe that those criticisms are unjustified, but I will not delve into that now. As well, the offshore accords are being criticized as sweetheart deals and all the rest of it.

We must take this climate seriously and concern ourselves with what Senator Oliver has properly described as divisiveness. It is not good to have Ontario offside on matters of this kind. It is not good to have any region offside and disaffected. We do want a situation in which, even if no one is completely satisfied, all provinces are at least reasonably understanding and accepting of the arrangements.

Some years ago, on several occasions I said that I thought the whole area of federal-provincial fiscal relations was reaching a state where we ought to have another royal commission in an attempt to put things on a more stable footing. There are all kinds of substantive reasons for doing that rather than engaging in "ad hocery," responding to particular situations as they arise, and I think the government should seriously consider doing that.

The other day David Peterson, a former premier of Ontario, suggested that just such a royal commission should be set up. I am sure he came to that conclusion on his own and not because he is an avid reader of the Senate Hansard.

The Hon. the Acting Speaker: Would Senator Murray take a short question?

Senator Murray: Yes.

Senator Gustafson: Honourable senators, with regard to non-renewable resources, I sat on the Energy Committee when Mr. Lalonde introduced the terrible National Energy Program and took about $9 billion from Western Canada. At that time, the average well in Saskatchewan pumped 16 barrels per day, while Alberta's wells pumped 57 barrels per day. The issue of non-renewable resources is most important.

My question deals with uranium. I believe the day will come when Saskatchewan will have its day in the sun with uranium protection. Will these new regulations affect that resource?

Senator Murray: If the Saskatchewan government collects, as I am sure it will, revenues from uranium production, this will be taken into account in the revenue base of what will be an unbelievably prosperous province at that time.

The Hon. the Acting Speaker: Are honourable senators ready for the question?

Hon. Senators: Question!

The Hon. the Acting Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Hon. Senators: Agreed.

Motion agreed to and bill read second time.

[*Translation*]

REFERRED TO COMMITTEE

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

On motion of Senator Massicotte, bill referred to the Standing Senate Committee on National Finance.

[*English*]

INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT (AIRCRAFT EQUIPMENT) BILL

THIRD READING

On the Order:

> Resuming debate on the motion of the Honourable Senator Phalen, seconded by the Honourable Senator Moore, for the third reading of Bill C-4, to implement the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment.

Hon. David Tkachuk: Honourable senators, we had some interesting committee hearings on this bill. Nothing is ever as it seems. Even though we were told that this bill was a slam dunk, we heard lots of interesting testimony from industry and from the department.

I urge people with influence in the province of Quebec to encourage their provincial government to introduce parallel legislation to this bill so it does have an effect, because the federal measures require the cooperation of all the provinces.

Members on our side are supportive of this bill, and the report of the committee was passed unanimously by committee members.

The Hon. the Acting Speaker: Are honourable senators ready for the question?

Hon. Senators: Question!

The Hon. the Acting Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

CRIMINAL CODE

BILL TO AMEND—SECOND READING

On the Order:

> Resuming debate on the motion of the Honourable Senator Callbeck, seconded by the Honourable Senator Bacon, for the second reading of Bill C-10, to amend the Criminal Code (mental disorder) and to make consequential amendments to other Acts.

Hon. A. Raynell Andreychuk: Honourable senators, I rise to speak to Bill C-10. I support what Senator Callbeck has said. This is a complex bill that covers many areas from the legal, medical and human interest perspectives. The bill deals with the section of the Criminal Code that focuses on the tough issues of offenders who have a mental disorder that is so severe that they are unable to stand trial for the offence for which they have been charged or, if they do go to trial, they are found not criminally responsible, NCR, for what they have done because of their mental disorder.

When I practised law as a lawyer and as a judge, I found the cases of persons who were not criminally responsible to be the most difficult ones with which to deal. Usually people in the criminal justice system are there due to their own actions, and they must be held to account for their actions. However, persons who have been found not criminally responsible are often caught up in the criminal justice system due to medical conditions or their genetic makeup.

• (1610)

Yesterday, in the Human Rights Committee, we heard that more than 60 per cent of juveniles who come before the courts have some recognizable and definable mental disability or mental illness. Secondary to that, they may have a behavioural disorder, which is more difficult to diagnose. In other words, a young person's ability to control his or her actions is somewhat compromised. Mental disability added to behavioural disorder should be dealt with during early childhood and should continue to be dealt with as a medical issue. Yet, society seems to deal with these issues only when these people come into conflict with the law. When I was practising law, such young people who found themselves before the court were found to be not guilty by reason of insanity. There was a definite sentence upon convictions, but when someone was found to be not criminally responsible, they could be, and in some cases were, indefinitely held and sometimes under such circumstances that only if they were fortunate would they receive the allowed treatment.

This is a difficult area of law. There is a difference between ordinary criminal proceedings and "not criminally responsible" proceedings, which we need to keep in mind when reviewing Bill C-10. Daniel Soiseth, a lawyer with the Community Legal Assistance Society, said to the House of Commons Justice Committee on November 22:

> In ordinary criminal proceedings such as sentencing or parole, what you have is someone who has deliberately done harm to somebody else.

With NCR proceedings, the accused is not aware that he did something wrong. An accused found unfit to stand trial is dealt with by a special tribunal of the provincial review board that reviews his disposition at least annually. Throughout this time, the accused is presumed to be innocent, a principle of fundamental justice in this country. If the accused goes to trial and is found to be exempt from criminal responsibility because of a mental disorder at the time the offence was committed, he would receive a verdict of not criminally responsible. The review board would then impose a disposition that must be reviewed at least annually.

There was some discussion in the other place about an accused person possibly tricking judges into believing that he was mentally disordered. It was viewed that this person would be getting away with his crime because he would go unpunished. First, let me say that tricking a judge would be difficult to do. Second, the reality of the mental disorder provisions of the Criminal Code is that the consequences faced by an accused can appear stricter than those faced by someone convicted of a crime. These consequences can include indefinite supervision or detention in a secure psychiatric facility.

The events leading up to Bill C-10 go back many years. Canadian legislation first dealt with mentally disabled offenders in Canada in 1892, when the Criminal Code was amended to give an accused with a "natural imbecility" or "disease of the mind," who did not know what he had done, a defence of insanity. This was progressive legislation in 1892. By the mid 1970s, the Law Reform Commission devoted a study to this issue. In the early 1980s, the Department of Justice reviewed the part of the Criminal Code dealing with mental disorder. A final report was produced in 1985 and a draft bill was tabled in 1986. Finally, in 1991, the Supreme Court of Canada in *R v. Swain* found that the automatic detention of persons found not guilty by reason of insanity infringed upon sections 7 and 9 of the Charter, which state:

> 7. Everyone has the right to life, liberty and security of the person and the right not to be deprived thereof except in accordance with the principles of fundamental justice....
>
> 9. Everyone has the right not to be arbitrarily detained or imprisoned.

Therefore, the rules regarding mental disorder had to change. In 1991, Parliament introduced Bill C-30, which contained provisions on mental disorder to be included in the Criminal Code. Most of the bill came into effect in 1992. The bill established the framework of how mental disorder is now treated in Canada. A verdict of not criminally responsible on account of mental disorder replaced the verdict of not guilty by reason of insanity. Those with such a verdict would no longer be remanded automatically to strict custody, as was the case when provincial lieutenant-governors could detain them at pleasure. I can tell honourable senators that being held at the pleasure of a lieutenant-governor means that no politician wants to take the risk of releasing the individual. Through a court process a judge is more likely to follow the law and impose conditions or a total release. If provincial premiers were detaining at pleasure, would you release, right before an election, someone who might be a risk to society? Would you take that risk?

I was involved in many cases of people held for incredibly long periods of time. They probably would not harm society and they would have supervision, but no one wanted to take responsibility. Bill C-30 meant that a person who was not criminally responsible could be conditionally discharged or referred to an appropriate review board, a more impartial and humane way of dealing with the issue.

Bill C-30 replaced terms such as "natural imbecility" and "disease of the mind" with a more accurate and meaningful term that reflects today's society: mental disorder. It also extended the mental disorder defence to include summary as well as indictable convictions, a problem that plagued the criminal system for some considerable time.

In June 2002, the Supreme Court decision in *R v. Demers* called for amendments to the Criminal Code to bring an end to proceedings for the permanently unfit, non-dangerous accused. The decision stated:

> The continued subjection of an unfit accused to the criminal process where there is clear evidence that capacity will never be recovered and there is no evidence of a significant threat to public safety, makes the law overbroad because the means chosen are not the least restrictive of the unfit person's liberty and are not necessary to achieve the state's objective. The impugned legislation thus infringes s. 7 liberty of permanently unfit accused who do not pose a significant threat to society.

Also in June 2002, the House of Commons Standing Committee on Justice and Human Rights tabled its report entitled *A Review of the Mental Disorder Provisions of the Criminal Code*, the legislative review required under section 30. Testimony and submissions were given to the committee by several interested groups. The committee's comprehensive report contained 19 recommendations supported by all political parties involved.

Honourable senators, we owe a debt of gratitude to the House of Commons for their work in tabling this report. In November 2002, the government tabled its response to the fourteenth report of the Standing Committee on Justice and Human Rights, *A Review of the Mental Disorder Provisions of the Criminal Code*. It is because of the work of the other place that we have a much better Bill C-10 than we would otherwise have. The

ongoing involvement of Parliament is necessary as the science and behaviour behind the mental disorder provisions of the bill are brought to the fore.

I regret that Bill C-30 was not subject to input from the Senate. Any review of proposed legislation should involve both the Senate and the House of Commons. In that way, senators can contribute our own experiences to the collective wisdom of parliamentarians and the witnesses we hear. I believe that Canadian society would be the better for it.

The intent of Bill C-10 is to modernize the parts of the Criminal Code that deal with mental disability to make them fairer and more efficient, at least to this time in society.

• (1620)

The bill also makes amendments to other related statutes to ensure that they are consistent with the Criminal Code provisions on mental disorder. The bill attempts to balance the rights of victims and public safety with the rights of the accused, specifically those found not criminally responsible because of mental disorder or those unfit to stand trial. I believe it does so with some success, which is not an easy task.

I will not go over the six areas with which the bill deals, as Senator Callbeck covered all of them extensively in her presentation.

This bill was the subject of much discussion in the other place and many witnesses were heard in committee but, despite the fact that a stronger bill emerged from the other place, I believe that this bill warrants review in our committee.

Most of the amendments made in the other place are technical and serve to clarify the intention of the bill. However, some amendments resulted in more substantial changes, such as the amendment to clause 1, the provision for having a person other than a psychiatrist assess whether an accused is NCR. This will help the justice system in areas of the country where psychiatrists are scarce but where individuals who the provincial attorney general determines can make an assessment are available. It remains to be seen whether this is a support system to the mentally disordered or whether it will cause some danger to the public. I believe this warrants a thorough examination.

While I appreciate that we have isolated areas where we want to bring about efficient and expeditious results, we must ensure that we use reliable assessment tools. I believe that opening up the assessment procedure so that it is no longer restricted to psychiatrists is a positive step, but I would like to know how that provision will be implemented before I give it my full approval.

Amendments made in the other place also strengthen the role of victims, who have often been shunted to the sidelines when an accused is found unfit for trial or not criminally responsible on account of mental disorder. The issue of victims' rights and their relevance when dealing with a person who is not criminally responsible received a great deal of attention. In the case of a criminal conviction, victim impact statements feed into the sentencing and punishment of the offender, but it becomes a different matter when the criminal is unable to understand or to express regret for the act committed.

As Paul Harold Macklin, Parliament Secretary to the Minister of Justice and Attorney General of Canada, said in the other place on February 7:

> Let us not forget that the victim should, until the accused has been declared not criminally responsible, benefit from the implementation of all the provisions of the code that are aimed at facilitating victims' participation and at protecting their safety and private life. It is only once the accused has been declared not criminally responsible that the implementation of the code's new special provisions is necessary to ensure the victim's participation in the hearings of the review board.

This bill has been subjected to close scrutiny and has been improved. Now it is the Senate's turn. There are gaps in the law, of course. Some are jurisdictional. For example, the Federal Court cannot tell a hospital what to do, but, often, that is where the not criminally responsible offender lands. This can lead to the unequal treatment of an unfit accused or NCR person in different parts of the country, with radically different results for the person involved.

Dr. John Gray of the Schizophrenia Society of Canada explained this matter fully to the House committee, and I hope he will do so before our committee.

A review period is included in the existing statute. Honourable senators, this is an evolving area that deserves continuous review by Parliament. Therefore, I would suggest that Bill C-10 should incorporate a provision for finite reviews by both Houses.

A committee of the Senate is currently undertaking a study of mental health and mental illness, and we know that we are in far from an admirable position in dealing with the subject in Canada. We have many gaps in mental health services, some of which have already been identified in our study, and more will come to light. This bill is only a start toward helping those with a mental disability while, at the same time, ensuring that we are all safe from persons in society who could harm us. That balance needs to be struck, and I believe that the Senate Standing Senate Committee on Legal and Constitutional Affairs should pay particular attention to the balance between the person who is deemed not criminally responsible, the victim, and society. I believe that we can improve this bill.

Hon. Anne C. Cools: Will the honourable senator take a question?

Senator Andreychuk: Yes.

Senator Cools: I was most interested in what Senator Andreychuk had to say. There was a time in my life when I took a keen interest in this subject matter. My question has to do with the phenomenon of lieutenant-governors' warrants and detention at pleasure in one of the major mental institutions in Ontario.

Senator Andreychuk has suggested that a person in that state would be at the mercy of the premier. My understanding of the situation in Ontario is that lieutenant-governors took a deep personal interest in their detainees. Does the senator have any comment to make on that?

The phenomenon of detention at pleasure has a long history, and I hope that the committee will have a chance to examine it. Cases can become very complicated when individuals are both patients and inmates. For example, for committing one murder an offender might be given a lieutenant-governor's warrant, while simultaneously for committing another murder he might be given a life sentence. The system does not then know who is in charge, the federal petentiary or the provincial mental institution.

Has the honourable senator any comment about the interest that lieutenant-governors used to show in those cases?

Senator Andreychuk: I thank the honourable senator for the question. It gives me an opportunity to elaborate further.

Having recently studied this bill, I did point out that there used to be lieutenant-governor's warrants under which people would be held at pleasure. Under Bill C-30, which was passed in the early 1990s, a review board was deemed the appropriate way to deal with these cases so that the lieutenant-governor would not be left to his or her own devices.

As Senator Cools said, some lieutenant-governors took that responsibility very seriously. They were not trained in this field or given guidelines, yet they found themselves responsible for these people, and they accepted that responsibility personally.

The difficulty was determining on what basis to release detainees and on what basis to detain them. What is their responsibility regarding treatment when that is not covered by a warrant but, rather, to do with the resources in hospitals, et cetera? That touches on federal-provincial matters.

Bill C-30 effectively implemented a review mechanism that was more impartial and more continuous. That bill provided for a review to determine whether the condition of the detainee had improved. My short assessment of Bill C-30, the precursor to Bill C-10 which is now before us, is that it was better. It was better to have review boards and to have intermittent reviews. However, there are some gaps in the efficiency of the administration of the act, which is what Bill C-10 attempts to correct.

• (1630)

We will see whether, in the long run, the continual changes that we are making are adequate to ensure that resources are available for the person who is not criminally responsible. I believe that more amendments to the code will be necessary to achieve that goal. Prevention is one thing but, honourable senators, rehabilitation is quite another.

Senator Cools is quite correct in her outline of the history of this subject.

Senator Cools: Is it the honourable senator's intention to bring forth to the committee a healthy list of witnesses that would, perhaps, include some of the former chairmen of review boards such as the one in Ontario? When I worked on this matter, former Justice Edson Haines was the chair. Perhaps a former lieutenant-governor could be called to tell us a bit about it.

Senator Rompkey: There is one here.

Senator Cools: I would thank Senator Rompkey for reminding me that we have one here in the chamber. Perhaps the honourable senator would share some of her personal experiences and tell us about the personal interest she showed in the detainees under her warrants.

Honourable senators, this is a most important matter. One of the other points that Senator Andreychuk raised — and I thought the point was made very nicely — is that far more inmates have either mental conditions or disabilities than we admit. I believe it was Ramsey Clark who once said something to the effect that one in four inmates had a learning disability or was mentally retarded. Anybody who has worked in the criminal justice system becomes very aware that many of these people begin life as unfortunates. Some move on to crime. The pathological killers, that is a different group of people.

I hope you bring forth a lively list because this promises to be a most interesting study. This will give us an opportunity to examine the relationship between crime and mental disorder.

Senator Andreychuk: In response to the honourable senator, I would say that all members of the Legal and Constitutional Affairs Committee should submit a list of suggested witnesses to the clerk. I certainly will do so.

Currently the Social Affairs Committee is undertaking a study which touches on resources.

The honourable senator is quite right. We want to determine whether Bill C-10 will maintain public safety and security. If I were a victim of crime, it would matter little to me to discover that the aggressor was either mentally handicapped in some way or criminally insane. I believe the priority is protection of society. That is the starting point.

I would not deal with the sections of the act that deal with victim impact statements. What a victim wants in a criminal setting is slightly different from what a victim may want under the mental disorder sections. Victims may support the treatment of mentally handicapped persons as much as anyone else in society and they may also play a continuing role of explaining what happened to them and why these resources are necessary. We can explore those issues.

Bill C-10 is a good attempt to deal with these issues so, in principle, I support it. However, the committee will examine the various clauses to ensure that the proposed provisions comply with the Constitution and the Charter.

The Hon. the Acting Speaker: Are honourable senators ready for the question?

Hon. Senators: Question!

The Hon. the Acting Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

On motion of Senator Callbeck, bill referred to the Standing Senate Committee on Legal and Constitutional Affairs.

FIRST NATIONS GOVERNMENT RECOGNITION BILL

SECOND READING—
SUBJECT MATTER REFERRED TO COMMITTEE

On the Order:

> Resuming debate on the motion of the Honourable Senator St. Germain, P.C., seconded by the Honourable Senator LeBreton, for the second reading of Bill S-16, providing for the Crown's recognition of self-governing First Nations of Canada.—(*Honourable Senator Rompkey, P.C.*)

Hon. Bill Rompkey (Deputy Leader of the Government): Honourable senators, I move:

> That Bill S-16 be not now read the second time but that the subject matter thereof be referred to the Standing Senate Committee on Aboriginal Peoples; and,
>
> That the Order to resume debate on the motion for the second reading of the bill remain on the *Order Paper and Notice Paper*.

The Hon. the Acting Speaker: Are senators ready for the question?

Hon. Senators: Question!

The Hon. the Acting Speaker: Honourable senators, it was moved —

Hon. Senators: Dispense.

The Hon. the Acting Speaker: Is it your pleasure, honourable senators, to adopt the motion in amendment as proposed by the Honourable Senator Rompkey?

Motion agreed to and subject matter of bill referred to the Standing Senate Committee on Aboriginal Peoples.

CRIMINAL CODE

BILL TO AMEND—SECOND READING—
DEBATE CONTINUED

On the Order:

> Resuming debate on the motion of the Honourable Senator Hervieux-Payette, P.C., seconded by the Honourable Senator Losier-Cool, for the second reading of Bill S-21, to amend the criminal Code (protection of children).—(*Honourable Senator Stratton*)

Hon. Terry Stratton (Deputy Leader of the Opposition): Honourable senators, this order has been standing in my name but it is not my intention to speak to it. I would, therefore, ask that the order stand in the name of Senator Cools, who wishes to speak to it, but not this week.

The Hon. the Acting Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

On motion of Senator Cools, debate adjourned.

• (1640)

JUDGES ACT

BILL TO AMEND—SECOND READING—
DEBATE CONTINUED

On the Order:

> Resuming debate on the motion of the Honourable Senator Cools, seconded by the Honourable Senator Keon, for the second reading of Bill S-8, to amend the Judges Act.—(*Honourable Senator Cools*)

Hon. Anne C. Cools: Honourable senators, I rise to speak to Bill S-8, to amend the Judges Act. I will be very brief because the day is getting on. I propose to introduce the subject.

Bill S-8 will repeal section 56(1) of the Judges Act. Section 56(1), as some of us may remember, was a cause of concern for the Senate. Bill S-8 will repeal this section put into the Judges Act in 1996 around the issue of an individual judge, Madam Justice Louise Arbour, to obtain permission to serve as the Chief Prosecutor for the International Criminal Tribunal for Yugoslavia and Rwanda.

Honourable senators will know that the Judges Act and the Constitution of Canada hold very strong prohibitions against judges performing any work other than judicial work and particularly against their receiving remuneration for same. In 1996, Bill C-42 to amend the Judges Act came before us trying to obtain a general exemption for all judges to be able to work for "international organizations" across the world. This house and honourable senators here took some very strong objections to that. This chamber felt that it should preserve the integrity of the

Judges Act, sections 55 and 56 in particular. The accommodation that this chamber was able to come to was that it agreed that an exemption to the prohibition would be provided for one individual judge only, that judge being Madam Justice Louise Arbour. As such, the Judges Act was amended to cite that precisely and to identify her by name in the act.

As honourable senators know, Madam Justice Louise Arbour stayed with the international criminal tribunal for a couple of years — not too long — and then came back to Ottawa to serve as a justice on the Supreme Court of Canada. She has recently resigned from the top court, to be appointed the United Nations High Commissioner for Human Rights.

Honourable senators, the provisions that are the subject of Bill S-8 are spent, and have been spent for quite some years. Therefore, it is desirable to repeal that provision. It is not desirable that an individual judge be identified by name in a general act.

In any event, I should like to adjourn the debate and continue on another day when it is not so late and when the Order Paper is not as crowded.

On motion of Senator Cools, debate adjourned.

BILL TO CHANGE NAME OF ELECTORAL DISTRICT KITCHENER—WILMOT—WELLESLEY—WOOLWICH

THIRD READING

Hon. Terry M. Mercer moved third reading of Bill C-302, to change the name of the electoral district of Kitchener—Wilmot—Wellesley—Woolwich.—(*Honourable Senator Bacon*)

The Hon. the Acting Speaker: Honourable senators, is it your pleasure to adopt the motion?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

BILL TO CHANGE NAME OF ELECTORAL DISTRICT BATTLE RIVER

THIRD READING

Hon. Noël A. Kinsella (Leader of the Opposition) moved third reading of Bill C-304, to change the name of the electoral district of Battle River.—(*Honourable Senator Bacon*)

The Hon. the Acting Speaker: Honourable senators, is it your pleasure to adopt the motion?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

FOREIGN AFFAIRS

BUDGET AND AUTHORIZATION TO ENGAGE SERVICES—REPORT OF COMMITTEE ON STUDY ON MATTERS RELATING TO AFRICA ADOPTED

The Senate proceeded to consideration of the second report of the Standing Senate Committee on Foreign Affairs (*budget—study on Africa—power to hire staff*) presented in the Senate on February 17, 2005.—(*Honourable Senator Stollery*)

Hon. Peter A. Stollery moved the adoption of the report.

Motion agreed to and report adopted.

BUDGET AND AUTHORIZATION TO ENGAGE SERVICES—REPORT OF COMMITTEE ON STUDY ON ISSUES RELATED TO FOREIGN AFFAIRS ADOPTED

The Senate proceeded to consideration of the third report of the Standing Senate Committee on Foreign Affairs (*budget—study on issues relating to foreign relations—power to hire staff*) presented in the Senate on February 17, 2005.—(*Honourable Senator Stollery*)

Hon. Peter A. Stollery moved the adoption of the report.

Motion agreed to and report adopted.

INTERNAL ECONOMY, BUDGETS AND ADMINISTRATION

THIRD REPORT OF COMMITTEE ADOPTED

The Senate proceeded to consideration of the third report of the Standing Committee on Internal Economy, Budgets and Administration (*budget of Foreign Affairs Committee—legislation*) presented in the Senate on February 17, 2005.—(*Honourable Senator Furey*)

Hon. Bill Rompkey (Deputy Leader of the Government) moved the adoption of the report.

Motion agreed to and report adopted.

ANTI-TERRORISM ACT

BUDGET AND AUTHORIZATION TO ENGAGE SERVICES—REPORT OF SPECIAL COMMITTEE ADOPTED

The Senate proceeded to consideration of the first report of the Special Senate Committee on the Anti-terrorism Act (*budget—review of the provisions and operation of the Anti-terrorism Act—power to hire staff*) presented in the Senate on February 17, 2005. —(*Honourable Senator Fairbairn, P.C.*)

Hon. Joyce Fairbairn moved the adoption of the report.

Motion agreed to and report adopted.

THE SENATE

MOTION TO URGE GOVERNMENT TO REDUCE CERTAIN REVENUES AND TARGET PORTION OF GOODS AND SERVICES TAX REVENUE FOR DEBT REDUCTION—DEBATE CONTINUED

On the Order:

Resuming debate on the motion of the Honourable Senator Kinsella seconded by the Honourable Senator Stratton:

That the Senate urge the government to reduce personal income taxes for low and modest income earners;

That the Senate urge the government to stop overcharging Canadian employees and reduce Employment Insurance rates so that annual program revenues will no longer substantially exceed annual program expenditures;

That the Senate urge the government in each budget henceforth to target an amount for debt reduction of not less than 2/7 of the net revenue expected to be raised by the federal Goods and Services Tax; and

That a message be sent to the House of Commons requesting that House to unite with the Senate for the above purpose.—(*Honourable Senator Rompkey, P.C.*)

Hon. Bill Rompkey (Deputy Leader of the Government): My understanding is that Senator Comeau would like to enter the debate at this point and we would certainly agree with that.

Hon. Gerald J. Comeau: Honourable senators, I believe we all agree that there is an urgent need for tax relief in this country. As it stands today, Canadians are heavily overtaxed by Prime Minister Martin's government. As parliamentarians, in our service of the public, we have the responsibility to ensure that this government understands the situation and fast-tracks measures to reduce the tax burden in this country. A higher tax burden slows economic growth, hampers new market development, restricts investment and limits the purchasing power of Canadians.

• (1650)

As we all have seen time and again, the Liberal government has a history of over-estimating or padding the budget in order to create budget surpluses. Certainly, we all want government to collect enough taxes to maintain essential services and continue to reduce the national debt, but the budgetary surplus amounting to more than $9.1 billion, more than 4.5 times the $1.9 billion projected for 2004-05, is, in my view, simply abusive. With surpluses like this how can the government refuse to lift the burden of overtaxation from the backs of Canadians?

The government should be reminded that a surplus is the difference between what is needed to run the country and what was taken in from taxpayers. The money was taken from taxpayers; it belongs to them. The bottom line is that tax relief for hard-working Canadians is long overdue. Canadians deserve to keep more of their hard-earned income. This would allow Canadians to make their own economic decisions, to be entrepreneurial, and to save for their future and for the future of their children.

We all know that historically governments do not easily give up revenue. In 1917, the Income Tax Act introduced a temporary general tax on both personal and corporate income. Previously, the bulk of federal government revenues had been raised through indirect taxes such as customs duties and excise taxes. This temporary measure to finance the war was supposed to be eliminated once the war was over. It seems Canadians won the war but lost the tax battle. Prime Minister Borden could no more abolish income tax once it had been established than the two last Liberal prime ministers could hold their promises to abolish the GST.

One measure of the tax burden is Tax Freedom Day. Each year, the Fraser Institute calculates the day on the calendar when Canadians finally start working for themselves. Prior to this date, all income earned is siphoned away to pay taxes imposed by all levels of government. In 1995, Tax Freedom Day fell on June 16. Eight years later, the average Canadian family had to work an extra 11 days to pay the tax man or tax person.

In the charter of the Conservative Party a dollar in the hands of a Canadian citizen is better than a dollar in the hands of a government bureaucrat. Why do we hold this to be true? Financial freedom allows Canadians, not their government, to make fundamental decisions about how to live their lives, decisions about housing and education, decisions about their children's future and decisions about how to retire with dignity. When government does collect and spend taxpayers' money, there is an expectation as well as a moral obligation that their money will be put to good use.

While we may debate the definition of good use, it is clear that this government has not met any reasonable test of responsibility and transparency in handling Canadians' hard-earned money. We do not have to look hard to find examples of this — for example, the Liberal gun registry. When the gun control bill passed in 1995, the government estimated that the program would cost $119 million. Registration fees would bring in $117 million, with taxpayers covering the remaining $2 million. Most Canadians did not like the bill but would say that $2 million was not all that great. The latest estimates show that the gun registration will cost about $2 billion. While registration fees will raise $23 million more than the projected $117 million, the program will saddle taxpayers with a multi-billion-dollar tax, a far cry from the projected $2 million originally estimated.

How could we forget the sponsorship program scandal, yet another example of how the government wasted tax dollars entrusted to them? In this case, $100 million was paid to various communications agencies in the forms of fees and commissions. As all Canadians have come to know, in most cases, little or no work was done. While the former Prime Minister made light of this with golf balls and the current Prime Minister applauded, we should all have cause to be offended. What is more surprising is

that this government continues to refuse to fast-track tax cuts and argues that financial shortfalls could occur. As it has demonstrated, this government can absorb the misspending of billions of dollars but cannot afford to lower the fiscal burdens of Canadians. The money wasted on the gun registry and the sponsorship program amounts to about $2 billion. This could have been applied to tax cuts for Canadians who need it most, the overtaxed low- and modest-income earners.

Even with the waste of the sponsorship program, the cost overruns of the gun registry, the negative effects of the mad cow crisis in the West and SARS in Ontario, and the rise of the Canadian dollar undermining Canadian exports, the government was still able to fund social programs and amass a huge surplus of $9.1 billion.

Opponents of tax relief have argued that our cities and social programs such as medicare need a cash infusion, but as the last year has proven, there is money for both reinvestment in those social programs and tax relief. Yvan Guillemette and Jack Mintz of the C.D. Howe Institute argue that Canada could afford its public health care system at lower levels of taxation by running the system more efficiently and by shifting resources away from the public service that are inefficient or of lower priority.

We must look at the relationship between the way government spends money on health care and its tax revenues. For example, countries such as Austria, Belgium, Finland and Italy raise greater revenue than the Canadian government while spending less per capita on health care. The answer lies in smart government and more accountability.

Canada's high tax rates also endanger the welfare of senior citizens. As the average age of the Canadian population rises, the current high levels of taxation make it more and more difficult for seniors to maintain their standard of living. This point was made recently by Nancy Hughes Anthony, President and CEO of the Canadian Chamber of Commerce. In an October 2004 *Financial Post* editorial, she wrote:

> ...low-income seniors who are in receipt of the Guaranteed Income Supplement (GIS) have 50 cents of it clawed back for each dollar withdrawn from an RRSP. After the GIS claw back and income taxes, many of these individuals face effective marginal rates as high as 75 per cent. Such high rates simply reduce the ability and the incentive for Canadians to save for retirement.

We can also compare our taxation system with our major trading partner, the U.S., to more than fully understand the importance of tax relief for Canadians. Canada's top provincial federal personal income tax rate is now at 45 per cent. This is 7 per cent higher than the American rate and kicks in at $113,000 compared to $159,000 in the U.S. According to the Organization of Economic Co-operation and Development, the U.S. tax burden, calculated by measuring tax revenues as a percentage of gross domestic product, dropped 1 per cent in 2003 to 25.4 per cent. That same year, Canada's position was unchanged at 33.9 per cent.

Honourable senators, it is time to address the overtaxation issue in this country. It is vitally important that we place Canada in a position to not only survive in the global community but to compete with the frontrunners. Not only would lowering taxes help Canadians, but it would also help fuel Canadian entrepreneurship and therefore the economy.

By lowering the tax burden the government would foster investments in new industries and technologies, retain companies still operating in the country and create an attractive environment for others. The outcome is higher employment and a greater tax base for government.

In conclusion, I remind honourable senators that it is our responsibility to support legislation and advocate policies that are of the widest possible benefit to Canadians. Lessening the tax burden does not serve one region over another, does not favour one industry over another. It is not an issue owned by Conservatives or Liberals. It is the most democratic, responsible move a government with a surplus can make.

Tax relief is the best way of ensuring that Canada remains at the top of the list of nations when it comes to both quality of life and economic competitiveness. That is why we should all support Senator Kinsella's motion.

Hon. David Tkachuk: Honourable senators, I also want to rise to speak in support of the motion made two weeks ago by Senator Kinsella.

I want to talk this afternoon about one component of this system, a component to which Senator Kinsella referred implicitly when he talked about payroll taxes but did not mention outright. I am referring to the Canada Pension Plan, the CPP.

The CPP was first established as a pay-as-you-go system, a defined benefit. Such systems, by definition, involve intergenerational transfers. In other words, the pensions of retirees are not paid by themselves, but are funded by the younger generations who continue to work.

• (1700)

The system, I am sad to report, is still pay-as-you-go in theory but not in fact. The thinking behind it is rooted in antiquated and overly optimistic thinking about Western economies around 1966. How optimistic was this thinking? Let me quote the words of economist and Nobel laureate Paul Samuelson. They were written in 1967, and most surely he was awarded the Nobel Prize before he wrote them. "The beauty of social insurance," he said, "is that it is actuarially unsound. Everyone who reaches retirement age is given benefit privileges that far exceed everything he has paid in. How is this possible? It stems from the fact that the national product is growing at compound interest and can be expected to go so far, as far ahead as the eye can see. Always there are more youths than old folks in a growing population." He said, "More important, with real incomes growing at some 3 per cent a year, the taxable base upon which benefits rest in any period are much greater than the taxes paid historically by the generation now retired. A growing nation is the greatest Ponzi game ever

contrived." Obviously, the eye could not see more than 30 years ahead. What was a fair if short-sighted assumption in the 1960s no longer held true three decades later. Like all Ponzi schemes, it was doomed to failure.

I will quote another short passage from a World Bank report in the 1990s. "The conditions conducive to a successful pay-as-you-go scheme are fast disappearing. Population growth is coming to a halt. Mortality rates are decreasing among the old, raising their share in the population. Wage growth is slowing dramatically, and public pension plans are in trouble in the industrial countries. As a result of these developments, the value of pension benefits being paid out in the mid-1990s begin to exceed the value of contributions paid in."

The writing was on the wall for a pay-as-you-go pension plan, but the Liberal government, which established Canada's version of the Ponzi game in 1966, seems to have badly misread the message. They recognized that the system was facing imminent collapse, so what did they do? Well, they did not take tough political decisions, like cutting back on benefits or taking measures to promote later retirement or reforming the entire system altogether. They did what they always do — they raised taxes. Combined employer-employee contribution rates that were never supposed to climb higher than 5.6 per cent were raised, by 2005, to 9.9 per cent, 10 per cent by any other name. The victims were the ones least able or least willing to resist, the young.

Those of us who were here during the debate on Bill C-2, which was a bill introduced in the other place by now Prime Minister Martin, will recall that not only did they raise taxes, they also raised payroll taxes. Most economists will tell you that raising payroll taxes inevitably has a pernicious effect on the economy. Moreover, the burden of the tax is not to be shared equally across generations in an era of stagnating growth and early retirement. The changes to the CPP instituted by this government in 1997 have put an unconscionable and inequitable load on the young, who are now left to pay for our past mistakes. They will contribute more than we ever did to the Canada Pension Plan and reap less when they retire.

We have, it seems, a system that has three major flaws. The system is to provide a level of pensions that today is, at best, at the poverty level. It is not to pay for the payee's pension but rather to unfairly pay for others. In other words, taxpayers are paying in excess for those who in the past paid too little, and the extra money was spent by the government to administer other programs or to lend money at very low interest rates to provincial governments.

The irony of all of this is that now the excess that all of us are forced to pay, but mostly the young, who still have a long work life ahead of them, is being invested by the same institution — the Government of Canada — that conceived of this plan in the first place. It seems we missed something some eight or nine years ago. The very foundation and premise of the Canada Pension Plan when it was introduced was the pay-as-you-go system, where present taxpayers pay and care for the elderly — a good social benefit. It was not to be the only pension but a basic pension, which, supplemented by old age security, at least would prevent devastating poverty and all those social ills that go along with it. In fact, as I have said before in this place, it started when the average male died at age 67. Today, we are forcing taxpayers into a save-for-the-future plan, with the government investing it for the citizen. When did we all debate this concept? Never. We are centralizing all these forced savings into the hands of the government and into the hands of a Crown corporation.

In the debate on Bill C-2, we on this side warned the government of the power all this cash would have on the markets and, frankly, that it would be a threat to market stability. If we listen to some experts, that gigantic amount of cash not freely gotten is a threat to the market today, and the cash is miniscule to what the future will bring. We could have put more responsibility in the hands of the taxpayer by creating individual pension pools, by raising the age of eligibility of the government portion, by using some of our surpluses to pay down past generations' malfeasance and strengthening present pools and ridding the country of the 30 per cent foreign limit, which is another way of forcing citizens to pay for investments less attractive than elsewhere.

The Canada Pension Plan estimates that a person retiring 47 years from now who is now age 18 and pays in the maximum will receive about $826 per month in today's income, or $9,912 based on the average income, which in 2005 was $40,500, which is the maximum amount you can contribute. In terms of that $826 per month, or $9,912 per year, the average rate of inflation of 2.3 per cent compounded annually for the next 47 years will come out to somewhere around $24,000 or $25,000. If $3,663, which is the maximum amount, were deposited for 47 years — starting at age 18 and going to age 65 — at 7 per cent, which RBC says would be a very conservative number, that same individual would have $1,296,540.62.

If that amount were amortized over 30 years, it would pay $72,000 a year in pensionable savings. If that were amortized over 40 years — that is, starting at age 25 and paying in $3,663 at 7 per cent — an individual would have, at age 65, $775,842.27.

If that amount were withdrawn over a period of 240 withdrawals — over 20 years, say, or until age 85, which is higher than current life expectancy — the average withdrawal would be $4,685.83 per month, at a rate of return for the annuity of 4 per cent.

We can calculate this in any number of ways, and in every way that we do, and in every assumption that we make, the amount that young people are contributing today is unjust and unfair. We, as parliamentarians who have children and grandchildren, have a responsibility to do something about it.

CPP taxes have nearly tripled since 1996, while expected benefits have shrunk in inverse proportion. The pension reform supplied by the Liberal government in 1997 means that, in essence, anyone over 50 will get more benefits than they contributed and that anyone under 50 will have contributed more than they get in return. There is no fairness in that.

Mr. Drummond of the Toronto-Dominion Bank, the chief economist I quoted earlier, issued a report this past January on the economic well-being of Canadians. In that report, when he referred to CPP, he noted that a rise in taxes is not necessarily associated with reduced economic well-being, that is, if it is used to invest in programs and services. However, this is not the case with the CPP. The rise in the tax burden in this case, Drummond said, is the price society is now paying for past government deficits and policy shortcomings. It contributes not one nickel to government programs or services. In other words, we are paying back money for past mistakes. We are paying incurred debt with payroll taxes, which inflict more pain on the poor and the middle-income earners than on the rich because we top them at $40,500. The rich get a pass on this ugly social financing, just as they do with the unfair tax on Employment Insurance, which is also topped at a middle-income level but which is used to finance deficits. This is what we get from a millionaire Prime Minister whose father kept his son's company flush with federal grants. Then his own son moved that company to Barbados so that he would not have to pay taxes on the grants at all. These same Liberals now want to finance Kyoto by sending billions to Russia to buy clean air, a policy so ridiculous that I cannot believe I am uttering the words. The same Liberals want to impose a daycare system based on forced entry rather than on choice. Young Canadians should take out their calculators and add up what they are sending to Ottawa and revolt against this revolting policy.

• (1710)

Elsewhere, it was admitted that CPP reform was needed, but then it was asked why young people would accept a solution that placed a disproportionate level of responsibility on a generation that did not create the underfunding in the first place. Why indeed. Why is this government demanding that our children pay for our sins and give them nothing in return? Why did this government take the easy way out and place the heaviest burden on the young without looking for a more equitable reform solution?

I will give senators one reason. Those who will pay the heaviest price for the CPP are those born between 1990 and 2000. They will pay CPP at the same rate that we pay today and will reap only a 2 per cent return. What else do we know about those born between 1990 and 2000? They do not yet vote. That is what else. The government knew that it could tax them with impunity. It also knew that the personal deduction that used to rise with inflation was frozen by Mr. Martin in 1997, so it will shrink again as a meaningful deduction to the young and to the poor.

The Martin Liberals and the Chrétien Liberals took the surpluses provided by the taxes of Canadians in the 1990s and, instead of investing them in the Canada Pension Fund, they chose to increase spending and put windfall — fraudulent cash — in the pockets of Liberal advertising agencies and friends of the party.

There is no discussion today, and there should be, about the theft that has been perpetuated on the young who are least able to defend themselves against the vagaries of a failed program and a selfish generation. The young today are lashing out at enemies from President Bush to the World Bank and free trade, not realizing that their pockets were picked long before they were able to vote.

Senator Pitfield, during debate on Bill C-2, said that we failed a great opportunity to debate and discuss how we should reform CPP at that time, and the government chose simply to raise taxes. Meanwhile, the executives of the Canada Pension Fund bragged that the fund is healthy for the next 70 years because of the immense amount of cash being hoarded from the young rather than being in the personal accounts of those who are expected to shoulder the burden.

Unlike generations before us, honourable senators, who cleared a path for their children, we have put obstacles in their way that make it exceedingly difficult for them to build an asset base or generate savings. Today, the top marginal federal-provincial personal income tax rate is over 45 per cent and kicks in at a relatively modest income level. Anyone earning $70,000 today has to give nearly one half of that income to the government. That does not take into account the sales taxes, the gas taxes and all those other taxes that they have to pay. Each time they walk into a grocery store, they pay two cents on a pop bottle and two cents on a milk carton and an amount for almost every other packaged good in a grocery store. The EI surplus was topped at $46 billion and it is a mirage — it does not exist — but it is more than three times what the Chief Actuary said was necessary in 2001. The CPP reserve fund stands at some $70 billion today and is expected to hit $147 billion by the end of 2010. Anyone who thinks that one fund in one place will not have a detrimental effect on the marketplace in this country is dreaming in Technicolor. All of these surpluses have been built mostly on the backs of our children. This generation, and this government in particular, has never missed an opportunity to lighten their load. We have downloaded our programs created by past extravagances onto our children.

It is time, honourable senators, to support Senator Kinsella's motion and to throw this government out.

Hon. John G. Bryden: Honourable senators, while listening to Senator Tkachuk's eloquent speech, I was reminded of something that I had read. In the U.S. there is considerable concern about the security of people as they grow older. It comes from what some writers refer to as a new ownership class that has expanded in the U.S. dramatically during the 1980s, 1990s and into this decade. Everyone appears to be encouraged, almost coerced, to become owners of assets that carry not only potential but also considerable risks. The first of the three examples given is the ownership of common equity. During the 1990s, everyone needed to have a big chunk of the next technology IPO. People would own a part of a start-up company, for example, and take no salary but would take options to redeem at the initial public offering and become wealthy. It became the case that these were not all bright, young people or sophisticated investors. Many ordinary people bought the latest hot ticket. We had a lot of them in Canada, but there were many more in the U.S. One of the methods used was for large businesses to switch their defined benefits pension program to defined contributions so that employees could invest. The company was required to invest a certain amount and the employee decided what they would buy. Defined contribution programs still work that way. It was great as long as what you bought increased in value.

• (1720)

I think it was 20 quarters in a row that the S&P had a 20 per cent or better increase, and a large part of that increase was in the growth stocks of the technology sector. The problem was that there was no end to risking everything on this constantly growing asset class. As we all know, the technology bubble burst, and many people's savings just disappeared. There were no savings.

During the same period, sophisticated people, ordinary people and the people who follow along because they want to be successful as well also bet on real estate, on their homes. If someone bought a $200,000 house, then they can spend all the rest of their money because a year later that house would be worth $300,000. The numbers just kept going up and up, and people invested huge amounts. A good part of people's savings today is invested in their homes or their cottages because they believe that these investments will some day be worth many times more than the original investment. That is like the honourable senator's quote about the optimist looking forward.

What brought this article to my attention is that the latest move in the U.S. system threatens what was once the foundation of old age security. Rather than protecting savings and allowing ordinary folk to go forward into old age with some degree of minimum security, the U.S. government is proposing that old age security be privatized — turning their social security system into what the defined contribution plans did.

Senator Kinsella: A money purchase plan.

Senator Bryden: If that is what my honourable friend wishes to call it, fine. It means that everyone will have to do the same if they are to be successful.

A number of economists are concerned about the direction being taken as people get older and live longer. If one looks at the ownership of equities, bubbles tend to burst. If one looks at the history of real estate growth, bubbles tend to burst. They burst in Toronto and Vancouver back in the 1970s and 1980s. Add to that the last vestiges of a society-backed security program that is now being turned over to the private sector, and it looks as if individuals are betting their futures in one giant casino. Some may end up very rich, because that can happen in a casino, but most will end up losing virtually everything, and they will not have any control or any guarantees. The majority of gamblers ultimately come out of casinos with less than they took in.

As I was listening to Senator Tkachuk discuss our system, I thought that all governments have had problems trying to put these systems together. However, one of the things that happens in Canada — and perhaps it goes with the Mr. Dithers caricature — is that we tend to muddle through. In fact, Canada is a success because it is not ideologically committed. Canadians are very practical. We will try what works and we will back off if it does not work. We change and adapt as we go forward.

I have a great deal of confidence in both the social fabric and the social safety net that have been built by various governments, piece by piece and bit by bit, all of which places Canada in a position of balance and security. The CPP is part of that security. Canadians will not live a wealthy life on CPP or the OAS, but the GIS is also available. That combination of programs has worked and will continue to work.

Honourable senators, I think we will be making a serious mistake if we decide to ape the U.S. in requiring Canadian citizens to fund all of their future retirement and social needs.

Senator Tkachuk: You did not listen. You never got the point.

On motion of Senator Rompkey, debate adjourned.

WORLD TRADE NEGOTIATIONS ON DOHA ROUND

INQUIRY

On the Order:

> Resuming debate on the inquiry of the Honourable Senator Stollery calling the attention of the Senate to the World Trade Organisation negotiations on the Doha Round.—(*Honourable Senator Stollery*)

Hon. Peter A. Stollery: Honourable senators, 13 years ago I read a new book by Telford Taylor, called *The Anatomy of the Nuremberg Trials*. Telford Taylor was a member of the American prosecution staff at the first Nuremberg trial, and he went on to become chief prosecutor at the ensuing Nuremberg trials. It was a very good book and was well received. What struck me when I read the book was this sentence on the first page:

> In 1945, and for 15 to 20 years thereafter, the reading public in the Western World knew a good deal about the structure and record of the Third Reich and the names of its leading personalities. Hitler, Goering, Goebbels, Ribbentrop, Himmler, among others, were household words. Today that is no longer the case.

People forget. Honourable senators might ask what that has to do with the World Trade Organization. People have forgotten not only about the Third Reich, they have forgotten and are ignorant of the consequences of poverty and the feeling of hopelessness that laid the foundation for the Nazis and the Communists.

The World Trade Organization, really a secretariat of complex agreements aimed at an open trading system, the putting in place of agreed and enforceable rules for trade between nations, seems to be one of the only effective ways that living standards of poor countries can be brought to an acceptable level. Apart entirely from feelings of sympathy for your fellow man, vast numbers of impoverished men and women without work, or working for such a pittance as to make their lives a misery, is dangerous.

The WTO, and in particular I am talking about the Doha development round negotiations, is a real opportunity to do something real about rural poverty in the world. As most honourable senators know, there are several areas of trade rules to be dealt with in the Doha Round. Four, what are known as the Singapore issues, have to do with investment, competition policy, transparency, government procurement and trade facilitation. However, the main challenge is to establish enforceable rules for world trade in agriculture.

Honourable senators do not need me to explain the importance of multilateral rules. We have the bad experience of trying to deal bilaterally with our main trading partner, the United States, on agriculture and other natural resource areas, such as softwood lumber. The Byrd amendment, beef, the Canadian Wheat Board — the list is not long but the problems seem to be unsolvable.

• (1730)

Retaliation is almost impossible because the cost is almost as great to the offended party as it is to the offending party. The U.S. congressional system, in particular, which does not listen to its own administration, listens only when the European Union, Canada, Japan and others may all retaliate if the Americans do not live up to their agreements.

The point is that, when a majority of an organization of nearly 150 countries gets together against a member country judged to have broken the rules, that member country pays attention. A system of government such as that in the United States, where no one is actually in charge, should give everyone pause for thought.

However, our own direct interest is only one important part of the agricultural negotiations of the Doha Round. On January 17, 2005, the UN produced a highly acclaimed report of some 3,000 pages entitled *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*. The report stated authoritatively that 1 billion of the world's 6 billion people live on less than $1 a day and 2.7 billion live on less than $2 per day.

As many of you know, the United Kingdom chairs this year's G8 meeting, which takes place this July at Gleneagles, Scotland and, once again, Africa is on the agenda. I say "once again" because Africa was on the agenda at Kananaskis in 2002, the last time Canada chaired the G8. It is difficult not to observe that most of Africa has been independent since the early 1960s. Why did it take the world so long to discover the miseries of so much of that unhappy continent where not only do more than 2 million people a year die of AIDS, but also 1 million, mostly children, die every year from malaria, which is easily and cheaply preventable and has been for years? One in six children in sub-Saharan Africa will not see his or her fifth birthday.

Not long ago, I heard President Museveni of Uganda say that in his country 85 per cent of the people work in subsistence agriculture. I would venture to guess that an overwhelming majority of the 3 billion people referred to in the UN report are engaged in some form of subsistence agriculture. One of the responses to the UN report was by Gordon Brown, British Chancellor of the Exchequer, who has a leading role in this year's G8 meeting. Some weeks ago, I watched Gordon Brown say on television that Africa will miss some targets for reducing poverty by more than 100 years.

Primary education for all will be delivered in 2130, the halving of poverty by 2150, the elimination of avoidable infant deaths by 2165. All these goals were to have been met by 2015.

Imagine if that were said about Canada, that we were going to miss an important social or, for that matter, any other target by 100 years. There would be an uproar in Parliament, in the media and in the country at large. When it is said about Africa, or poor countries on other continents, only a few specialists make a fuss. Most people say, "Oh yes, that is terrible," and get on with what they are doing. Only with the rise of disorder, danger and threat do people get serious. Yet, 3 billion impoverished people on this planet — half the population — is, I insist, very dangerous for everyone.

The best example of the connection between poverty and security and subsistence agriculture that I can think of was revealed in testimony in private conversation when the Foreign Affairs Committee went to Mexico to hear witnesses on NAFTA. When the committee was in Mexico, we heard repeatedly that all was not well in the countryside. We had many conversations with Mexican politicians and private chats with witnesses. As I wrote in my foreword to the report, I was personally taken aback by the explosion in the number of street vendors.

Mexican members of Parliament said that there were villages and whole rural areas where there are almost no men. The imports, because of NAFTA, particularly of cheap beans and maize from Canada and the United States, had wiped out millions of subsistence farmers who simply had no option but to leave and seek work in Mexico City or the United States.

During the visit of President Fox last fall, the situation was confirmed unanimously by the delegation of Mexican senators from all parties during an on-the-record meeting of the House of Commons Standing Committee on Foreign Affairs attended by Senators Prud'homme, Corbin and myself. I cannot recall whether Senator Andreychuk was there.

There is no doubt that, for Mexico, the United States has become the safety valve. Of course, informed American officials know this. The border authorities that I have seen interviewed estimate that they stop one in three, most of whom they say probably try again. *The Globe and Mail* reporter Allan Freeman said in Washington just a few days ago that the numbers are quite staggering and that, according to the U.S. border patrol, 586, 000 illegal aliens were caught attempting to enter the United States through just Arizona in the year that ended last September 30. That figure is up 175,000 from the previous year.

At the dinner in honour of the Fox visit, I sat next to a very senior Mexican business figure who observed that, if the Americans really did seal their border and the more than 500,000 illegal Mexican workers could not cross into the United States and look for work, the bottling up of millions of unemployed driven off the land by an unwise agricultural agreement as part of NAFTA could cause an explosion and possibly a civil war.

Senators can imagine what this means for U.S. security. If the Americans stop them coming in, they risk civil disturbance in their neighbour, which could have equally bad consequences for themselves. Obviously, if this huge movement of illegal workers continues, there is a great risk of undesirables smuggling themselves into the United States together with the ordinary folk looking for jobs.

The United States, because of pressure from its heavily subsidized agricultural interests demanding access to the Mexican market, has put itself at serious risk. I do not know what percentage of Mexicans work in subsistence agriculture, and I do not think anyone does. The official statistics are not reliable. My own guess — and I have nearly 50 years of experience in poor countries — is that it is at least between 30 and 35 per cent. In Canada and most developed countries, about 4 per cent work in agriculture, and the concept of subsistence agriculture has ceased to exist.

Over the last two years, I have attended the Wilton Park Conference in England on the Doha Round on development. Last year, after our committee's discoveries in Mexico, I continually pointed out to trade negotiators and other interested parties the cost of a bad negotiation. What the world needs, and not just the wealthy world's farmers, is an outcome that is good for everyone, or at least most people.

How can you have prosperity and the security that follows if, as in Uganda, 85 per cent of people work in subsistence agriculture earning a miserable pittance, and then you drive them from the land with an international agreement that only assists large landowners?

Senator Sparrow explained to me years ago that there are at least two kinds of agricultural production — internationally traded commodities, such as coffee and grain, and locally traded products like eggs, chickens, turkeys, dairy products and tobacco. I understand that. Subsistence farmers are mostly inefficient. I understand that to make agriculture productive, usually, though not always, larger land holdings are necessary. Colombian coffee farmers, for example, do farm quite small holdings. It is said that coffee is the second-largest traded commodity in the world by value after oil. Colombia has the most advanced national coffee organization in the world. It is one of the things in that troubled country that actually works very well.

President Museveni said that industrialization is the only way Uganda's subsistence farmers will improve their condition. I think that may take quite a while, and I do not think it is in the interests of anyone to wait. I do not see how the Doha Round negotiations can be a success if subsistence farming is not addressed.

Honourable senators, I am perfectly aware that agriculture may be the most difficult trade issue of all. Twenty years ago, the MacDonald royal commission said in its report that world agricultural policy was substantially interventionist. I do not think things have improved.

A year or two ago, in Uruguay, I was cycling in the daytime and, in the evening, reading outraged newspaper editorials in the Uruguayan press about a shipment of U.S. subsidized rice that had been sold to southern Brazil and that had stolen a market from Uruguayan producers. The story was in all the papers and on television. It was not good for the image of the United States.

One of the problems with the WTO, and with trade negotiations generally, is that matters are in the hands of the producers. The consumers do not get a look in. The annual Wilton Park Conference is an interesting example. Nearly all the participants are negotiators with a sprinkling of what you might call NGO-types. The conference was most worthwhile and I will try to attend again this year. These are serious senior negotiators and their teams from Japan, the U.S, Europe and other countries.

• (1740)

For example, this year we had the chief Sudanese negotiator. From him, I learned that Sudan has the largest cotton farm in the world. Last year, the brilliant Japanese negotiator attended. I was told that each time rice was on the agenda, his hands were completely tied by representatives of Japanese rice farmers who would sit beside him to make certain he did nothing that affected their interests. As senators are aware, Japan is the largest food importer in the world but does not allow one grain of rice to come into the country. There are no consumers, other than the negotiators, who are, after all, consumers themselves and, in private, marvel at the subsidies for European beet sugar and U.S. cotton.

For someone like me, who was trained as a merchant by extraordinarily able merchants, who, if any good, must think like consumers, I know something about Egyptian and Sudanese cottons. This gap is troubling. I have seen the same thing in Geneva and have wondered if it is one of the reasons that so many groups hate the WTO. Where I see the Doha Round as a chance to set rules agreed upon by nearly 150 countries, which can only benefit, they see only a system that will make everything the same and eliminate quality and choice — and they have a point, which leads me to my point.

As far as I can determine, our Canadian stand on these negotiations is that we are anti-subsidy and pro-market access. We have a third position: We want to protect our marketing boards. I believe that some form of supply management, an area where Canada has great expertise, must be extended to poor countries in tandem with subsidy reform and market access. After all, if we think it works for us, why would it not work for others to help their subsistence farmers make the transition to a more advanced agricultural economy? As I mentioned at the beginning of my remarks, people forget. We have an amazing capacity to not put ourselves in the other fellow's shoes.

When I was born in Toronto, 30 per cent of employable Torontonians had no work. In 1935, the city paid $10 million for soup kitchens. One in seven people in Ontario were on relief. Our society could not stand that, and we changed. In other countries, anger at poverty brought us the communists and the fascists and the Nazis. Why should other people be different from us?

It will take years, but the success of the Doha Round, with agriculture as its main theme, is important, if for nothing else our own safety.

The Hon. the Acting Speaker: If no other senator wishes to speak, this inquiry is considered debated.

The Senate adjourned until Wednesday, February 23, 2005, at 1:30 p.m.

CONTENTS

Tuesday, February 22, 2005

PAGE

ORDERS OF THE DAY

PAGE

Available from PWGSC – Publishing and Depository Services
Ottawa, Ontario K1A 0S5